

# MEDWAY COUNCIL

## RISK STRATEGY 2023/24

### Contents

<b>The Principles of Risk Management</b> .....	2
<b>Embedding Risk Management</b> .....	3
<b>The Risk Management Framework</b> .....	3
<b>Risk types</b> .....	4
<b>Reporting Framework</b> .....	4
<b>The Risk Management Process</b> .....	5
<b>Stage 1: Establish Objectives</b> .....	5
<b>Stage 2: Identify Risks</b> .....	5
<b>Stage 3: Analyse and Evaluate</b> .....	6
<b>Stage 4: Mitigation</b> .....	9
<b>Stage 5: Record and Report</b> .....	9
<b>Stage 6: Monitor and Update</b> .....	10
<b>Roles and responsibilities</b> .....	10
<b>Elected Members</b> .....	10
<b>Portfolio Holders</b> .....	11
<b>Cabinet</b> .....	11
<b>Audit Committee</b> .....	11
<b>Leader of the Council</b> .....	11
<b>Council Officers</b> .....	11
<b>Strategic Service Managers / Service Managers / Programme Managers / Project Managers</b> .....	11
<b>Assistant/Deputy Directors</b> .....	12
<b>Directorate Management Teams</b> .....	12
<b>Corporate Management Team</b> .....	12
<b>The Chief Executive</b> .....	12
<b>Internal Audit</b> .....	13

# Introduction

## Phil Watts

### Chief Operating Officer

Risk management is an integral part of good governance.

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

Managing risk is the responsibility of everyone; it is at the heart of the Council's culture and values and is reflected in the behaviours of elected members and officers. The Council's risk culture balances an acceptance that risks need to be taken to achieve our plans. The Council is fully committed to developing a culture where risk is appropriately, effectively, and proportionately managed. This culture flows throughout the whole organisation from elected members to officers who understand and comply with the Council's Risk Management Strategy and processes and are aware of their own roles and responsibilities.

As a risk aware organisation, we are not risk averse. We recognise that risk is unavoidable. We also recognise that there are risks outside our control. 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 following principles shall be applied:

1. Risk management shall be an essential part of governance and leadership, and fundamental to how the Council is directed, managed and controlled at all levels.
2. Risk management shall be an integral part of all organisational activities to support informed decision making in achieving objectives.
3. Risk management shall be collaborative and informed by the best available information and expertise.
4. Risk management processes shall include:
  - a. risk identification and assessment to determine and prioritise how the risks should be managed,
  - b. the selection, design and implementation of risk treatment options that support achievement of intended outcomes and manage risks to an acceptable level,
  - c. the design and operation of integrated, insightful and informative risk monitoring; and
  - d. timely, accurate and useful risk reporting to enhance the quality of decision making and to support management and oversight bodies in meeting their responsibilities.
5. Risk management is imperative which shall be continually improved through learning and experience.

6. Risk management supports a culture of well-measured risk taking throughout the Council's business, including strategic, programme, partnership, project, and operational risks. This includes setting risk ownership and accountabilities and responding to risks in a balanced way, considering the level of risk, reward, impact, and cost of control measures.
7. Even with good risk management and our best endeavours, things can go wrong. Where this happens, we will use the lessons learnt to try to prevent it from happening again.

## Embedding Risk Management

For risk management to be effective, it needs to be an integral part of key business and management processes. Risk management shall be included in the following processes:

- Corporate Decision Making – risks, which are associated with policy or action to be taken when making key decisions, are included in appropriate committee reports.
- Service and Budget Planning – this process includes updating the individual service risk registers to reflect aims and outcomes.
- Project/Programme Management – all projects should consider the risks to delivering the project/programme outcomes before and throughout the project. This includes risks that could have an effect on service delivery, benefits realisation and engagement with key stakeholders.
- Partnership Working – partnerships should establish procedures to record and monitor risks and opportunities that may impact the Council and/or the Partnership's aims and objectives.
- Procurement and Contract Management – all risks associated with all stages of procurement and contract should be identified and kept under review.

## The Risk Management Framework



The risk management framework supports the consistent and robust identification and management of opportunities and risks across the Council, supporting openness, challenge, innovation, and excellence in the achievement of objectives.

The risk management framework assists the Council in integrating risk management into all levels of the Council and ensures that risk is managed in every part of the Council.

Risk registers will be in operation at service/project level, at directorate level, and strategic level. Risks can be escalated up and managed down. Directors are responsible for identifying risks that should be escalated up to the strategic risk register. The strategic risk register will be reported to Corporate Management Team, Cabinet and Overview and Scrutiny Committees.

## Risk types

**Strategic risks** are those risks which may stop the Council achieving its objectives. The impact may affect all (or a large part) of the Council. These risks cannot be managed solely at service level because higher level support is needed. These are managed by Corporate Management Team.

**Service/Division/Directorate** (operational) risks are risks which may affect the day-to-day running of a service, division, or directorate. The impact may affect the service, division, or directorate only. The impact of these risks may be catastrophic in the context of the service level but lower in the context of the strategic risk level (see example in stage 3 on page 6). These are managed within the service, division, or directorate.

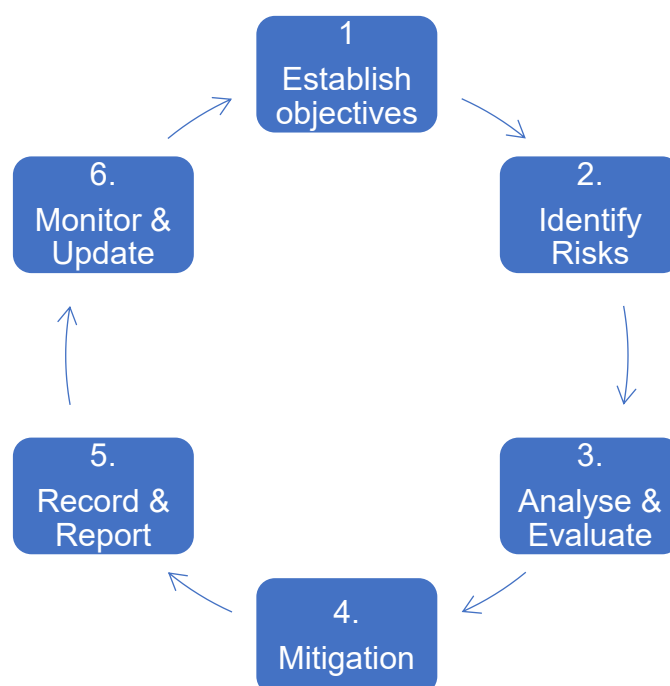
**Programme/project** risks are those which may impact the successful outcome of a programme/project. These are managed within the programme/project but may be escalated depending on their size and purpose.

## Reporting Framework

The reporting framework for risks is outlined in the following table:

Report/Review	Review Body	Purpose
Annual risk strategy review and report	Corporate Management Team, Audit Committee, Business Support Overview and Scrutiny Committee, Cabinet	Assurance of the effectiveness of the Council's risk management process
Quarterly strategic risk review and report	Corporate Management Team, Cabinet, All Overview and Scrutiny Committees	Updates on most significant risks and assurance on how they are being managed
Quarterly directorate risk review	Directorate Management Teams	Updates on risks that may impact on the objectives of the directorate
Quarterly service, programme or project review	Service Managers, Programme Managers, Project Managers	Updates on risks that may impact on the objectives of the service, programme, or project

## The Risk Management Process



Risk management is an iterative process which aims to help the Council understand, evaluate, and act 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 and helps secure the assets of the organisation and continued financial and organisational well-being.

### Stage 1: Establish Objectives

Before we can identify risks, we need to establish what we are trying to achieve and what our proposed outcomes are. Once objectives have been established, the risks that may impact successful completion of the objective can be identified.

### Stage 2: Identify Risks

The purpose of risk identification is to find, recognise and describe risks that might prevent the Council achieving its objectives.

The aim is to generate a comprehensive, up-to-date, easy to understand register of risks that are relevant to Council, Directorate and service plan or project delivery.

To identify risks, managers should:

- Undertake a risk assessment exercise.
- Horizon scan: Research and consider the risks or adverse incidents that have affected others including keeping up-to-date with new local, national, and international policies, legislation, and events.
- Measure current performance and identify weaknesses.
- Recognise the risks that can be managed by the Council and those that cannot.

Risks may fall under the following categories:

Political	Outcomes	Projects/Programmes
Economic	Reputation	Customers
Regulatory	Management	Environment
Financial	Assets	

When a new risk is identified it will be allocated a unique reference code which will remain with the risk throughout its lifespan including the escalation and de-escalation between different risk registers. Each directorate should maintain a list of existing and expired risks from which to determine new risks codes.

### Stage 3: Analyse and Evaluate

The purpose of risk analysis and evaluation is to understand the nature of the risk, including the level of risk and to prioritise treatment.

Risk evaluation may lead to the decision to:

- **Do nothing:** It may not be cost effective to manage all risks. In these circumstances the Council will tolerate the risk or reconsider the original objective.
- **Avoid:** Where the risk outweighs the benefit, avoid the risk by doing things differently.
- **Accept:** Accept the risk without implementing further controls. The risk owner makes an informed decision to accept that existing actions sufficiently reduce the likelihood and impact and there is no added value in doing more.
- **Transfer:** Transfer all or part of the risk to a third party or through insurance. Although responsibility can be transferred, in most cases accountability remains with the Council, so this still needs to be monitored.
- **Reduce:** Implement controls or actions to reduce the impact or likelihood of the risk occurring. Further actions are recorded in the risk register and regularly monitored, and the net risk level re-assessed.
- **Exploit:** Whilst taking action to mitigate risks, a decision is made to exploit a resulting opportunity.

During this process risks will be rated to determine the:

- **Inherent score:** This is 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:** This is the current risk level that remains after some controls have been considered.
- **Target residual score:** This is the level of risk the Council is willing to accept once all controls have been considered.

Risks are rated through a combined assessment of:

- Likelihood: how likely the risk is to occur.
- Impact: the potential impact before and after mitigation.

NOTE: The potential impact of a risk may vary dependent on the lens applied when analysing and assessing the risk. For example, a service manager facing a potential loss of income of £200,000 would assess the impact of this risk as major or catastrophic but this would not reach the corporate risk register as through the Corporate Management Team lens £200,000 loss of income is minor in relation to the overall income target for the Council.

## Risk Matrix

The risk matrix is the visual tool to illustrate and compare risks. The Council's risk matrix is shown below:

<b>Likelihood - Very Likely A</b>	<b>AIV</b>	<b>AIII</b>	<b>AII</b>	<b>AI</b>
<b>Likelihood - Likely B</b>	<b>BIV</b>	<b>BIII</b>	<b>BII</b>	<b>BI</b>
<b>Likelihood - Unlikely C</b>	<b>CIV</b>	<b>CIII</b>	<b>CII</b>	<b>CI</b>
<b>Likelihood - Rare D</b>	<b>DIV</b>	<b>DII</b>	<b>DII</b>	<b>DI</b>
	<b>Minor impact IV</b>	<b>Moderate impact III</b>	<b>Major impact II</b>	<b>Catastrophic impact I</b>

### Key

Risks that fall into the grey shaded squares should be escalated to the Strategic Risk Register as outlined in stage 6 on page 10.

## Risk Ratings

The following criteria is to be used as a guideline to aid evaluation.

### Likelihood

Likelihood of the risk occurring over a one-year period or the life of the programme/project:

<b>Very Likely A</b>	Almost certain. Expected to occur in most circumstances. History of very frequent occurrence at the Council or similar organisations. More than 75% chance of circumstances arising.
<b>Likely B</b>	Strong possibility. History of frequent occurrence at the Council or similar organisations. 41% to 75% chance of circumstances arising.
<b>Unlikely C</b>	Not expected. Moderate possibility it may occur. 10% to 40% chance of circumstances arising.
<b>Rare D</b>	It could happen but is very unlikely. Less than 10% chance of circumstances arising.

**Impact**

	<b>Catastrophic impact I</b>	<b>Major impact II</b>	<b>Moderate impact III</b>	<b>Minor impact IV</b>
<b>People / Duty of Care</b>	Death or life threatening	Severe injury, lost time, short term sick absence	Minor injury, no loss of time	Incident, no loss of time
<b>Financial</b>	Financial impact not manageable within existing funds and requiring Member approval for virement or additional funds. More than £500,000 or more than 15% of budget	Financial impact manageable within existing Directorate budget but requiring Director and Chief Operating Officer approval for virement or additional funds. Between £250,000 and £500,000 or more than 5% and less than 15% of budget	Financial impact manageable within existing service budget but requiring service manager approval for virement or additional funds. Between £50,000 and £250,000 or more than 2% and less than 5% of budget	Possible financial impact manageable within service budget. Less than £50,000 or more than 1% and less than 2% of budget
<b>Legal</b>	Legal action, Section 151 or government intervention or criminal charges almost certain and difficult to defend	Major civil litigation and/or national public enquiry	Legal action unlikely / Minor breach of duty resulting in disciplinary action	Legal action unlikely / Localised service level deviation from duties
<b>Service/Project Delivery</b>	Loss of service for more than 5 days / Impacts on vulnerable groups / Affects the whole Council	Loss of service 2 to 3 days / Impacts on non-vulnerable groups / Affects a single directorate	Loss of Service 1 to 2 days / Impacts on non-vulnerable groups / Affects 1 or a few services of the Council	Brief disruption, less than 1 day / Impacts on non-vulnerable groups / Affects a project
<b>Reputation</b>	Negative sustained national publicity, resignation or removal of Chief Executive, Director, or elected member	Sustained negative local publicity / High proportion of negative customer complaints	Significant negative local publicity	Minor, short term adverse local publicity



<b>Environment</b>	Major damage, long term contamination to local area	Moderate impact, short term contamination to local area	Minor impact, short term contamination	Local incident would be dealt with immediately with minimal impact
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## Live risks and managed risks

Strategic risks are distinguished as follows:

- **Live risks** require continued management and further mitigating action. These risks may change each quarter.
- **Managed risks** are risks where all reasonable mitigation has been applied and embedded into business-as-usual work. Due to their nature or sensitivity, these risks may still require a corporate overview but would not typically change each quarter.

## Stage 4: Mitigation

The purpose of mitigation is to manage the risk to minimise the likelihood of the risk occurring, reduce the frequency of it occurring or limit the severity of the event should it occur.

This stage involves:

- Identifying the existing controls in place.
- Identifying what further controls are required.
- Accepting that it is not possible to eliminate all risk and there may not be reasonable mitigations available.
- If the mitigation provided does not reduce the risk level, then it is not mitigation.

The Risk Owner, the person who is responsible and accountable for the risk, must be assigned. This should be the person with the knowledge of the risk area and have sufficient seniority to enable them to allocate resources to manage the risk and to ensure that actions required to treat it are completed. For strategic risks this is usually the Assistant Director or equivalent.

Each mitigation or control should be allocated a unique reference code which aligns with the reference code for the risk. Mitigation codes will be assigned by the risk owner.

## Stage 5: Record and Report

Risks should be recorded and reported; this occurs through the Strategic, Directorate and Service/Project/Programme Risk Registers.

Risk registers are working documents that record the key details of the risks such as:

- title/description,
- risk owner,
- risk ratings – inherent, current and target scores,
- the main controls in place to manage the risk,
- a summary of the actions and their progress, and comments providing further information and updates on the management of the risk.

A sample risk template is shown in Appendix 1 of the risk strategy.

A sample risk register summary is shown in Appendix 2 of the risk strategy.

Risk reporting is an iterative process that takes place quarterly. Risk reporting should:

- Provide relevant, concise but sufficient risk information in a timely manner that facilitates decision making and action.
- Ensure that the views of the leadership team, management teams, and committee(s) receiving the risk report are passed to the relevant risk owners.
- Focus on the most significant risks, ensuring adequate responses are put in place.

## **Stage 6: Monitor and Update**

### **Iteration and controls**

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.

### **Escalation and tolerance**

The Council have agreed the risk tolerance be drawn at BI (likely and catastrophic). Risks that are BI or above will be considered for the strategic risk register. These are the risks that fall into the grey shaded squares on the risk matrix. Directorate, Service, Programme or Project risks will generally be below BI.

All risks may escalate to higher levels of risk registers when further action to mitigate a risk cannot be taken by the current owner. Service/programme/project managers should submit their risks to Directorate Management Teams for consideration of inclusion in the Directorate Risk Register. Directorate Management Teams should submit their risks to Corporate Management Team for consideration of inclusion in the Strategic Risk Register.

All risks may be de-escalated to lower levels of risk registers when mitigation has reduced the severity of the impact should the risk occur or the likelihood of it occurring. When Corporate Management Team feel that a strategic risk is sufficiently controlled to warrant its removal from the Strategic Risk Register, they will return it to the Directorate Management Team who will decide whether it remains on their risk register or is returned to the service/programme/project risk register.

## **Roles and responsibilities**

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

The Council expects risk management to be part of all roles in the Council and applicable objectives built into individual performance objective plans.

## **Elected Members**

Members will:

- Ensure that they understand the Council's risk management arrangements and the strategic risks facing the Council.
- Take reasonable steps to properly consider all the risk implications during the decision making and policy approval taken by them.
- Understand the risks facing the Council and Medway.
- Review strategic risks through the quarterly reports and information contained in the

Council Plan, Cabinet reports and Overview and Scrutiny reports.

## **Portfolio Holders**

Portfolio Holders will:

- Agree and review risks and mitigations and escalation with Assistant Directors on a quarterly basis.

## **Cabinet**

Cabinet will:

- Ensure the effective operation of the Council's approach to risk management.

## **Audit Committee**

Audit Committee will:

- Agree and endorse the Corporate Risk Management Strategy.
- Review and scrutinise the implementation and effectiveness of the Corporate Risk Management Strategy.
- Understand the risks facing the Council and Medway.

## **Leader of the Council**

The Leader of the Council will:

- Ensure the work of the Audit Committee and Full Council is conducted in accordance with Council policy and procedures for management of risk and with due regard for any statutory provisions set out in legislation.

## **Council Officers**

All officers will:

- Comply with the Risk Management Policy for their operational activities and processes.
- Comply with mitigating actions identified to reduce risk.
- Report potential hazards and risks they cannot manage to line managers.
- Work in a safe manner not putting themselves, others, or the organisation at risk.
- Alert their line manager if the impact, opportunity, or likelihood of the risk increases.

## **Strategic Service Managers / Service Managers /**

## **Programme Managers / Project Managers**

Strategic Service Managers / Service Managers / Programme Managers / Project Managers will:

- Manage operational risks in their service areas by identifying risks for their service areas, assessing them for opportunity, likelihood, and impact, then propose actions to treat them, and allocate responsibility for the controls treating the risk within the service risk register.
- Maintain a service/programme/project risk register arising from service/programme/project plans. This will be held as local files unless they are escalated to a higher risk register. Templates are provided in Appendices 1 and 2 to the risk strategy.
- Clearly define what the risk is, and the steps being taken to reduce the level of risk.
- Agree risks and risk treatment actions with Assistant Directors and report progress through the service managers' quarterly update.
- Alert their Assistant Director if the impact, opportunity, or likelihood of the risk increases.
- Escalate risks appropriately.

## **Assistant/Deputy Directors**

Assistant/Deputy Directors will:

- Take primary responsibility for identifying and managing significant strategic and operational directorate risks arising from their service activities. These will be recorded, monitored, and reviewed via the Directorate Risk Register on a quarterly basis.
- Ensure that mitigating actions are nominated to specific personnel and are completed.
- Ensure that reports for decision include comprehensive risk management information to allow effective decisions to be made.
- Promote Risk Management and ensure that the Risk Management Strategy is implemented effectively across their Service and that they and their officers undertake training as required.
- Ensure that their teams carry out risk assessments where appropriate as a routine part of service planning and management activities.
- Ensure that all officers are aware of the risk assessments appropriate to their activity.

## **Directorate Management Teams**

Directorate Management Teams will:

- Develop a Directorate Risk Register and review and update it on a quarterly basis.
- Monitor the Directorate Risk Register and ensure that mitigating actions are allocated to nominated officers and completed.
- Ensure that the risk management process is an explicit part of all major projects, partnerships and change management initiatives within their Directorates.
- Ensure that Risk Management roles and responsibilities and performance management targets are included within appropriate job descriptions.
- Understand the risks facing their Directorate, the Council, and Medway.
- Be accountable for escalating/de-escalating risks between the different Risk Registers.

## **Corporate Management Team**

Corporate Management Team will:

- Promote and oversee the implementation of the Corporate Risk Management Strategy.
- Take a lead in identifying and analysing significant corporate and crosscutting risks and opportunities facing the authority in the achievement of its key objectives.
- Determine the Council's approach to each risk and set priorities for action to ensuring they are effectively managed, and reviewed and updated on a quarterly basis.
- Identify, develop, manage, and update the Strategic Risk Register on a quarterly basis.
- Understand the risks facing the Council and Medway.
- Review and challenge the Directorate Risk Registers as appropriate.
- Support and promote a risk management culture throughout the Council.
- 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.

## **The Chief Executive**

The Chief Executive will:

- Take overall responsibility for the Council's risk management performance.
- Ensure the Council has effective and efficient risk management arrangements in place.
- Ensure all decision making is in line with Council policy and procedures for management of risk and any statutory provisions set out in legislation.

- Ensure adequate resources are made available for the management of risk.
- Ensure management of risk performance is continually reviewed.
- Ensure the risks facing the Council and Medway are understood.

## **Internal Audit**

Internal Audit will:

- Provide assurance, advice, and guidance on the implementation of the Risk Management Policy.
- Ensure that internal audits consider the risks identified within the Strategic and Directorate Risk Registers.
- Provide assurance on the robustness of the Council's management of risks.
- Undertake deep dives into high level risks.

<b>RISK</b>
<b>RISK OWNER</b>
<b>PORTFOLIO</b>
<b>Current Residual Risk Score</b>
<b>Inherent Risk Score</b>
<b>Target Residual Risk Score</b>
<b>Trigger</b>
<b>Consequence</b>
<b>Opportunities and the way forward</b>

<b>RISK</b>	<b>Mitigating Action</b>
<b>Lead Officer</b>	
<b>Desired Outcome: Expected Output: Milestones</b>	
<b>Progress update</b>	

**APPENDIX 2: RISK REGISTER SUMMARY TEMPLATE**

**Service:**  
**Risk Owner:**

<b>Likelihood:</b>	<b>A</b> Very likely	<b>B</b> Likely	<b>C</b> Unlikely	<b>D</b> Rare
<b>Impact:</b>	<b>I</b> Catastrophic	<b>II</b> Major	<b>III</b> Moderate	<b>IV</b> Minor

<b>Risk Ref</b>	<b>Risk</b>	<b>Inherent risk (before controls)</b>	<b>Current Controls</b>	<b>Current risk (after controls)</b>	<b>Proposed / Further Controls / Treatment Action</b>	<b>Target risk (after further action)</b>
Unique reference to be allocated	Outline risk, what could trigger it and what the impact could be if it were to occur.	Score with no controls	Outline controls (mitigation) already in place	Score after controls	Outline future controls that could be put in place. Outline opportunities that may occur because of rethinking/addressing the risk.	Score we are aiming for