Newport City Council

DRAFT Risk Management Policy 2024-27

Introduction

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 us from delivering these services 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, providing 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 are available.

Background

This Risk Management Policy supports several key legislative and statutory requirements within which the Council delivers its services. This Policy and the supporting Risk Appetite statement has been developed considering best practice of the UK Government 'Orange Book' and Committee of Sponsoring Organisations of the Treadway Commission (COSO) risk management framework.

Well-being of Future Generations Act

The Wellbeing of Future Generations (Wales) Act 2015 requires all public bodies in Wales, including Newport City Council, to think about the long term impacts of our decisions. The Act is about sustainable development to improve the social, economic, environmental and cultural wellbeing of Wales. To do this the Council is required to set and publish Wellbeing Objectives that maximise our contribution to each of the wellbeing goals and taking reasonable steps to meet these objectives. Also, in the decisions that we make we are required to consider the 5 ways of working principles:

| Long-term | Integration | Involvement | Collaboration | Prevention |

Local Government and Elections (Wales) Act 2021

The Local Government Act 2021 introduced new requirements on local authorities to demonstrate and evaluate the effectiveness of its Corporate Governance and Performance arrangements to oversee the delivery of its strategic priorities, meet its statutory / legislative requirements and deliver best value to citizens. Two requirements of the Act for local authorities to deliver are:

1. To undertake an annual Self-Assessment of its performance and governance arrangements to ensure its functions are using its resources economically, efficiently and effectively.
2. To undertake an independent Panel Performance Assessment once every electoral term to assess the extent to which the Council is meeting its performance requirements.

Both of these areas are covered in further detail in the Performance and Planning Policy.

The Council's Governance Framework also outlines seven key principles of good governance in local government as per the CIPFA /SOLACE Framework. One of the key principles is *'Managing risks and performance through robust internal control and strong public financial management.'* The Framework requires local authorities to:

- Recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making.
- Implement robust and integrated risk management arrangements and ensure that they are working effectively.
- Ensure that responsibilities for managing individual risks are clearly allocated.

Risk and Risk Management – Definition

Risk is the combination of the probability of an event and its consequence. Consequences can range from positive to negative.

Risk Management – is the process which helps the organisation to understand, evaluate and take action on their opportunities and risks with a view to increase the probability of success and reduce the likelihood of failure.

Having effective risk management and governance arrangements enables the Council to:

• Support the achievement of the Council's strategic priorities and objectives	• Deliver effective change programmes and projects
• Protection of the Council's finances, assets, and deliver best value	• Safeguard and protect service users, staff and citizens.
• Make informed decisions based upon best information and data available	• Demonstrates good governance and transparency
• Protect the reputation of the Council.	• Maximise opportunities to improve services and deliver best value
• Ensure compliance with legislative and regulatory requirements.	• Reduce unwelcomed surprises.

There will always be some opportunities and risks which the Council cannot control whether this is because it is outside of its legislative and statutory duty or is the responsibility of other public sector, private and/or not-for-profit organisations which Newport City Council is not affiliated to and/or in partnership or contract with. These organisations are expected to have their own risk management arrangements in place to manage the impact and probability of these opportunities and risks.

Risk Appetite Statement

This Risk Appetite statement sets out how Newport City Council balances threats and opportunities in the pursuit of achieving its objectives. Understanding and setting a clear risk appetite level is essential to achieving an effective risk management framework and enable the Council to make informed management decisions. The risk appetite statement is not a single or fixed concept and there is a range of appetites for different risks over time.

To support the overarching Risk Appetite statement, the Council has assessed its position based on the following definitions:

Risk Appetite	Description
Averse	Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is a key objective. Activities undertaken will only be those considered to carry virtually no inherent risk
Minimalist	Preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver. Activities will only be undertaken where they have a low degree of inherent risk.
Cautious	Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.
Open	Willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.
Eager	Eager to be innovative and to choose options based on maximising opportunities and potential higher benefit even if those activities carry a very high residual risk.

Newport City Council's Risk Appetite Statement

Newport City Council does not have a single risk appetite, but rather appetites across a range of activities outlined below. The Council recognises that in pursuit of its strategic goals and delivery of statutory duties it may choose to accept different degrees of risk in different areas. The Council is encouraged to take 'well-managed' opportunities and risks based on informed, evidence-based decisions which will ensure the long-term sustainability of services (under the Well-being of Future Generations Sustainable Development principles); will provide social value to citizens and deliver best value. Where the Council chooses to accept an increased level of risk it will do so, subject always to ensuring that the potential benefits and threats are fully understood, and proportionate measures in place to mitigate risk before actions are authorised.

Business Area Risk Appetite Levels

The Council's risk appetites across a range of activities are articulated as follows:

Strategy and Policy Risks

In the pursuit of the Council's strategic objectives and policy development the Council will be **'Open'** to this risk where there is evidence to demonstrate it aligns to national, regional and local priorities, provides social value, complies with statutory duties and delivers best value. All strategic priorities and policy development will be taken in consideration of the Council's Constitution and other key policies set in its Policy Framework.

Governance, Legal and Regulatory Risks

Newport City Council will take a **'Minimalist'** position in the management of its governance, legal and regulatory requirements such as social services, housing, finance, Well-being of Future Generations, Welsh Standards and Equalities. The Council will ensure that decisions are made in accordance with the Council's Constitution and that activities undertaken by the Council are compliant with necessary legislative and regulatory requirements.

Business Continuity and Operational Risks

As part of the Council's Civil Contingencies duty, including business continuity to maintain the delivery of its services to residents, businesses and visitors that use it, the Council will take a **'Minimalist'** approach to this risk. The Council will take all reasonable steps in collaboration with its strategic partners, other public, private and other sectors to minimise the inherent risk and impact to the Council, communities and people who use our services.

Reputational Risks

To deliver the Council's Corporate Plan and our statutory duties we rely on our reputation to influence and secure the engagement of our constituents, businesses, partners (private, public and not-for-profit) and other stakeholders. The decisions made by the Council, Cabinet and officers are bound by its Constitution, Corporate Values and where applicable legislation and regulation. The Council will retain a **'Cautious'** approach with regard to our reputation where our services could have a significant impact on our stakeholders. The Council is prepared to take opportunities that may be opposed by some of our stakeholders where there is robust evidence, which demonstrates the long term benefits for the Council and its stakeholders.

Financial inc Commercial and Asset Risks

Overall, the Council will be **'Cautious'** in the management of its finances and assets. Newport City Council has a duty to protect the public purse and to ensure that its controls remain effective to protect its finances from misappropriation, mismanagement, poor decision making, fraud, bribery and corruption.

Aligned to the Council's overall capital and treasury management strategies, the Council takes a prudent approach to ensure investments and borrowing provide long-term financial sustainability for its stakeholders. The Council will seek to take opportunities with its capital investments and borrowing where there is robust evidence to support regeneration, create an income and protect the long-term sustainability of its services and assets. Across its capital and treasury portfolio the Council will strike an appropriate balance between risk and return, minimising the risk of incurring losses. It will invest its funds prudently and have regard to the security and liquidity of its investments before seeking the highest rate of return or yield.

Technology and Information Security Risks

Newport City Council will take a **'Minimalist'** approach with the security and protection of data and information managed across its services, aligned with the Council's Information Management Policy. The Council will ensure that effective governance and control arrangements are in place to comply with its legislative requirements and to ensure the continuity of services delivered to its stakeholders. This is supported by the other risk appetite statements relating to Business Continuity and Governance, Legal, and Regulatory risk in this policy.

However, in the delivery of the Council's services, and strategic priorities (Corporate Plan, Digital Strategy), Newport City Council will seek to take a more **'Open'** approach to embrace digital innovation, where there is evidence that it will provide best value for the Council and will enhance the experience of its stakeholders in accessing services.

People / Health & Safety Risks

The Council will take a **'Minimalist'** stance towards the health, safety and welfare of its employees, and all other people who are involved with the Council's business activities. Everyone in the Council has a duty to ensure the welfare of its staff and that suitable and effective health & safety arrangements are in place. The Council's Health & Safety team will support and assess the effectiveness of these arrangements across the Council.

Safeguarding Risks

The Council will continue to take a **'Cautious'** approach towards the safeguarding of children, young people, adults and carers that are in our care or we come into contact with. All representatives of the Council including third parties operating on our behalf will adhere to the Council's Safeguarding policies and procedures and necessary legislative requirements.

Climate Change and Environmental Protection Risks

Newport City Council will take a **'Cautious'** position towards Climate Change and Environmental Protection in the pursuit of its ambition to become a net zero carbon organisation. The Council will take on additional risk where there is evidence that it will contribute towards reducing the Council's carbon emissions and enhance the environment of the city. However, the Council will also seek protect its environment where there is significant evidence that it will harm and/or threaten the long-term environment, bio-diversity of the City and wider region.

## Programme / Project Delivery Risks

In the pursuit of the Council's own strategic priorities as well as regional and national priorities, the Council will take an **'Open'** approach towards programme and project delivery. The Council will seek opportunities where innovation and transformational change will provide benefits to both efficiency and effectiveness in the delivery of services, social value and value for money. Through the delivery of programmes and projects the Council will ensure that opportunities and risks are fully considered and evidence to support the decisions made at all levels of the organisation.

Further information on how the Council implements its risk appetite is included in the Risk Management Process.

Risk Management Governance and Assurance

This Risk Management Policy supports the Council's Performance and Planning Policy to undertake strategic planning, performance and risk management.

The democratic and officer governance structure supports the Council's Constitution to discharge all its powers and duties in accordance with the law, the Council's standing orders and the Constitution.
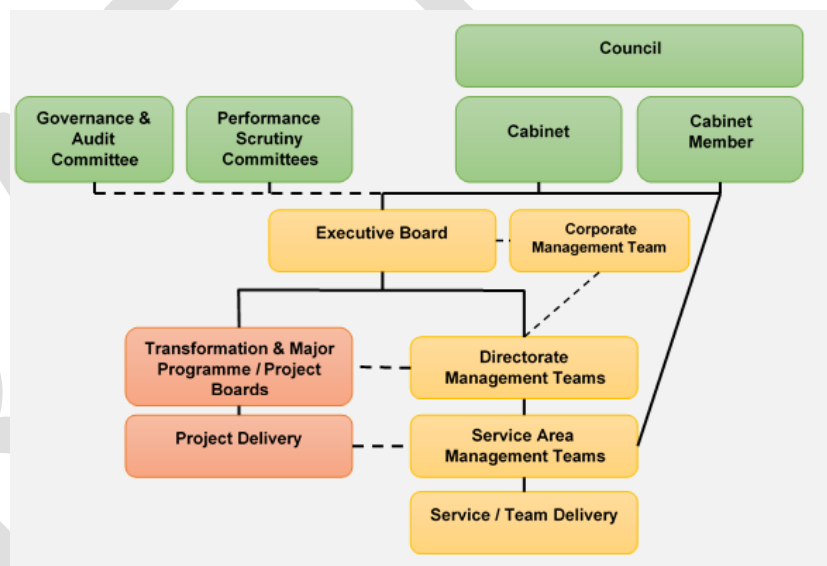
Newport City Council Three Lines Model

Everyone in Newport City Council is responsible for ensuring opportunities and risks are identified and managed at all governance levels. To support this, Newport City Council has adopted the Institute of Internal Auditor's (IIA) Three Lines Model to ensure good governance in risk management is operated throughout the organisation. The Council works under the decision making model described as a Leader and Cabinet. The Leader makes appointments to the Cabinet and decides on the portfolios within the Cabinet.
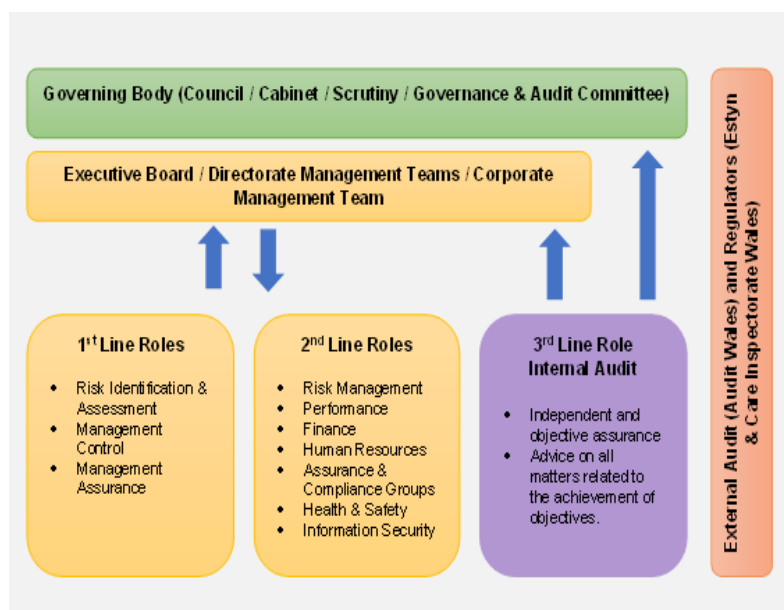
Responsibility for decision making rests with the Council, the Cabinet, individual Cabinet Members, Regulatory Committees (Planning and Licensing Committees) and employees depending on the decisions taken.

The Council's Cabinet has overall responsibility and oversight for the effective implementation of Council policy and for delivering services in line with those policies and budget. It is also Cabinet's role to determine the overall risk appetite for the Council and its risk management arrangements.

It is the responsibility of senior management to lead and direct (including the management of risk) to achieve the objectives of the Council. The Council's Executive Board (Chief Executive & Directors) maintains a continuous dialogue with the Council's Cabinet and democratic functions and reports on planned, actual and expected outcomes linked to the objectives of the organisation and risk.

Performance Scrutiny Committees hold the Council's Cabinet and Executive Board to account by considering the performance of services and monitoring the outcomes of decisions taken by the Executive. The Scrutiny committees also monitor areas of high risk and assess the effectiveness of actions to mitigate these risks.

Governance and Audit Committee is responsible for reviewing and monitoring the effectiveness of the Council's internal control, corporate governance and risk management arrangements.

1st Line Roles – Managers and staff are responsible for leading and directing actions (including risk) to achieve the Council's objectives. It is also responsible for establishing and maintaining appropriate structures and processes for the management of operations and risks.

2nd Line Roles – Provides complementary expertise, policies, frameworks, tools, techniques and support to enable risks to be managed effectively and ensure compliance by management (1st line role). Risk is also considered in other corporate activities in the Council and support managers to provide necessary expert and technical advice. These services include Risk Management, Finance, Human Resources, Digital Services including Information Security, Performance Management, Health & Safety, Civil Contingencies, Project Management, and Insurance.

3rd Line Role (Internal Audit) – Internal Audit maintains primary accountability to the Council's Executive Board and independence from the responsibilities of management. Internal Audit provide independent, objective assurance and advice to management and the Executive Board on the adequacy and effectiveness of the Council's governance and risk management (including internal control) to support the achievement of its strategic objectives and facilitate continuous improvement.

External Audit (Audit Wales) and its Regulators (Estyn and Care Inspectorate Wales) also seek / provide assurances on the Council's governance arrangements to secure best value, safeguarding and ensure the Council is discharging its statutory / legislative duties effectively.

Further information on the Council's governance arrangements can be found in the Risk Management procedure and the Council's Constitution.

Review and Publication

This policy will be made available in Welsh and English on the Council's website and will be reviewed every two years or as directed by the Council's Executive Board.