

MEDWAY COUNCIL RISK STRATEGY 2022 –2023

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Introduction

Phil Watts

Chief Finance Officer
Chair, Strategic Risk Management Group

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 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.

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.

- **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.

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

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 and helps secure the assets of the organisation and continued financial and organisational well-being.

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

- | | |
|-----|----------------|
| I | Transformative |
| II | Major |
| III | Moderate |
| IV | Minor |

Threat

- | | |
|-----|--------------|
| I | Catastrophic |
| II | Major |
| III | Moderate |
| IV | Minor |

Likelihood

- | | |
|---|-------------------|
| A | Very high |
| B | High |
| C | Significant |
| D | Low |
| E | Very low |
| F | Almost impossible |

Risk Matrix

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

Key

Low risk/priority	Green
Medium risk/priority	Amber
High risk/priority	Red

Very high likelihood A	AIV Amber	AIII Red	AII Red	AI Red
High likelihood B	BIV Amber	BIII Amber	BII Red	BI Red
Significant likelihood C	CIV Green	CIII Amber	CII Red	CI Red
Low likelihood D	DIV Green	DIII Amber	DII Amber	DI Amber
Very low likelihood E	EIV Green	EIII Green	EII Amber	EI Amber
Almost impossible F	FIV Green	FIII Green	FII Amber	FI Amber
	Minor impact IV	Moderate impact III	Major impact II	Catastrophic impact I

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 third 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** – 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 taken into account.
- **Target residual score** – This is 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** – These are 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** – These are 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.

Members approve the Risk Management Strategy, and review risks through the quarterly reports on key strategic risks and information contained in the Council Plan, Cabinet reports and Assistant Director (AD) Quarterly Reports.

Portfolio holders agree and review risks and mitigations and escalation with Assistant Directors on a quarterly basis.

Corporate Management Team (CMT) identify, review and manage the Council's key strategic risks above the tolerance level quarterly. Secondly, they provide leadership and support to promote a culture in which risks are managed with confidence at the lowest appropriate level. They also agree the risk management framework for the Council.

Strategic Risk Management Group's (SRMG's) membership shall be chaired by a nominated Director and include appropriate representation from each Directorate with an overall responsibility for risk issues. The Chair of SRMG sponsors risk management at CMT. It ensures the Council's key strategic risks are reviewed, updated and presented to CMT on a quarterly basis. SRMG regularly reviews the risk management and control process employed across the Council including the risk management framework. It reviews findings and recommendations of external auditors, internal audit or other relevant third parties in relation to risk management. It also reviews 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. Furthermore, SRMG champion risk management, including the practice, awareness, and buy-in across the organisation and identify training needs. Moreover, it provides strategic support to the development of service continuity plans and the emergency planning service.

Directorate Management Teams (DMTs) ensure appropriate representation on the Strategic Risk Management Group. DMTs have 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. DMTs 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. DMTs also reflect significant changes to business objectives and related risks and, where relevant, address them in the Directorate Business Plan.

Assistant/Deputy Directors oversee the effective implementation of risk management within their service area within the agreed principles and framework. They discuss significant key risks and risk management actions with their portfolio holders and report on progress through the AD quarterly reports. In addition, they alert DMTs if the impact, opportunity or likelihood of the risk increases. In addition, they agree and review risks treatments and escalation with Portfolio Holders on a quarterly basis.

Service Managers 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. They record risk treatment into service plans. They discuss risks and risk treatment actions with ADs and report progress through the service managers' quarterly update. Moreover, they alert their AD if the impact, opportunity or likelihood of the risk increases.

Staff at all levels within the Council identify, assess and report risks within their service areas. They practice risk management in their day-to-day activities. Also, they alert their line manager if the impact, opportunity or likelihood of the risk increases.

Internal Audit and Counter Fraud provide advice and guidance on the management of risk.

References

The British Standards Institution (BSI), 2018. *Risk Management Guidelines - ISO 31000:2018(E)*. [pdf] The British Standards Institution (BSI).