MEDWAY COUNCIL RISK STRATEGY 2020 –2021

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Introduction

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Risk management is an integral part of good governance.

The Council recognises that it has a responsibility to identify and manage risk in order to achieve its strategic objectives and to identify opportunities to improve the services it provides to the community.

The responsibility for managing risk belongs to everyone and there needs to be a sound understanding of the nature of risk by all stakeholders.

Risk is unavoidable, however, successfully managing risk, by having appropriate controls in place to reduce the likelihood and impact of unexpected events, will enable the Council to meet its aspirations for Medway.

The Principles of Risk Management

The purpose of risk management is to ensure that the Council has an effective process to support better decision making through good understanding of risks and their likely impact. Risk management improves performance, encourages innovation and supports the achievement of Council objectives. The principles outlined below and in Figure 1 are the foundation for managing risk and enable the Council to manage the effects of uncertainty on its priorities.

Integrated -risk management is an integral part of all activities

Structured and comprehensive— a structured and comprehensive approach to risk management contributes to consistent and comparable results

Customised—the risk management framework is proportionate to the objectives

Inclusive—appropriate and timely involvement of stakeholders enables their knowledge, views and perceptions to be considered. This results in improved awareness and informed risk management.

Dynamic—Risks can emerge, change or disappear. Risk management anticipates, detects, acknowledges and responds to those changes in an appropriate and timely manner.

Best available information—inputs are based on historical and current information as well as future expectations. Risk management takes into account limitations and uncertainties. Information should be timely, clear and available to all.

Human and cultural factors—human behaviour and culture significantly influence all aspects of risk management

Continual improvement—risk management is continually improved.

Figure 1—Principles Source: ISO 31000:2018(E)

The Risk Management Framework

The purpose of the risk management framework is to assist the Council in integrating risk management into significant activities and functions. Good governance is critical to the effectiveness of risk management. Leadership and commitment are at the centre of the Council's risk management framework. The components of the framework are outlined below and in Figure 2 .

Integration— risk is managed in every part of the Council ; everyone has responsibility for managing risk.

Design— understanding the Council and its context, articulating commitment to risk management, assigning roles, authorities, responsibilities, accountabilities, allocating resources and establishing communication and consultation.

Implementation— develop a plan which includes time and resources.

Evaluation—the risk management framework should be reviewed annually to evaluate its effectiveness in supporting the Council in achieving the Council's objectives

Improvement—the Council should continually improve the suitability and effectiveness of the risk management framework

The Council's approach to risk management is based on best practice industry standards including the International Standard in Risk Management – ISO: 31000:2018(E)

Effective risk management includes regularly reviewing our emergency planning programmes and service business continuity management to ensure that we respond effectively to potential crises.

Figure 2—Framework Source: ISO 31000:2018(E)

The Risk Management Process

Risk management is an iterative process which aims to help the Council understand, evaluate and take action on all risks. It supports effective decision making, identification of priorities and objectives and increases the probability of success by making the most of opportunities and reducing the likelihood of failure.

Risk management helps us deliver performance improvement and is at the core of our governance. It helps us manage business planning, change management, innovation, budget setting, project management, equality and access and contract management.

Risk management is applied at all levels of management and service delivery. This enables the effective use of resources; helps secure the assets of the organisation and continued financial and organisational well-being.

The process of risk management is illustrated in Figure 3 and further detail provided on pages 7 and 8

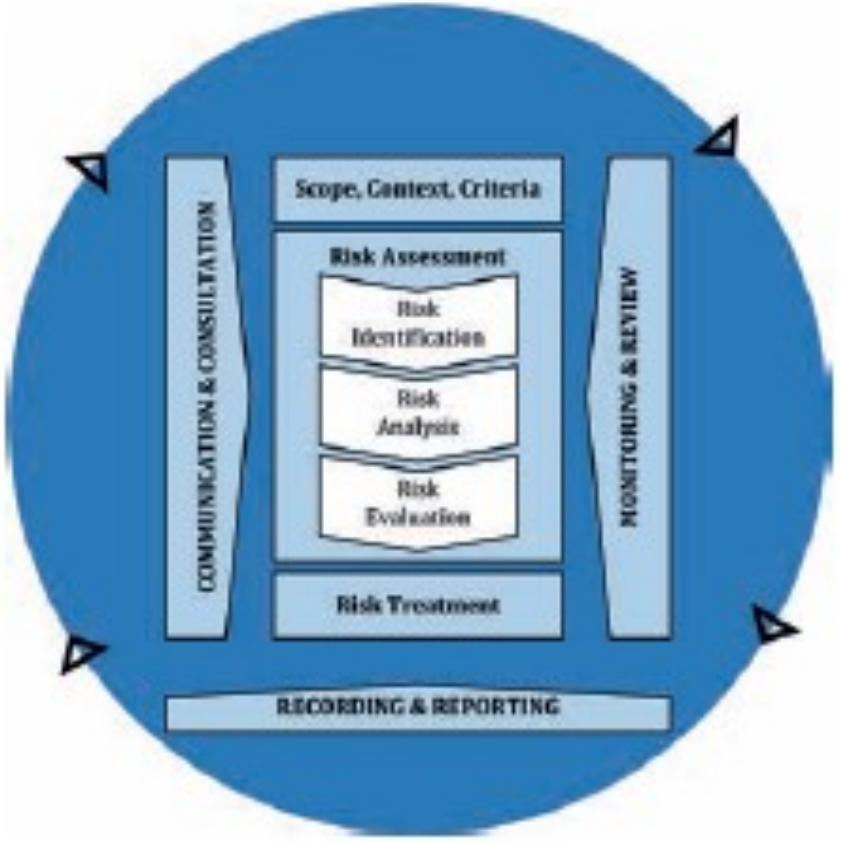

Figure 3—Process Source: ISO 31000:2018(E)

Risk Identification

The purpose of risk identification is to find, recognise and describe risks that might help or prevent the Council achieving its objectives. The following factors should be considered:

- Tangible & intangible sources
- Causes & events
- Threats & opportunities
- Vulnerability & capability
- External & internal context changes
- Indicators of emerging risks
- Nature & value of assets and resources
- Consequences & their impact on objectives
- Limitations of knowledge & reliability of information
- Time related factors
- Biases, assumptions & beliefs of those involved

Risk Analysis

The purpose of risk analysis is to understand the nature of the risk and its characteristics including the level of risk. Risk analysis should consider the impact should the risk manifest and the likelihood of the impact occurring.

Impact

Opportunity	Threat
I Transformative	I Catastrophic (Showstopper)
II Major	II Major
III Moderate	III Moderate
IV Minor	IV Minor

Likelihood

A	Very high
B	High
C	Significant
D	Low
E	Very low

Risk Matrix

The Council's risk matrix is shown below. The Council have agreed the tolerance line be drawn at C2 (significant and moderate).

Key	
Low risk/priority	
Medium risk/priority	
High risk/priority	

	IV	III	II	I
A				
B				
C				
D				
E				
F				

Risk Evaluation

The purpose of risk evaluation is to determine where additional action is required. This can lead to a decision to:

Do nothing—it may not be cost effective to manage all risks. In these circumstances the Council will tolerate the risk.

Avoid—decide not to take the risk

Accept—accept the risk

Transfer—all or part of the risk to a 3rd party or through insurance

Reduce—implement controls or actions to reduce risk

The outcome of risk evaluation should be recorded, communicated and then validated at appropriate levels of the Council

Iteration and controls (mitigation)

The Council' s approach to risk management is iterative with reviews taking place quarterly. Controls are put in place to reduce the likelihood of the risk occurring or the impact should the risk manifest.

Inherent score—assigned at the commencement of the risk before controls have been put in place. It is a useful indication of the total exposure that the Council may have to a particular risk, if no control measures are applied or if current controls are ineffective.

Current residual score— the current risk level that is still there after some controls have been taken into account

Target residual score— the level of risk the Council is willing to accept once all controls have been taken into account

Strategic and operational risks

Risk management is applied at all levels of management and service delivery.

Operational risks—risks which may affect the day to day running of a service. The impact may affect the service only. These are managed within the service by the service manager.

Strategic risks—risks which may stop the Council achieving its objectives. The impact may affect all (or a large part) of the Council. These are managed by the Strategic Risk Management Group.

Roles and responsibilities

All Members, employees and partner organisations have a role to play in ensuring that business risk is effectively managed across the Council.

Who	Roles & Responsibilities
Members	Approve the Risk Management Strategy. Review risks through the quarterly reports on key strategic risks and information contained in the Council Plan, Cabinet reports and AD Quarterly Reports.
Portfolio holders	Agree and review risks and mitigations and escalation with Assistant Directors quarterly
Corporate Management Team (CMT)	Identify, review and manage the Council's key strategic risks above the tolerance level quarterly. Provide leadership and support to promote a culture in which risks are managed with confidence at the lowest appropriate level. Agree the risk management framework for the Council
Strategic Risk Management Group (Membership shall be: A chair who is a nominated Director and appropriate representation from each Directorate with an overall responsibility for risk issues.)	Chair of group to sponsor risk management at CMT (Chief Finance Officer). Ensure the Council's key strategic risks are reviewed, updated and presented to CMT quarterly. Regularly review the risk management and control process employed across the Council including the risk management framework. Review findings and recommendations of external auditors, internal audit or other relevant third parties in relation to risk management. Review the impact of any changes in the organisation on the risk management process and the response to these changes including the update of the risk register. Champion risk management, the practice, awareness, buy-in across the organisation and identify training needs. Provide strategic support to the development of service continuity plans and the emergency planning service

Who	Roles & Responsibilities
Directorate Management Teams (DMT)	Ensure appropriate representation on the Strategic Risk Management Group Ultimate responsibility for the management of all directorate risks and maintenance of a sound system of internal control within the directorate and across partnership working Identify, review and monitor the effectiveness of the risk management actions relative to the risks to the directorate in the directorate risk register on a quarterly basis Reflect significant changes to business objectives and related risks and, where relevant, address them in the Directorate Business Plan
Deputy / Assistant Directors	Oversee the effective implementation of risk management within their service area within the agreed principles and framework Discuss significant key risks and risk management actions with their portfolio holders and report on progress through the AD Quarterly Reports Alert Directorate Management Team (DMT) if impact, opportunity or likelihood of the risk increases Agree and review risks treatments and escalation with Portfolio Holders quarterly
Service Managers	To manage operational risks effectively in their service areas by identifying risks for their service areas, assessing them for opportunity, likelihood and impact, propose actions to treat them and allocate responsibility for the controls treating the risk within the service risk register Record risk treatment into service plans Discuss risks and risk treatment actions with AD and report progress through the service managers quarterly update Alert their Assistant Director if impact, opportunity or likelihood of the risk increases
Staff at all levels within the Council	Identify, assess and report risks within their service areas practice risk management in their day to day activities alert their line manager if impact, opportunity or likelihood of the risk increases
Internal Audit & Counter Fraud	Provide advice and guidance on the management of risk