Gateshead Council

CORPORATE RISK MANAGEMENT POLICY

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Gateshead Council

Corporate Risk Management Policy

Contents

1.   Introduction

1.1   The Council provides a wide range of services to the local community, all of which give rise to some level of risk.

1.2   The Council fully acknowledges that risk is not always bad (or negative). Risk can also be good (positive) where things may happen that increase benefits and improve outcomes.

1.3   The Council is fully committed to regularly identifying and analysing its risks and taking appropriate action to take best advantage of positive opportunities and innovation or to prevent or minimise their negative impact on service delivery.

1.4   This Policy provides the framework within which the Council manages the strategic and operational risks associated with the provision of its services in accordance with good management practice and in compliance with the requirements of Corporate Governance.

1.5   This Policy has been developed with reference to the ALARM Risk Management Standard. ALARM is a not-for-profit professional membership association that has supported the Local Government risk management profession for over 30 years. Its Risk Management Standard, which uses the terminology for risk as set out in ISO 31000:2018, was developed by a team drawn from major risk management organisations in the UK, including Airmic, ALARM, and the Institute of Risk Management (IRM), and adopted by the Federation of European Risk Management Associations (FERMA). It was revised by ALARM in 2022. This Policy also references some principles from the UK Government Orange Book, applicable to all government departments and parts of the UK public sector, with responsibility for public funds.

1.6   Risk management, performed rigorously and comprehensively, creates stability, contributes to the achievement of the Council's strategic objectives, and enhances the value of the services it provides to the community. It is a continuous process which applies to the Council at both strategic and operational levels.

1.7   Corporate Risk management covers all categories of business risk. Failure to manage risks in any of the categories may lead to financial, reputational, legal, regulatory, safety, security, environmental, employee, customer and operational consequences. Definitions of the main risk categories are provided in this Policy.

2.   Definitions

2.1   **Risk** may be defined as the chance that an uncertain event or action, should it occur, will have an impact on the ability of the Council to achieve its objectives. The impact may be either a positive opportunity or innovation where managed risk taking may benefit the Council or a negative threat requiring action to be taken to reduce the likelihood of the event occurring or to reduce the negative consequences (or impact) of the event.

2.2 **Strategic Risks** are risks that have the potential to impact upon the Council's medium to long term strategic objectives. They can arise from the pursuit of a strategy or a changing external environment (for example, political, economic, social, technological, environmental, or legislative change) The strategic objectives provide the basis and are recorded as part of any strategic risk assessment. They are best identified and managed by those in the most senior positions whose role entails policy and strategic decision making. The strategic risks are monitored and overseen collectively by Corporate Management Team but are assigned to individual leads for management.

2.3 **Operational Risks** may be defined as the risk of loss arising from, inadequate or failed internal processes, people and systems or from external events. Operational risks can result in fraud, error, impaired customer service (quality and/or quantity of service), non-compliance and/or poor value for money.

2.4 **Project risks** are those risks that change projects or are not aligned with the strategic objectives and do not successfully and safely deliver requirements and intended benefits to time, cost and quality.

2.5 **Compliance/Legal risks** are risks arising from a claim being made (including a defence to a claim or a counterclaim) or some other legal event occurring that results in a liability or other loss, or a failure to take appropriate measures to meet legal or regulatory requirements. They can concern health and safety, the environment, data protection and employment practices.

2.6 **Risk Appetite** (often referred to as risk tolerance) is the amount of risk that the Council is prepared to tolerate at any point in time and will depend on a number of variables such as cost, reputation and effects on service delivery. Risk appetite must be considered in order to achieve the most advantageous balance of a risk occurring against the value for money of reducing that risk. Cost benefit analysis must be considered in all decisions made concerning whether to accept or treat any risk, the cost of risk control must not outweigh the cost of tolerating the risk. The Council may be prepared to take large risks in some areas and none in others and through regular member scrutiny of the strategic risk register and acceptance of residual (net) level of risk determine the Council's current risk appetite.

2.7 **Risk Management** is the systematic process of identifying risks, either negative (threat) risks or positive (opportunity) risks, analysing and evaluating their likelihood and impact, controlling the risk to an acceptable level and monitoring the effectiveness of the controls.

2.8 Risk management is far more than the prevention of bad things. It is also the taking advantage of opportunities to try out new innovative ways of working and finding opportunities to reduce costs or improve outcomes.

2.9   The Council employs four methods of managing its risks:

- **Accept** – accept the level of risk after considering risk appetite/cost benefit analysis; cost of risk control must not outweigh the cost of tolerating the risk.
- **Avoid** – avoid the activity altogether (not always possible), use an alternative method of carrying out the function which involves less risk.
- **Reduce** – employ effective controls to reduce the likelihood of an event occurring or reduce the impact of the event.
- **Transfer** – transfer the risk to an insurer or contractor.

2.10 The purpose of risk management is not to remove risk altogether as in most cases this would not be economically viable. It is getting the right balance between innovation and change and the avoidance of shock and crisis.

3   **Policy Context**

3.1   Local authorities and other public sector organisations cannot be culturally risk averse and be successful. Effective and meaningful risk management remains more important than ever in taking a balanced view of risk and opportunity in delivering public services. Risk management is an integral part of good governance and corporate management mechanisms. An organisation's risk management framework harnesses the activities that identify and manage uncertainty, allows it to take opportunities and to take managed risks (not simply to avoid them), and systematically anticipates and prepares successful responses.

Policy Statement

3.2   The Council has adopted the principles of risk management in order to:

- Make the most of its opportunities and help ensure its objectives and outcomes are achieved, including the objectives and outcomes of all partnerships and joint ventures that the Council is involved with;
- Protect the health, safety and welfare of its employees and the people it serves;
- Protect its property, assets and other resources; and
- Maintain its reputation, image, and good standing in the wider community. The Council has processes in place to regularly identify, analyse and take appropriate action to manage the risks associated with its operations including the operations of all partnerships and joint ventures that the Council is involved with, in compliance with the objectives detailed in Section 4 below.

4.	**Risk Management Objectives**

4.1	**The Council's risk management objectives are to:**

- Integrate and embed risk management into the culture of the Council.
- Improve co-ordination and ensure consistency of risk management activity across the Council.
- Facilitate continuous review of the Council's strategic and operational business risks, including the risk of fraud and corruption, Manage risk in accordance with best practice and professional standards. Anticipate and respond to changing political, economic, social, technological, legislative, environmental, competitive and customer requirements.
- Prevent injury, damage and losses and reduce the cost of risk.
- Raise awareness of the need for risk management for all those connected with the delivery of services, including services that are delivered in collaboration with partnerships, contractors, or key suppliers.
- Support sustainable service improvements and achieve value for money.
- Embrace and exploit opportunities to explore new innovative ways of working and finding opportunities to reduce costs and improve outcomes.

4.2	**These objectives will be achieved by:**

- Establishing clear roles, responsibilities and reporting lines within the Council for risk management.
- Training all relevant staff, managers and Councillors to ensure a clear understanding of the Council's risk management policy and their role in the process
- Providing opportunities for shared learning on risk management across the Council.
- Offering a framework for allocating resources to identified priority risk areas.
- Reinforcing the importance of effective risk management as part of the everyday work of employees and Councillors through training.
- Incorporating risk management considerations into efficiency reviews of services.
- Monitoring risk management arrangements on an ongoing basis to support the delivery of each Service's business plan objectives.

5.	**Requirements**

General

5.1	Best practice dictates that the Council must have established policies and procedures, which address the issues highlighted below, in a manner appropriate to the nature of the service undertaken.

Processes

5.2	Processes must be established in order to identify the risks associated with the activities of the Council and its partners, assess these risks in

terms of likelihood and impact and evaluate reduction and mitigation measures.

5.3   Training must be provided in order to ensure that all relevant staff, managers and Councillors clearly understand the Council's risk management policy and their role in the process.

Risk Assessments

5.4   Risk assessments must be carried out for all identified strategic, operational and project risks.). Risk assessments must be performed by competent staff including, where appropriate, expertise from outside the immediate service area.

5.5   Procedures must be established to regularly review and update risk assessments either following the implementation of planned controls or at appropriate intervals. It is also important that reviews are undertaken when triggered by a risk occurrence or a change in the risk landscape (such as a legislative change). Horizon scanning should form part of the monitoring of each Service's business plan objectives.

5.6   Risk assessments help to inform resource allocation at decision points, and additionally when the Council periodically reviews its performance or is audited.

Risk Appetite

5.7   Effective risk management should support informed decision-making in line with the risk appetite of the Council and ensure confidence in the response to risks and how these are managed.

5.8   A key consideration in balancing risks and opportunities, supporting informed decision-making and preparing tailored responses is the conscious and dynamic determination of the Council's risk appetite. This is incorporated into the Council's risk management process, at the risk analysis stage, and is then recorded as part of the documented risk assessment (in accordance with public sector guidance).

5.9   An example of this would be a strategic decision that has been risk assessed as having multiple impacts, requiring consideration of risk trade-offs between differing aspects. In this case there would be a need for the risk assessment to document what was considered, at the time, to inform the decision and the balance within the judgement made.

5.10 It is not always practical or affordable to fully manage risks to the level of a Council's optimal position. When decisions are to be made by officers outside of appetite (which increase risk beyond the optimal or tolerable positions), their justification and evidence should be recorded within a documented risk assessment including, if appropriate, seeking Cabinet direction.

5.11 In accordance with the Constitution the Chief Executive will have primary responsibility for ensuring that all decisions taken by the Council, the Cabinet or any other Council body are taken according to proper process and full

consideration of all relevant facts and circumstances, including documented risk assessments.

Planning

5.12 Risk management should be integrated into the Council's strategic planning framework and into all Business Plans. Management must prepare plans, which describe specific actions for the mitigation of all significant risks. To achieve maximum benefit proactive opportunity risk management should be applied at the very early planning stages of any operational activity, project or in strategy formulation.

Business Continuity Management

5.13 Business continuity management plans must be prepared which describe the actions to be taken to address risks which will result crisis or disaster situations. All such plans should be reviewed, updated and tested at regular intervals in compliance with the Council's Business Continuity Management Policy.

5.14 Business Continuity Management is a key part of the Council's Corporate Risk Management Approach. All Business Continuity Management related activity within the Council is coordinated through the Corporate Risk and Resilience Group under the guidance of the Strategic Director, Resources & Digital.

Management

5.15 All assessed risks must be addressed by managers at a level appropriate to the nature and magnitude of the risk, with decisions clearly documented and the resulting actions implemented through prescribed local procedures.

5.16 Managers must ensure that appropriate, cost-effective actions are taken to manage and control risks. Any resource implications of these actions must be addressed in Service's Business Planning.

Reporting

5.17 Clear reporting procedures must be established to ensure that regular reports identifying risks and risk management actions are prepared for each service/project/contract/partnership and that summary reports are submitted to the Council's designated risk manager, Corporate Management Team, Cabinet/Audit and Standards Committee on a specified regular basis.

5.18 All reports for decision making require an assessment of the key risk implications associated with the decision and how these will be managed.

Sustainability

5.19 Reports which support strategic policy decisions and initiate major projects require a risk assessment which includes a sustainability impact appraisal outlining the social, economic, or environmental impacts arising from the proposal. The Council is committed to long term sustainable development in order to ensure the capacity to continue operating into the future through greater efficiency in resource use and innovative improvements to local

service delivery arrangements whilst also helping to protect the environment for future generations.

6. **Risk Reviews**

Strategic Risk Reviews

6.1 The strategic risk review process is undertaken periodically by the Strategic Risk Management Officer Group, which includes Service Directors from across all Groups to ensure that the strategic risk management framework is relevant and robust in the context of mitigating risks to the Council's key corporate objectives.

Service (Operational) Risk Reviews

6.2 Managers will carry out risk assessments in all service areas, including those delivered in collaboration with a partnership or by a third party provider, both on a periodic basis in accordance with the minimum timescale specified by the Strategic Director Resources & Digital (Annually)and on an ad-hoc basis as the result of triggers, (such as a risk occurrence, the implementation of controls or changes such as new systems or working procedures, legislation or personnel changes, etc). The findings of the risk assessments must be recorded with any consequential actions considered necessary by managers taken in a timely fashion. The risk assessments will both support and inform Service Business Plans which underpin the delivery of the Council Pan.

6.3 Risk reviews will specifically address both strategic and operational risks and should incorporate the following:

- Integrated partnership/contract and risk management processes.
- Preparation of contingency plans for high-risk areas.
- Early identification of emerging risks coupled to risk reduction/mitigation action.

6.4 Managers may need to consider specialist advice for areas such as:
- IT Services.
- Security.
- Disaster Recovery.
- Insurance.
- Media/Public Relations.
- Systems and Controls.
- Health and Safety.
- Environmental Protection.
- Fire.

Project Risk Reviews

6.5 The inherent high risk profile of certain types of project require formal risk management activities to be undertaken and documented. These include projects involving:
- Responsibility for public safety or national security.
- Design/development of critical systems.
- Civil engineering design and construction.
- A high degree of public interest.

- A high degree of customer dependence.
- Large-scale capital investment.
- Significant Partnerships, joint ventures, etc.
- Fit for future projects/ initiating.
- Use of volunteers.

Partnership Risk Reviews

6.6 Effective risk management is essential to the delivery of the successful partnership arrangements that support the delivery of the Council Plan. A joint partnership risk register should be maintained for all significant partnerships, which will both identify and assess risks, including the risk of fraud and corruption, and act as a vehicle for the allocation of risk ownership.

6.7 When managing partnership risks, a number of generic risk factors must be addressed including:
- Alignment of objectives.
- Aligning authority with responsibility.
- Incentives for partners to manage risks effectively.
- Resilience of the partnership.
- Suitability of a partnership approach.
- Monitoring arrangements.
- Relative skills, experience and culture of the partners.

Policies and Procedures

6.8 An annual review of risk management policies and procedures will be conducted to ensure that they continue to meet the needs of the Council and Corporate Governance requirements and comply with professional standards.

7. **Implementation – Roles and Responsibilities**

7.1 This section sets out the responsibility for the implementation of the Policy.

Councillors

7.2 Councillors are responsible for governing the delivery of services to the local community. All Councillors therefore have a responsibility to understand the strategic risks that the Council faces in delivering services and consider the risk management implications of any action within the strategic decision-making process.

7.3 The Leader of the Council holds the portfolio which encompasses risk management. The Leader is supported in this role by the Chairman of the Audit and Standards Committee who is designated Member Champion for risk management.

7.4 The Audit and Standards Committee is the principal interface with Councillors for the purposes of supporting and monitoring the Council's risk management arrangements. The Committee receives quarterly reports on the Council's performance in relation to risk management and this provides an opportunity for challenge and discussion.

7.5   Councillors' key tasks are:
- Approving the risk management policy and strategy;
- Monitoring the Council's risk management and internal control arrangements;
- Reviewing an annual assessment of the effectiveness of the risk management and internal control framework; and
- Approving the public disclosure of the annual outcome of this assessment, (the Governance Statement), and publishing it alongside the Annual Statement of Accounts.

Chief Executive and Corporate Management Team

7.6   The Chief Executive and Corporate Management Team are pivotal in the promotion and embedding of risk management by promoting a corporate culture of risk management. This means that proactive risk management is practised throughout the organisation and is both an integral part of normal activities and supports the sharing of best practice across Groups and Services.

7.7   The Chief Executive and Corporate Management Team's key tasks are:
- Recommending to the Cabinet/Council the Corporate Risk Management Policy and subsequent revisions.
- Supporting and promoting risk management throughout the Council.
- Actively identifying and assessing strategic risks on a regular basis and ensuring they are allocated to individual leads for management response.
- The Strategic Director, Resources and Digital, in consultation with the Chief Executive, is responsible for advising the Council on risk management (Financial Regulation 17).
- The Strategic Director, Resources and Digital will make the necessary arrangements to facilitate the implementation, monitoring and audit of the Council's Corporate Risk Management Policy.
- The Strategic Director, Resources and Digital will make the necessary arrangements to facilitate the reporting of information to enable the Audit and Standards Committee members to fulfil the roles of ensuring the effectiveness of risk management arrangements.
- All Strategic Directors will be responsible for identifying and assessing significant risks arising from their service activities and in conjunction with the Strategic Director, Resources and Digital they will also identify and implement an ongoing programme for controlling risk. This includes assigning responsibility for the development and implementation of mitigating controls to control owners.

Senior Information Risk Owner (SIRO)

7.8   The SIRO is a CMT member responsible for managing information risk at the highest level and who provides overall direction and leadership for information governance arrangements. The SIRO for Gateshead Council is the Strategic Director of Corporate Services and Governance. Responsibilities include (but are not limited to):
- Overseeing the development of the information risk management strategy
- Ensuring that the council's approach to information risk is effective, in terms of resource, commitment and delivery

- Owning the resolution of information governance issues and risks
- Ensuring that all staff are aware of the necessity for information governance and the risks affecting the council's information
- Preparing an annual information risk assessment for the Chief Executive to inform the Annual Governance Statement

Senior Management Group (Services and Performance)

7.9 As the reporting channel to Corporate Management Team on risk management issues, members of this group must consider reports on corporate risk management and business continuity management.

7.10 As with the Corporate Management Team, this group are pivotal in the promotion and embedding of risk management within the Council's corporate culture.

Service Directors

7.11 Strategic and Service Directors are responsible for ensuring that risk management within their area of responsibility is implemented in line with the Corporate Risk Management Strategy and will demonstrate their commitment to risk management through:
- Being actively involved in the anticipation, identification and assessment of corporate risks and accepting ownership of those operational risks which impact on their Service(s).
- Incorporating risk management principles into the business planning process.
- Encouraging staff to be more innovative and open and honest in identifying risks and opportunities.
- Ensuring that the risk management process is embedded in all major projects, change management initiatives and where services are provided in association with significant partners.
- Embracing a proactive approach to the management of risks by:-
  - Assessing key priority risks on a periodic basis;
  - Ensuring that risk monitoring and control mechanisms are in place;
  - Ensuring effective action is taken to mitigate significant risks;
  - Regularly reviewing risk mitigation measures;
  - Delivering future control measures in accordance with action plans; and
  - Developing triggers to initiate the identification of new risks and re- evaluation of old risks, (changes in systems, legislation, etc).

Managers

7.12 Managers need to understand their role in the Council's risk management process and why they need to be concerned with risk in order to achieve the Council's objectives and targets. They must in compliance with the *Gateshead Competency Framework* "anticipate, assess and manage corporate risks" that relate to their areas of responsibility.

7.13 The role of Managers is to:

- Understand how to evaluate risks and when to accept appropriate risks in order to pursue an opportunity or innovation.
- Ensure that appropriate, cost effective actions are taken to manage and control risks. Any resource implications of these actions must be addressed in Business Plans and the Council's Policy and Business Planning Cycle.
- Implement and monitor adherence to the policy in the everyday activities of their specific service areas obtaining guidance from the Risk Management Co-ordinator when required.
- Communicate to staff the Council's risk management process.
- Identify risk management training needs of their staff and report this to the Risk Management Co-ordinator

Central Risk Management

7.14 The risk management responsibilities of the Strategic Director, Resources & Digital are discharged by the Service Director Financial Management who will provide both strategic support to the above and operational guidance to the Risk Management and Insurance Sections, which fulfil the role of Central Risk Management in the delivery of corporate risk management objectives.

7.15 The role of the Central Risk Management function is to:

- Formulate strategies to manage the corporate risk process.
- Develop, implement, monitor and review an action plan to minimise corporate strategic risks.
- Support and develop the Corporate Risk and Resilience Group/Service Risk Management Co-ordinators.
- Review Group/Service risk management action plans for relevance and consistency.
- Monitor implementation of Group/Service risk management plans.
- Report annually to Cabinet and on a regular basis to the Audit and Standards Committee.
- Co-ordinate risk management and business continuity management activity through the Corporate Risk Management Group.
- Ensure risk management and business continuity management activities are joined-up with emergency and resilience planning.

Group/Service Risk and Resilience Management Co-ordinators

7.16 Groups and Services may nominate a volunteer Risk and Resilience Co-ordinator. The role of the Group/Service Risk and Resilience Co-ordinator is to:

- Act as the risk and resilience management champion within their Group/Service
- Promote the benefits of risk and resilience management across their Group/Service.
- Provide guidance and support to Strategic Directors, Service Directors and service managers in the planning and administration of risk management, business continuity management, emergency planning and resilience activities.

- Act as the communications link between Central Risk and Resilience Management, the Corporate Risk and Resilience Management Group and their Group/Service Senior Management Team.
- Represent their Group/Service within the Corporate Risk Management Group and actively participate in risk management and business continuity management activities and initiatives.

Corporate Risk and Resilience Group

7.17 The Corporate Risk and Resilience Management Group consists of Central Risk Management, all Group/Service Risk and Resilience Co-ordinators and representatives from the Council's Corporate Resilience Planning Team and IT functions. The Group meets on a quarterly basis.

7.18 The role of the Corporate Risk and Resilience Group is to:

- Engage with Strategic Groups in relation to risk management and resilience to ensure it is consistently updated and embedded throughout the Council and within governance arrangements.
- Identify opportunities for improvements and best practice in relation to risk management and resilience.
- Co-ordinate and oversee the implementation and embedding of identified changes and improvements.
- Ensure there are robust internal control arrangements in place to anticipate, assess, prevent, prepare for, respond to and recover from, emergencies ensuring a resilient Gateshead.
- Contribute to the achievement of the key strategic priorities of Resilience and Emergency Planning.
- Consider key corporate learning points from incident and exercise debriefs.

Internal Audit

7.19 Risk management is one of the key systems within the Council. Internal audit's role is to challenge established processes, risk identification and evaluation and to provide assurance to officers and members on the effectiveness of controls. The Council's Strategic Audit Plan incorporates a programme of regular compliance audits to ensure that the key elements of the Corporate Risk Management Policy and its procedures are being followed, planned risk mitigation actions have been implemented and that internal controls are robust and operating effectively.

7.20 The Chief Internal Auditor will undertake an annual assessment of the Council's risk management and internal control mechanisms as part of the review of corporate governance arrangements.

7.21 Internal audit will feed the results of the corporate and service risk analysis into its annual audit programme.

8   Evidence of Compliance

Compliance will be evidenced by:
- The existence and implementation of the Corporate Risk Management Policy.
- Related policy statements and documented procedures.
- Strategic and operational risk registers for all of the Council's activities.
- Periodical review of strategic risk register.
- Annual review of operational risk register.
- Existence of partnership risk registers for significant partnerships.
- Risk assessments conducted for acquisitions, new contracts and projects, existing contracts and contract changes.
- Risk management implications on all Council and Cabinet reports.
- Business Continuity Management Policy and related plans.
- Business Plans.
- Agendas/minutes for Corporate Risk and Resilience Group.
- Internal/external Audit inspections and reports.
- Operational risk management handbook for managers and employees.
- Dedicated risk management section on intranet.
- Associated training materials.
- Management of action plans developed to address resilience planning issues.
- Quarterly oversight and reporting of risks into Group Management Teams.