



GA.05 13/14

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Governance and Audit
Committee

Date 27th June 2013

Subject: Governance Risk and Compliance Strategy

Report by:

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Purpose / Summary:

For members to consider and approve the
Governance, Risk and Compliance Strategy

RECOMMENDATION(S):

- 1) That Members approve the Governance, Risk and Compliance Strategy**

Legal:

Civil Contingency Act 2004

Financial :

Risk management is used to prioritise the allocation of resources.

Staffing :

Risk management is used to prioritise the allocation of staffing resources.

Equality and Diversity including Human Rights :

None

Risk Assessment :

Forms part of the strategy

Climate Related Risks and Opportunities :

None

Title and Location of any Background Papers used in the preparation of this report:

See references

Call in and Urgency:

Is the decision one which Rule 14 of the Scrutiny Procedure Rules apply?

Yes

No

Key Decision:

Yes

No

1. Introduction

- 1.1 Risk management is a statutory requirement for local government for business continuity, and an essential part of corporate governance.
- 1.2 By having good risk management practices in place, and embedded as part of every day working and decisions, the Authority can ensure that we are focussing on the right issues and using scarce resources on those areas that are most likely to have an adverse affect on achieving our strategic aims.
- 1.3 This is particularly important in the current economic climate, where efficient and effective use of resources is vital.
- 1.4 The existing strategy was approved in 2011 and requires updating to reflect the current structure and areas of responsibility.
- 1.5 This strategy has been designed to help us to meet the recommendations made by internal audit in 2012, to reflect good practice, and take account of the results of our risk appetite work.

2.0 Internal Audit Report

- 2.1 Internal Audit carried out an audit of our risk management arrangements in September 2012. Assurance was limited and their main recommendations were that:
 - The risk management strategy should be revisited in light of recent structural changes and the risk appetite work undertaken by the Council.
 - The Corporate Risk Register should only include the 'make or break' risks facing the Council - those risks that affect successful delivery of the Councils' strategic direction and priorities.
 - How risks are escalated should be clarified to help ensure that there are 'no surprises' but the focus is maintained on what is corporately important.

3.0 The Strategy

- 3.1 The strategy takes into account the new directorates' areas of responsibility and the programme boards that have been established to take forward the corporate plan activities, it also reflects the risk appetite of 'open and aware'.
- 3.2 Ensuring that risk management is embedded into the organisation and drives the decisions that we take is vital and this strategy makes clear where the responsibility for managing risk at different levels lies. This will be further strengthened by management codes of practice.
- 3.3 Training has been delivered to the core and wider management teams, stressing levels of responsibility and what constitutes a corporate risk.

4.0 Risk Champion

- 4.1 Best practice and internal audit recommend that there is a member risk champion to help embed the practice within the authority, to develop an understanding of risk and to promote risk management and its benefits throughout the Authority, ensuring that members take risk management into consideration when making decisions.

References

HM Treasury – Governance and Risk Management, Management of risks – Principles and concepts

Institute of Risk Management – Fundamentals of Risk Management, Risk appetite and risk tolerance.

Framework for corporate governance in local government – CIPFA

CIPFA delivering good governance in local government

Risk Strategy

Risk Aware not Risk Averse



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Executive Summary



1 Why do we need a Risk Strategy?

We are in a constantly changing world and examples such as the national economic position, world wide prices for goods, austerity measures, in particular for public services, rising levels of unemployment and the effects of climate change are all issues that we need to take into account when developing our priorities and delivering services to local people.

It is vital that we are constantly aware of the way that these will influence our ability to make the best of our resources and to focus on priorities.

The responsibility for managing risk has not been embedded in our organisation in the past, driving our decisions through all levels. It is the aim of this strategy to make sure that responsibility for risk management, levels of tolerance and lines of escalation are clear and understood.

Awareness of the issues that are likely to affect us, a strong business acumen and good governance arrangements are essential to effective risk management. This will ensure that as an organisation we are resilient and agile enough to respond quickly to the opportunities that present themselves, with the ability to identify and take account of risks, and by being aware of our risk appetite, make decisions based on calculated risks.

1.1 Purpose of the Strategy

This Strategy aims to outline:

- i. Why we need to be able to identify emerging and existing risks,
- ii. The benefits of understanding our risk appetite,
- iii. How we plan to manage risk,
- iv. The culture and behaviour required to manage risk effectively,
- v. How the Strategy will be delivered - The Work Programme,

1.2 Priorities of the Strategy

The priorities for the Risk Strategy are:

1. To ensure that the importance of identifying both emerging and existing risks is understood,
2. To ensure we understand our risk appetite and how this helps officers and members work more effectively together and take calculated risks,
3. To ensure that our workforce understand how to identify and manage risks effectively,
4. To ensure that resources are used efficiently and effectively
5. To ensure that our strategic objectives are achieved.
6. To ensure that risks are managed at appropriate levels
7. To ensure that decisions are taken in accordance with our agreed appetite for risk.

2 Governance, Risk and Compliance

2.1 What is Risk?

The Council, in delivering the objectives as defined in the corporate plan, is surrounded by uncertainty which can both pose a threat to success and also offer an opportunity to increase success.

Risk is defined as uncertainty of outcome, whether as a positive opportunity or negative threat, of actions and events that may affect the Council's business.

To be able to manage the risk to tolerable levels, risk must be assessed in respect of the combination of the likelihood of something happening, and the impact on achieving our objectives, if it does actually happen. Managing that risk includes what we decide to do about it, the actions and controls that the Council puts in place and monitoring of those actions and their effects as part of internal control.

Governance arrangements are those that are put in place to ensure that the organisation delivers its vision and objectives in a way that is deemed to balance appropriate controls and bureaucracy with freedom to innovate and take opportunities based on the organisation's current capability levels to ensure success.

A risk is not the converse of an objective i.e. the risk of not achieving an objective. It should include the cause and the consequence of the risk occurring.

For example being late (the cause) and missing a train (the effect), rather than failing to get to a meeting on time (the objective).

2.2 Identifying Risk

Identifying risks is the first step in building our risk profile.

To be able to take account of the risks to achieving the Council's objectives, it is vital that the organisation is aware of and takes into account, the events and issues that may have an effect, whether positively or negatively.

This is done by analysing (horizon scanning) the things that are happening, internationally, nationally, and locally, taking a view on the effect that these events will have, and putting in place actions to take these into account.

There are two aspects to the identification of risk:

- initial risk identification of an emerging risk to achieving objectives or for a new project.
- continuous risk identification to identify new risks, changes in existing risks, or risks that are no longer relevant.

2.3 Assessing Risk

Risks should be assessed and prioritised in relation to their effect on the Council's objectives.

It is important that there is a clearly structured process in which both likelihood and impact are considered for each risk and that the way that it is recorded allows us to monitor, identify and prioritise management actions.

To be able to gauge the difference that management actions have made, and assess this in relation to the risk appetite and tolerance levels, the assessment will also include inherent (the initial) risk and residual (current) risks.

These are scaled in a high, medium and low matrix to be able to see where the tolerance level is. This will help to prioritise resources and actions and determine escalation and responsibility levels to bring the risk within tolerance limits.

2.4 Risk Appetite

Our appetite for risk in specific circumstances defines the type and level of controls, levels of tolerance and areas of responsibility for managing risk.

The Council has established the risk appetite as:

“ to be able to take calculated risks to seize opportunities (innovation) and achieve success”

Representing a risk appetite of being: **Open & Aware**

This means willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing a good level of reward.

Comparing the level of the risk to the risk appetite gives us the tolerance level to be able to inform actions and controls and allocate responsibility.

2.5 Managing risks more effectively

Risk Management is the recognition of, and response to the risks to and opportunities in achieving our objectives. It is a key area of corporate governance.

Are our current risk management approaches effective? Are our strategies for managing risks robust, relevant and **updated in line with changes**?

To make sure that risk management is embedded into the organisation and drives decision making, we have defined the roles and responsibilities for risk management throughout the organisation as follows:

2.6 Roles and Responsibilities

Council

The Council has the ultimate responsibility for discharging all of the Council's functions to either a Committee or specific officer.

Governance and Audit Committee

The Committee is responsible for monitoring the effective development and operation of risk management and corporate governance for the Council.

The Committee will agree the strategy and monitor management actions to make sure that key risks are managed.

The Committee will hold the Corporate Management Team to account for the effective management of risks by officers.

Challenge and Improvement Committee

This Committee has responsibility for reviewing and scrutinising the decisions made by, and performance of, committees and council officers to ensure that risk management has been applied and adds value and quality to decision making.

Corporate Plan Board

The Corporate Plan Board is made up of the Chief Executive, the Director of Communities and Localism and Monitoring Officer, the Director of Regeneration and Planning, the Financial Services Manager and Section 151 Officer and the Assistant Chief Executive with responsibility for governance.

The Board is responsible for ensuring that corporate and programme risks are identified and managed and that the control mechanisms are being achieved.

The Board develops, approves and owns contingent actions as well as overseeing levels of risk on behalf of the programmes.

It will also ensure that the procedures and policies that are followed support the risk management strategy.

Programme Boards

Programme boards will take an overview of project risks and management controls within their programme areas and manage the risks that are beyond the tolerance levels of projects.

Core Management Team (CMT) and Service Managers

All service managers are responsible for ensuring that the risks to achieving the aims in their responsible areas are assessed and managed and that risk registers are updated with current issues and reviewed through service team meetings in accordance with the organisation's risk appetite.

Risks and their control measures will be included within service plans and updated in quarterly performance reviews.

It is also the role of service managers to ensure that common themes for business and organisational failure (e.g. capacity, resources and prioritisation) are taken into account at a service and corporate level and reflected in risk registers, as their effect on achieving service and organisational aims.

Service Managers will also ensure that team leaders comply with the strategy and have the necessary level of training and competence.

Service managers will comply with the Risk Management code of practice and will escalate risks to the Director where a decision at this level is needed.

Wider Management Team

Members of the Wider Management Team will also be responsible for ensuring that:

- Team managers and other appropriate staff receive training on risk management as appropriate.
- Risks and opportunities are regularly discussed at team meetings
- Issues referred by CMT are acted upon
- Service Managers are informed and supported on corporate risks
- Risks are identified in all relevant committee reports that recommend a new or changed policy or allocation of resources.
- Risks associated with projects are managed
- Health and safety risks are managed.
- Team managers comply with the risk management code of practice.

Project Managers

It is the role of project managers to ensure that risks and opportunities within their projects are managed at an appropriate level and in accordance with the risk appetite and that risks are escalated to the Programme Boards where deemed necessary.

Business Continuity Management

The Council works in partnership with Lincolnshire County Council and the other District Councils on arrangements for business continuity.

A County wide steering group monitors and ensures that all partners comply with the legal requirements for business continuity and take account of the Community Risk Register.

Service managers will ensure that their emergency and business continuity plans are up to date and fit for purpose.

The Assistant Chief Executive

The Chief Executive is responsible for ensuring that risk management within the Council complies with this strategy and for championing risk management throughout the Council.

This role is responsible for co-ordinating and developing risk management across the Council, ensuring that the Risk Management Strategy is up to date and complied with, and that the Governance and Audit Committee receives an annual report on the risk management arrangements.

Corporate Governance Officer

The Corporate Governance Officer will provide risk management support for service managers, team managers and staff and the Corporate Governance and Strategy Group and arrange training for officers and members as appropriate.

Staff

All staff have a responsibility to raise any risks that they become aware of to their service managers and team managers and for ensuring that they are involved in managing risks.

Members

Members are responsible for facilitating a risk management culture across the Council and ensuring that their needs for risk management training are met.

Internal Audit

Internal Audit (Audit Lincolnshire) is responsible for auditing the key elements of the Council's risk management process and taking a risk based approach to inform the internal audit plan.

They are also responsible for taking an independent view that internal controls are robust and monitored and are operating correctly.

Member Risk Champion

The member risk champion will promote the risk management strategy with members and be the recognised point of contact for members on risk management.

Partnership Risks

The Council works in partnership with a range of other organisations in order to achieve its strategic objectives and aims.

We have defined a partnership as "an agreement between two or more bodies to work collectively to achieve an objective."

Officers with a role in managing the delivery of objectives through partnerships will ensure that there is adequate identification and management of risks to achieving the objectives of the partnership.

The Council is committed to membership of the Greater Lincolnshire Risk Management Partnership, working together to ensure a county wide approach to risk management and collaborating with partners in the County to deliver a co-ordinated approach to risk management, training and best practice.

2.7 Embedding a resilient risk culture

Risk management can only be embedded into the organisation when it is part of everyday management and drives decision making.

This strategy aims to ensure that all levels of the organisation understand their role and responsibility for managing risks within their areas of responsibility and tolerance.

This strategy defines these areas to make it clear where that responsibility lies and ensure that risk management is included as a defined competence.

To ensure that this is clear, this will be supported by codes of practice for each level, as well as training, support and management systems.

3 Categories of Risk

All risks should be managed in the context of their effects on our corporate objectives.

3.1. External Risks

External risks are those that are not within our control, but where, having an awareness of their implications, we can take into account to mitigate effects or take advantage of opportunities.

Through PESTELE, we can focus on those issues that are going to have greatest effect as follows:

Political – such as changes in government policy.

Economic – such as prices, exchange rates, rates of interest, inflation and unemployment

Socio-cultural – such as changes affecting the demography of our communities and their expectations

Technological – rapid changes in technology present risks and opportunities to the organisation and to local people and businesses.

Legal and regulatory – such as new laws and obligations for the organisation.

Environmental – taking into account the environmental health of our communities and risks from extreme weather conditions and climate change.

3.2. Operational Risks

These relate to our day to day business and include:

- **Service** – failure to deliver our services, or the scope of a project within budget or to a level agreed, including contracts, health and safety and business continuity.
- **Capacity and Capability** – this can include staffing, financial resources. Management responsibilities, physical assets, including data, our relationship with partners and our customers, our reputation and the effect of these on our ability to provide services.
- **Risk management, performance and capability** - including the way that we govern ourselves, our ethics; conduct; and compliance; our resilience and security of our data and assets.

3.3. Change

Any change, including new projects and policies, new ways of working and organisational transformation brings about its own risks.

Risks across all areas have the potential to impact on reputation which can have a serious impact on the organisation (such as lost confidence from potential funding providers and partners) or personally (such as loss of employment or election).

4. Developing a Risk Aware Culture

The fact that we are introducing this Risk Management Strategy demonstrates our recognition of both the need for and the benefits of effective risk identification and management.

4.1 Cultural change & Behaviour

Organisations that adapt, change and innovate have at their core a culture and discipline of managing calculated risks. This must be in place throughout the organisation to ensure that the financial and management controls, processes and governance i.e. the foundations, are robust.

Local government and in particular West Lindsey District Council is undergoing a culture change, from provider of services to facilitator and catalyst of change.

This in itself presents its own risks as we move to an approach to managing risks within defined tolerance levels and management and ownership at the appropriate levels of responsibility.

This strategy stresses that responsibility for risk management lies at all levels across the organisation and is included as a managers' competence

Having considered our risk appetite, we are now in a position to look at risk management against a framework of what is tolerable and to balance the approach against the opportunities. This means that we are in a better position to focus our limited resources on the areas where we can make most difference and accept that not all risks need to or can be managed down to the lowest level.

The culture of the organisation builds on a new approach to commercial awareness, where the management of risks and taking advantage of opportunities are central to decision making.

4.2 Working Practices and Environment

It is the aim of this strategy to ensure that risk management is embedded as part of every day practices and decision making, driving the organisation, the decisions and the way that resources are allocated.

The aims and objectives of the Corporate Plan take account of the risks and opportunities facing us in meeting the priorities and aims of our communities.

See 2.5 for role and responsibilities.

4.3 Clear Management Standards and Guidance

In line with good governance, a number of Codes of Practice and templates will support officers to work in new ways. Codes of Practice, Guidance and Templates relevant to the implementation of this Strategy include;

- Terms of reference for our Committees, boards and panels
- Codes of practice for managers to take responsibility for managing risks within their areas of responsibility
- Templates for project management to ensure that scopes and outcomes are clear and risks managed as part of the project

- Support and guidance from the Corporate Governance Officer in the achievement of this strategy
- Horizon Scanning to ensure that the organisation is aware of the risks, issues and opportunities facing us.
- Training and awareness raising for staff, members and managers.

4.4 Due Diligence and Business Information

In the world of innovation and entrepreneurship it is essential that risk is managed and decisions are supported by appropriate market research, trend analysis and business intelligence.

Clear guidelines will be provided to support officers in understanding when they need to ask for external professional assistance to ensure due diligence is undertaken when driving forward change.

4.5 Governance

The Corporate Strategy and Governance Board will oversee the effective delivery and implementation of the Risk Strategy and the on-going identification and management of risk.

4.6 Work Programme

The following table identifies the key projects related to the Risk Management Strategy:

No.	Programme Area	Lead Officer	Board Managed Through
People Development Projects			
1.	Risk Appetite Training	Governance Officer	CSGB
2.	Commercial Training	Asst Chief Executive	Commercial Board
3.	Risk Management Training	Corporate Governance Officer	CSGB
Projects to support the identification of Emerging and Existing risks			
4.	Horizon Scanning	Corporate Governance Officer	CSGB
5.	Service Risk Reviews	Asst Chief Executive	As Relevant
6.	Project Risk Review	Programme Leads	Programme Boards
7.	Partnership Risk Review	Director of Strategy and Regeneration	Localism Board
8.	Strategy Risk Review	Asst Chief Executive	CSGB

Projects to focus the organisation on managing risks more effectively			
9.	Risk Management Code of Practice	Corporate Governance Officer	CSGB
Business Continuity			
10.	Refresh Business Continuity Plans	Public Protection Services Manager	CSGB