Newport City Council

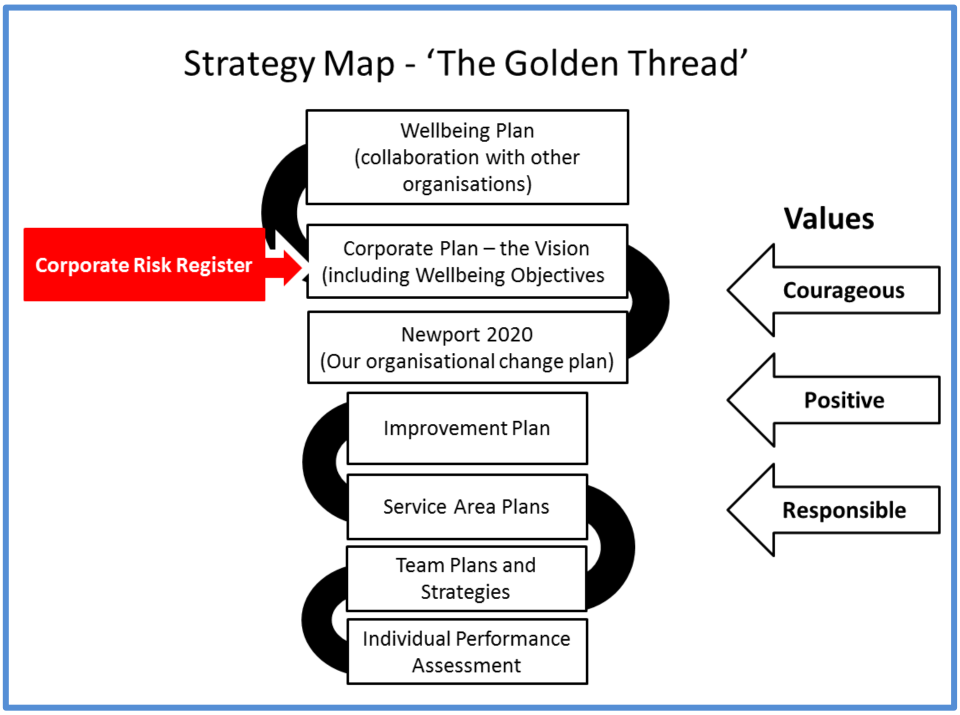
Risk Management Strategy

Contents

Introduction and background

Newport City Council is a complex organisation that provides a diverse range of services to over 150,000 people. It works to improve the lives of the people who live and work in Newport and supports communities to develop and prosper.

The council has a vision to improve people's lives, and to do this, objectives are set in the corporate plan that are intended to deliver this vision. It is essential that risks to the council delivering these objectives are identified, monitored and managed. In order to do this a corporate risk register is maintained, reviewed and revised. Actions to mitigate the risks are defined and progress to implement these actions is monitored regularly.



The corporate risk register is a record of the significant risks to the council and the actions being taken in response to these risks. Anticipating and preparing for future challenges, trends, threats and opportunities is an essential part of the councils risk strategy and allows for better preparedness and the incorporation of mitigation into planned activities and policies. Horizon scanning allows the council to consider how emerging trends and developments might potentially affect current policy and practice. This helps the council to take a longer-term strategic approach, and makes present policy more resilient to future uncertainty.

Wellbeing of Future Generations

There will be long term risks that will affect both the delivery of services and the communities that the council supports. The council's wellbeing objectives and the five ways of working defined in the corporate plan are framed by the sustainable development principle of the Wellbeing of Future Generations (Wales) Act 2015, risks identified through the corporate risk process take account of the short, medium and long term risks, as do the steps that will be taken to ensure the risks are well managed. The corporate risk register helps the council to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.

Sustainable Development Principle	
	Long Term The importance of balancing short-term needs with the need to safeguard the ability to also meet long-term needs.
	Prevention How acting to prevent problems occurring or getting worse may help public bodies meet their objectives.
	Integration Considering how the public body's well-being objectives may impact upon each of the well-being goals, on their other objectives, or on the objectives of other public bodies.
	Collaboration Acting in collaboration with any other person (or different parts of the body itself) that could help the body to meet its well-being objectives.
	Involvement The importance of involving people with an interest in achieving the well-being goals, and ensuring that those people reflect the diversity of the area which the body serves.

Current Position

The council has a risk strategy that was developed in 2014, since this time, there have been legislative changes and a new corporate plan has been agreed. The service planning process is being developed to create longer term plans that will fit with the 5 year timeframe of the corporate plan, and to form a more integrated approach to strategic planning. The corporate risk register has been refreshed to reflect risks to the council achieving the objectives set out in the corporate plan, it is a live document that reflects the main risks the council faces and considers the wellbeing profiles that demonstrate population estimates and demographic analysis.

It is timely that the corporate risk strategy be revised to support the delivery of the corporate plan as well as to consider the impact of legislative changes on the way council supports communities and delivers services. This strategy sets out the councils aim to embed risk management into its strategic planning framework and into the day to day to day activities that deliver the outcomes of the councils strategic plan.

Purpose

The purpose of the risk management approach outlined in this document is to provide a framework to further develop the existing risk process by:

- Embedding a risk management culture into everyday activities
- Providing standard definitions and language to underpin the risk management process
- Promoting a consistent approach to identifying and assessing risks throughout the council
- Clarifying roles and responsibilities for managing risk
- Implementing an approach that meets current legislative requirements, follows best practice and relevant standards.

What is risk management?

Risk can be defined as an uncertain event that, should it occur, will have an effect on the Council's ability to achieve its objectives and/or damage its reputation. It is the combination of the probability of an event (likelihood) and its effect (impact).

Risk management generated opportunities can arise as a consequence of effectively managing risks, for example additional grant funding or improved working practices.

Risk management is the application of strategies and processes to identify and manage risks that are unacceptable to the council.

Managing risk processes effectively enables the council to safeguard against potential threats and exploit potential opportunities to improve services and provide better value for money.

Risk management is applied at all levels of service delivery and include:

- **Corporate strategic risks** – Risks that could have an effect on the successful achievement of our long term vision, priorities and outcomes. These are:

1. Risks that could potentially have a council-wide impact and/or

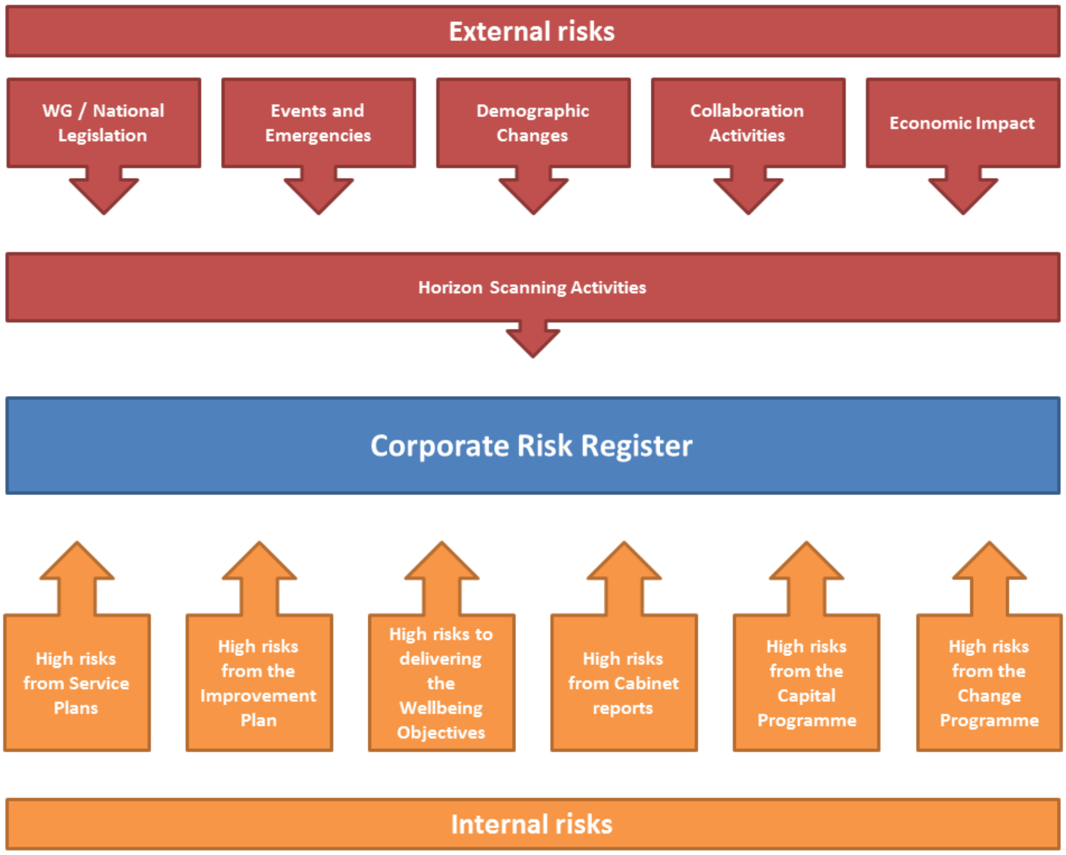
2. Risks that cannot be managed solely at a business unit level because higher level support is needed.

- **Service area risks** – Risks at a service area level that could have an effect on the successful achievement of the group and business unit outcomes / objectives. Potentially these risks could have a significant financial, reputational and/or service delivery impact on the council as a whole if the risk is not well managed.

- **Contract risks** – Risks that could have an effect on the successful achievement of the contract's outcomes / objectives in terms of delivery, outcomes and value for money. Contract risks are managed throughout the contracting process including contract management/business as usual.

- **Programme/project risks** – Risks that could have an effect on the successful achievement of the programme or project's outcomes / objectives in terms of service delivery, benefits realisation and engagement with key stakeholders (service users, third parties, partners etc.).

- **Partnership risks** – Risks that could have an effect on the successful achievement of the partnership's outcomes / objectives including engagement with key stakeholders (service users, third parties, partners etc.). These can be strategic and/or operational depending on the size and purpose of the partnership.



Approach

The council is accountable to the public for its performance and financial management. This means that the council naturally has a low appetite for risk, however as austerity continues the council will need to take carefully considered risks to develop new and innovative ways to deliver services, support communities and ensure the long term wellbeing of communities is not impaired by decisions made in the short term.   This makes good risk management essential.

For a number of years the Council has been working towards a comprehensive and integrated approach to risk management and to further embed this approach the following areas will be focused on where:

- employees are clear about what risk management is intended to achieve;
- significant risks are being identified and managed effectively;
- training and guidance on risk management are easily accessible;
- a consistent corporate approach is followed using a common 'risk language'; and
- it is seen as an integral part of good corporate governance

Effective communication and consultation is critical to the successful management of risk. This is an important factor at every point of the process and it is vital that employees at all levels and across the council are involved if risk management is to become truly embedded and a useful management tool.

Core purpose

The vision, values and objectives set out in the corporate plan set the direction for the council and are underpinned by service plans and strategies that support the delivery of the objectives.

The corporate risk process must consider what could prevent the council from achieving these objectives as well as the risks that could affect service delivery and the communities that the council supports.

Identifying risks

There are a number of different types of risks that the council may face; strategic, operational, financial, resources, governance, health & safety, reputational.

Describing the risk is important to ensure that risks are fully understood, and to assist with the identification of actions, the cause and effect of each risk must also be detailed. Each risk must be allocated a risk owner who is accountable for effectively managing the risk.

Categorising risk

Categorising risks helps to describe what the risk is by exploring where it was identified, who could be affected and what the impact could be.

Source
Where was the risk identified?

Strategic identified through service planning or strategy development and monitoring
Tactical identified through actions to deliver our strategic plans
Operational identified through service delivery
Compliance identified through governance/regulatory activity

Category
What does it relate to?

People this could be citizens, employees or a specific group within these categories
Assets office buildings, public buildings , schools, social services establishments, roads, trees, waste disposal sites etc.
Processes this could be an internal best practice process or it could be linked to legislation
Services the support we provide internally to colleagues as well as externally to citizens and communities

Impact
What effect would it have if left unmanaged?

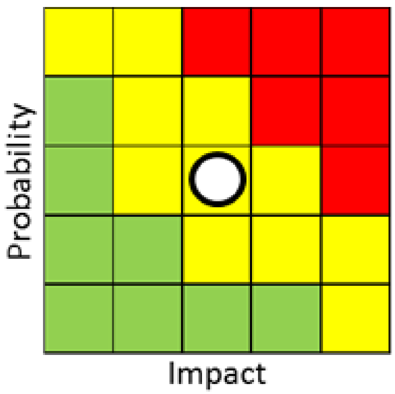
Strategic could it affect the councils ability to achieve its key objectives set out in the corporate plan?
Operational could it affect the council’s ability to provide services?
Financial could there be a financial loss to the council?
Infrastructure could it effect the fundamental structures and facilities needed for the council and the city to function effectively?
Governance could it result in legal action or action by regulators/Welsh Government?
Health and Safety could it affect the health and safety of employees/members of the public/service users?
Reputational could it reflect badly on the council’s reputation?
Project Delivery could it cause a major delay to a key project?

Assessing risks and risk appetite

To ensure resources are focused on the most significant risks, the Council’s approach to risk management is to assess the risks identified in terms of both the potential likelihood and impact so that actions can be prioritised.

When a new risk is identified the gross risk level must be assessed to show the potential impact of the risk pre mitigation and therefore what is likely to happen if the risk was left unmanaged. This helps to decide which risks should be managed at the corporate level and which can be managed within service areas. As the risk is monitored over time, it will be reassessed to ensure that the mitigation measures identified are working to reduce the risk to an acceptable level.

Risk Matrix



The Council considers the gross risk to ensure that informed decisions can be made about the consequences of stopping risk actions that are currently in place; and that resources are not wasted over-controlling risks that are not likely to happen and would have little impact.

To ensure that a consistent scoring mechanism is in place across the Council, risks are assessed using the agreed criteria for likelihood and impact summarised in the risk matrix. Where the probability and impact scores cross determines the risk level, for example, if probability is scored 3 and impact is scored 3 the total score is 9 represented by a white dot on the risk matrix. This would be a medium (amber) risk.

The matrix also represents the councils risk appetite, any risk that falls in the high (red) category must be a priority for immediate management action. Medium risks must be managed but are less of a priority than high risks. Low risks which fall within the green area can be accepted.

The criteria for impact and probability are shown in appendix 1.

Identifying mitigating actions

Once risks are identified the council must consider what mitigating actions can be put in place to mitigate the risk to an acceptable level and set some timescales for when these actions will be carried out. Depending on the risk these actions may be an on-going part of a process or they may be one off actions. Progress made in implementing mitigating actions will be monitored on a quarterly basis.

Monitoring risks

Corporate risks and the actions identified to mitigate them are monitored through the corporate risk register on a quarterly basis to ensure that actions remain relevant and are effectively managing the risks.

Risk response and further actions

Not all risks can be managed all of the time, so having assessed and prioritised the identified risks, cost effective action needs to be taken to manage those that pose the most significant threat

Risk may be managed in one, or a combination of, of the following ways:

- **Avoid** - A decision is made not to take a risk.
- **Accept** - A decision is taken to accept the risk.
- **Transfer** - All or part of the risk is transferred through insurance or to a third party.
- **Reduce** - Further additional actions are implemented to reduce the risk.
- **Exploit** - Whilst taking action to mitigate risks, a decision is made to exploit a resulting opportunity.

What does effective risk management look like?

The risk management process centres on the strategic objectives of the corporate plan and is framed by the principles of the Wellbeing of Future Generations (Wales) Act 2015 at each stage.

How will we manage risk?

Embedding risk management as part of our culture is necessary to ensure that open and honest discussions about risk take place across the council. Good practice and lessons learned need to be shared in order to ensure the risk management culture continues to evolve and adapt as new challenges present themselves.

For risk management to be effective and a meaningful management tool, it needs to be an integral part of key management processes and day-to-day working. As such risks and the monitoring of associated actions should be considered as part of a number of the Council's significant business processes, including:

- **Corporate decision making** – significant risks, which are associated with policy or action to be taken when making key decisions, are included in appropriate committee reports.
- **Business/budget planning** – this annual process includes updating the individual business unit risk registers to reflect current aims/outcomes.
- **Project management** – all significant projects should formally consider the risks to delivering the project outcomes before and throughout the project. This includes risks that could have an

effect on service delivery, benefits realisation and engagement with key stakeholders (service users, third parties, partners etc.).

- **Partnership working** – partnerships should establish procedures to record and monitor risks and opportunities that may impact the Partnership's aims and objectives, the council needs to be aware of these risks as they may impact directly on the council.
- **Civil Contingencies** - provides emergency planning and business continuity support services for the council.
- **Procurement** – Contract Standing Orders clearly specify that all risks and actions associated with the purchase need to be identified and assessed, kept under review and amended as necessary during the procurement process.
- **Contract management** – all significant risks associated with all stages of contract management are identified and kept under review
- **Information governance** – an annual information risk assessment is under development to assess the level of risk and compliance with regards the use of information
- **Risk and Insurance –** The nature of the insurance service is that risk can never be fully avoided and some level of risk will always have to be tolerated. By adopting an approach to corporate insurance, the Council minimises its exposure to catastrophic losses and to those risks that might affect the delivery of its corporate objectives.
- **Health and safety** – the Council has a specific risk assessment policy to be followed in relation to health and safety risks.
- **Internal Audit** – provides assurance that the council's processes are adequate to prevent theft and fraud

Roles and responsibilities

To ensure that risk is managed effectively all employees and elected members should be aware of the risk management approach and appetite,

All employees

- manage day to day risks and opportunities effectively and reports any concerns to their line managers

Managers

- Identify risks to the service area and council through the service planning process
- Manage identified risks to minimise the impact and probability of risks occurring

Heads of service

- Be accountable for managing risks in their areas as well as corporate risks
- Ensure risks are captured in service plans and escalated to the risk register where appropriate

Directors

- Support and promote an effective risk management culture
- Be accountable for managing corporate risks
- Be aware of service are risks within their directorate and ensure that actions are being taken to mitigate them.

Members

- Support and promote an effective risk management culture
- Constructively review and scrutinise the risks involved in delivering the council's corporate plan, delivering services to citizens and supporting the communities of Newport.

Cabinet

- Consider the contents of the risk register and request further information as needed
- Receive regular updates on the actions being taken to mitigate risks

Audit committee

- Audit Committee have a role in reviewing and assessing the risk management, internal control and corporate governance arrangements of the authority.
- Review of processes and Strategies about risk management

Risk owners

- Responsible for managing and monitoring a specific risk (each risk in the corporate risk register is assigned a risk owner)
- Ensure that appropriate resources and importance are allocated to the process
  Confirm the existence and effectiveness of existing actions and ensuring that any further actions are implemented
- Provide assurance that the risks for which they are the risk owner are being effectively managed.

Next Steps

Outcomes-

The following outcomes have been identified in this strategy

1. employees are clear about what risk management is intended to achieve;
2. significant risks are being identified and managed effectively;
3. training and guidance on risk management are easily accessible;
4. a consistent corporate approach is followed using a common 'risk language'; and
5. it is seen as an integral part of good corporate governance

The following planned actions will contribute to the realisation of the outcomes and progress will be reviewed on an annual basis as part of the annual risk register review.

- Communicating the strategy

  The strategy will be communicated employees via the employee ebulletin and intranet home page. It will be made easily accessible on the intranet along with further information about risk management and contact details, a virtual risk group will be created and included in all updates to the risk register with an annual meeting to discuss the annual revision of the corporate risk register.

- **Training and awareness**

Having developed a robust approach and established clear roles and responsibilities and reporting lines, it is important to provide Members and officers with the knowledge and skills necessary to enable them to manage risk effectively.

Develop a risk page on the intranet that links up all the existing aspects of risk

- **Governance Framework**

Identify and document the governance process for risk this will include risk reviewing at CMT, peer review of service plans including the service areas identified risks. Ensuring risk is considered during all strategic planning activities.

- **Develop a risk section on MI HUB**

Use MI Hub to record and report risks for both the corporate risk register and the service area risks to improve the integration and accessibility of risks.

Appendix 1

Impact matrix

Rating	Severity of impact	General description	Impact factors (and examples of what they might look like)						
			Strategic	Operational	Financial	Infrastructure	Governance	Health & Safety	Reputational
1	**Negligible**	Low impact. Localised effect		Minor disturbance of non-key area of operations	Unplanned budgetary disturbance non material	Loss of asset/money with value non material		Reportable (non-serious) accident affecting one employee/member of public/service user	Isolated complaint(s)
2	**Low**	Low impact for organisation as a whole. Medium localised impact		Minor disruption of a key area of operations or more significant disruption to a non-key area of operations	Unplanned budgetary disturbance below 10% of budget	Loss of asset/money with value below 10% of budget	Mild WAO criticism in report. Mild criticism from a legal/regulatory authority. Isolated fraud	Reportable (non-serious) accident affecting small number of employees/members of public/service users	Formal complaints from a section of stakeholders or an institution
3	**Medium**	Medium impact for organisation as a whole	Noticeable constraint on achievement of a key strategic objective	Major disruption of a service area for a short period or more minor disruption of a service area for a prolonged period	Unplanned budgetary disturbance 10-20%	Loss of asset/money with value 10-20%	Significant criticism from a legal/regulatory authority requiring a change of policy/procedures. Small-scale fraud relating to a number of people or more significant fraud relating to one person	Reportable (non-serious) accident(s) affecting a significant number of employees/members of public/service users or a serious injury to a single employee/member of public/service user	Formal complaints from a wide range of stakeholders (e.g. several institutions), adverse local press, complaint/s upheld by Ombudsman

Rating	Severity of impact	General description	Impact factors (and examples of what they might look like)						
			Strategic	Operational	Financial	Infrastructure	Governance	Health & Safety	Reputational
4	**High**	High impact for organisation as a whole	Severe constraint on achievement of a key strategic objective	Major disruption of a service area for a prolonged period or major disruption of several service areas for a shorter period	Unplanned budgetary disturbance 20% and over	Loss of asset/money with value 20% and over	Qualified account. Severe criticism from WAO/legal/regulatory authority requiring major overhaul of policy/procedures, Significant fraud relating to several employees	Serious injury of several employees/members of public/service users	Significant loss of confidence amongst a key stakeholder group. Adverse national press
5	**Very High**	Catastrophic	Failure of a key strategic objective	Major disruption of several key areas of operations for a prolonged period	Unplanned budgetary disturbance over 20%	Loss of asset/money with value over 20%	Severe service failure resulting in Welsh Government intervention/special measures Widespread significant fraud Legal action	Death of employee(s)	Severe loss of confidence amongst several key stakeholder groups. Damning national press

Probability

Score	General Description	Definition
1	Very Low probability	2% chance of occurrence
2	Low probability	5% chance of occurrence
3	Medium probability	10% chance of occurrence
4	High probability	20% chance of occurrence
5	Very high probability	50% chance of occurrence