Report

Governance and Audit Committee

Part 1

Date: 25 January 2024

Subject **Newport City Council Risk Management Policy**

Purpose The Governance and Audit Committee to consider and provide feedback on the Council's draft Risk Management Policy and supporting risk appetite statement.

Author Director of Transformation and Corporate
Head of People, Policy and Transformation

Ward All

Summary Newport City Council is responsible for delivering a multitude of different services and activities through its statutory and non-statutory duties. The Council faces many complex, wide ranging opportunities, challenges and risks that could prevent it from delivering these services effectively. The Council's Corporate Plan 2022-27 has also set 4 Well-being Objectives and to deliver these the Council and its services will need to take well-managed opportunities and risks when making decisions.

The draft Risk Management Policy provides an overview of the Council's risk management arrangements and also its risk appetite statement on how the Council will manage the opportunities and risks throughout the delivery of this Corporate Plan. The Risk Management Policy has been developed in consultation with Cabinet, senior officer group and other risk related services such as Health and Safety, Insurance and Civil Contingencies.

To support the implementation and embedding of the policy, the Council will have a Risk Management procedure document. Through ongoing support and training officers

Proposal The Governance and Audit Committee is asked to consider the Council's and provide feedback on the draft Risk Management Policy and risk appetite statement.

Action by Head of People, Policy and Transformation

Timetable Immediate

This report was prepared after consultation with:

- Cabinet
- Executive Board
- Corporate Management Team

Signed

Background

Newport City Council is responsible for delivering a multitude of different services both statutory and non-statutory to residents, businesses and other service users. The Council faces many complex, wide ranging opportunities, challenges and threats that could prevent services from being delivered effectively. The Council's Corporate Plan 2022-27 has set four Well-being Objectives that support the Council's mission to deliver an *Ambitious, Fairer and Greener Newport for everyone*. To deliver these objectives and its services, the Council will need to take well managed opportunities and risks in the decisions that are made at all levels of the organisation. The purpose of this Risk Management Policy is to:

i) Outline the Council's commitment to Risk Management, provide a framework for continuing to embed risk management across the organisation.
ii) Set the Council's appetite for managing risk(s); and the risk culture of the organisation to deliver the Council's Corporate Plan, strategic objectives and statutory duties.

To support this policy and embed the Council's risk appetite, a separate Risk Management Procedure and supporting documents have also been updated.

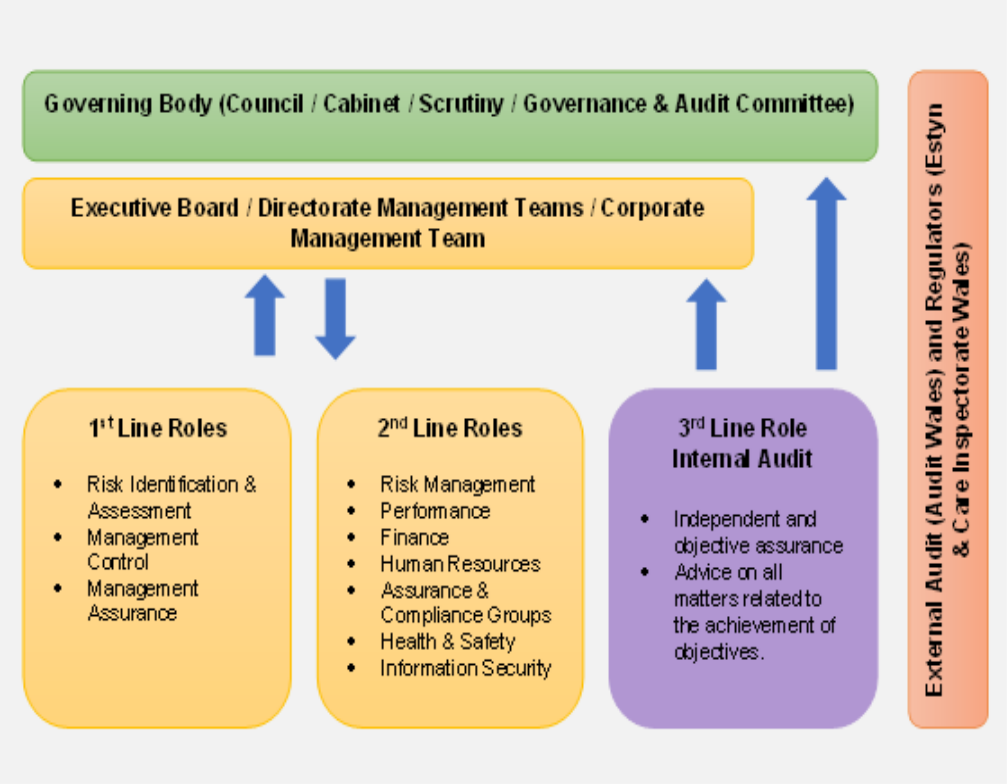
Risk Management Policy and Risk Appetite Statement

The draft Risk Management Policy has been developed considering best practice from the UK Government 'Orange Book' and the Committee of Sponsoring Organisations of Treadway Commission (COSO) risk management framework. In the policy's development we have consulted with the Council's Cabinet and senior leadership team (Directors and Heads of Service) to understand their views on risk and risk management. The views of other teams involved in risk activity such as the Council's Health and Safety team, Finance, Internal Audit, Civil Contingencies, Insurance, programme and project management were also considered.

In developing the Council's overall risk appetite statement, it is important to recognise that risk and the Council's risk appetite statement is not a single or fixed concept and that there is a range of appetites for different risks over time. To support this position, the Council has adopted to take 'Well-managed' opportunities and risks based on informed, evidence-based decisions to ensure long-term sustainability of services, social value and to deliver best value. Ten risk areas have been proposed to support the range of activities the Council undertakes supported by a risk appetite level of ***Averse, Minimalist, Cautious, Open and Eager***. Full descriptions of their meaning can be found in the Risk Management Policy. Summary of the risk areas is below:

1. Strategy and Policy risks – Open
2. Governance, Legal and Regulatory risks – Minimalist
3. Business Continuity and Operational risks – Minimalist
4. Reputational risks – Cautious
5. Financial including Commercial and Asset risks – Cautious
6. Technology and Information Security risks – Minimalist (Information Security) and Open (Technology)
7. People and Health & Safety risks – Minimalist
8. Safeguarding risks – Cautious
9. Climate Change and Environmental Protection risks – Cautious
10. Programme / Project delivery risks - Open

The Policy also outlines the governance arrangements and its three lines model (See diagram below) to support and embed the Council's Risk Management policy into its operational and strategic activities. The purpose of the three lines model is to support accountability and ownership of risk within Newport City Council. It also outlines the supporting role which corporate activities such as performance and risk, Finance, Health & Safety, information security etc have to make sure risks are managed effectively and efficiently. Finally the role of Internal Audit and External regulators is important to provide assurance to stakeholders on the effectiveness and efficiency of the Council's governance, risk management and internal control arrangements.



Risk Management Process (For Information)

To support the embedding of the Policy into practice, the Council has produced a separate procedure document. This procedure document outlines how service areas identify, assess, and monitor the opportunities and risks, which could impact on the delivery of services and achievement of the Council's strategic priorities.

The procedure note has been developed to reflect the governance arrangements in the Council and the risk assessment matrix has been updated to align with the proposed risk appetite statement. The matrix will be incorporated into the risk assessment documents and will support officers considering risks based on the new risk appetite areas. The new procedure note and assessments will be adopted for the new financial year 2024/25.

Following the approval of the new Policy, the risk management procedure document will be shared and communicated with the Council's officers through its Intranet with ongoing training and support.

Risk Management Policy and Risk Appetite Monitoring

The Council's Risk Management Policy and appetite statement will be subject to regular review throughout the delivery of this Corporate Plan to ensure that it reflects the Council's risk position and to reflect any

emerging opportunities and risks. The risk management procedure will also be subject to review and updated to reflect any changes to process, governance and/or any internal and external review. The Council's Annual Governance Statement and Internal Audit team will also undertake regular reviews of the Council's risk management arrangements to ensure it maintains best practice.

Next Steps

Feedback and comments from the Council's Governance and Audit Committee will be considered and as necessary included in the final version of the Policy which will be presented to the Council's Cabinet for approval. The final version of the Policy will be shared with the Governance & Audit Committee and will support future quarterly updates to the committee. Following its approval the Policy, Procedure and documents will be communicated to the Council's staff and training provided to support officers in embedding the Policy.

Appendix 1 – Draft Risk Management Policy
Appendix 2 – Fairness and Equality Impact Assessment

Financial Summary
There are no direct costs associated with this report.

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
The Council does not have an effective Risk Management Policy to support the delivery of its strategic objectives and statutory duties.	M	L	Draft Risk Management Policy will be approved by the Council's Cabinet and shared with all key stakeholders. Ongoing training and support will be provided by the Council's Transformation & Intelligence team to embed the policy and procedures. Regular monitoring and reporting on the effectiveness of the policy and arrangements through Annual Governance Statement, Internal and External Audit reviews.	Directors, Heads of Service, Service Managers Transformation & Intelligence team (People, Policy & Transformation).

*Taking account of proposed mitigation measures

Links to Council Policies and Priorities
Corporate Plan 2022-27
Service Plans
Performance and Planning Policy

Options Available and considered.

1. For the Governance and Audit Committee to comment and recommend on the Council's Risk Management Policy and risk appetite statement prior to its presentation to the Council's Cabinet.
2. For Governance and Audit Committee to reject the policy and for an updated policy to be re-submitted prior to approval by the Council's Cabinet.

Preferred Option and Why

1. Option 1 is the preferred option with comments and recommendations raised by the Audit Committee to be considered prior to the finalisation of the Risk Management Policy by Cabinet.

Comments of Chief Financial Officer

As outlined in the report, there are no direct financial implications arising from the implementation of the Risk Management Policy.

However, there are clear links between this policy and the Council's financial planning and management activities, and it is important that there is alignment between the two. For example, the risk appetite towards certain activities needs to take account of the financial context that the Council is working within. In broad terms, this is reflected in the fact that the majority of risk appetites are identified as cautious or minimalist. However, it is important that each risk, including the financial aspects, are individually assessed and that any implications are either mitigated or escalated, as appropriate. Therefore, when services are setting plans and assessing risk as part of that process, the financial aspects need to be considered in parallel.

In addition to service specific risks, the Risk Management Policy also outlines the Council's approach to managing financial risk in overall terms. A cautious approach to risk management in a financial context will be taken, as stated in the policy, however it is important that this level of risk is not applied to all financial matters in general. It will still be necessary for each activity to be individually assessed and the appropriate approach to risk selected, with the overriding aim for any decisions around investment, for example, to be backed by robust evidence, with the appropriate mitigations in place.

Comments of Monitoring Officer

There are no legal implications arising directly from this report. The Risk Management Policy once adopted will set out guidelines for members and officers to consider when deciding whether to pursue a given course of action. As such, the risks and benefits of a particular course of action would need to be assessed prior to applying the Policy and the adoption of this Policy is not a substitute for such assessment. Whilst there are likely benefits to the Council taking a less risk-averse approach in certain circumstances, it is nonetheless important that potential risks are understood, acknowledged and accepted prior to proceeding.

The Head of Law and Standards will be advised in more detail on the potential legal risks and consequences of specific proposals and should be consulted at an early stage where a higher-risk course of action is being contemplated.

Comments of Head of People, Policy and Transformation

It has been important throughout the development of the Risk Management policy to consult and seek the views of the Council's Cabinet, senior leadership team and risk experts in the organisation to ensure that the Policy reflects the Council's appetite managing risk and taking opportunities to improve the delivery of services. The implementation of the updated Risk Management policy will support officers and the Council's Cabinet to make effective evidence based decisions. This will also support the Council to deliver on its strategic aims and priorities outlined in the Council's Corporate Plan, other strategic documents and statutory duties.

The service area will champion and support service areas to embed the principles of this Policy through its ongoing risk management activity.

Scrutiny Committees

Not Applicable. Audit Committee have a role in reviewing and assessing the risk management policy and its arrangements of the Authority.

Fairness and Equalities Impact Assessment (FEIA)

A FEIA has been completed in the development of the Policy (Appendix 2). As it is an internal Policy document it will not have a direct impact on the external stakeholders. No external consultation is required. The aim of the Policy is to support effective and evidence-based decisions considering the opportunities and risks which could impact on the delivery of services, strategic decision making and compliance with its statutory duties.

Wellbeing of Future Generations (Wales) Act 2015

Under the Wellbeing of Future Generations Act (Wales) 2015 and its 5 ways of working principles this report supports:

Long Term – The implementation of the Policy will support the Council in making effective and evidence based decisions on the short, medium and long term objectives of the Council. The Policy supports the delivery of the Council's medium to long term strategies such as the Corporate Plan 2022-27, Climate Change Plan, Digital Strategy, Finance policies, and other key strategic decisions. The Policy will also support the Council to effectively identify and manage new and emerging opportunities and risks which could impact on the delivery of its statutory services.

Preventative – The Risk Management Policy will enable the Council to effectively identify, assess and ensure robust arrangements are in place to mitigate and prevent new, emerging and existing opportunities and risks. The Policy and risk appetite statement will ensure decisions are based upon the best available data and evidence to ensure necessary actions are taken to reduce and prevent incidents. Service areas will continuously monitor and report on the management of risk through its existing governance arrangements.

Collaborative – The development of the risk management policy has been developed in collaboration with Cabinet, senior leadership team and risk management experts within the Council. The Council has also considered risk management best practice from the UK Government, Institute of Risk Management, Institute of Internal Auditors and the COSO Treadway Commission.

Involvement – As above in the Collaboration section the Council has involved key stakeholders from across Newport City Council to inform and support the development of the Policy. The Council will also involve the Governance and Audit Committee to review and provide feedback on the proposed Policy. The views of the committee, officers and Cabinet will support the development and implementation of the Policy.

Integration – The development of the Policy has incorporated the Well-being of Future Generations Act, Local Government and Elections Act as well as risk management best practice. The Policy and supporting appetite statement have been developed in line with the Council's Corporate Plan, strategic priorities and statutory duties. The Policy and supporting processes are embedded into the Council's performance and risk management arrangements which are subject to regular monitoring and reporting through its governance processes.

Consultation

As this is an internal Policy document, no external consultation is required. The Council's Risk Management Policy has been consulted with the Council's Cabinet, senior leadership team (Directors and Heads of Service), Governance and Audit Committee and other Council services managing risk.

Background Papers

Corporate Plan 2022-27

Dated: 16th January 2024