RISK MANAGEMENT POLICY AND STRATEGY

Sunderland City Council recognises that Risk Management is one of the principal elements of good Corporate Governance and a key contributor to ensuring a sound internal control environment and a satisfactory Annual Governance Statement.

A positive and proactive approach to the management of risk is essential to enable the Council to take opportunities to improve the quality of life and improve services for all local people and ensure that risks to achieving our priority outcomes are successfully managed.

The purpose of this Policy and Strategy is to outline how the Council will manage risks effectively.

Risk Management is defined by ISO 31000 Risk Management – Principles and guidelines as *"The co-ordinated activities to direct and control an organisation with regard to risk"* and the risk management process as the *"Systematic application of management policies, procedures and practices to the activities of communication, consulting, establishing the context, and identifying, analysing, evaluation, treating, monitoring and review risk."*

All councillors, employees, service providers, partners, and stakeholders are expected to play a positive role in embedding the culture, ethos and practice of effective Risk Management in all activities.

Objectives of Risk Management

1) Ensure that Risk Management processes provide effective arrangements that identify and achieve successful local and national priority objectives.

2) Embed Risk Management into the culture, ethos, policies and practices of the Council.

3) Ensure that the Council continues to meet all statutory and best practice requirements in relation to Risk Management.

4) Ensure that Risk Management continues to be a key and effective contributor to Corporate Governance and a satisfactory Annual Governance Statement.

5) Ensure that all parties understand their roles and responsibilities and contribute to the approach to Risk Management.

6) Ensure the Council successfully manages risks and opportunities at a corporate, operational, programme, project and partnership level.

The specific actions to deliver against the individual objectives are set out in Appendix A.

Governance

The Cabinet Member with responsibility for Resources is the Member Champion for Risk Management.

The Financial Procedure Rules state that the Director of Financial Resources shall maintain on behalf of the Council an adequate and effective system of internal audit of the accounting records and internal control systems. The Director of Financial Resources is responsible for the development, monitoring and review of the Council's risk management policy, which will be approved by Cabinet and shall be the Council's principal risk management adviser and co-ordinator.

Roles and responsibilities within the Council in relation to risk management are set out in Appendix B.

The Accounts and Audit Regulations 2003, as amended in 2006, require the Council to produce an Annual Governance Statement and the arrangements for managing risk are an integral part of the internal control framework. Heads of Service are required to make statements as to the effectiveness of their systems for identifying profiling, controlling and managing all significant corporate and operational risks. This is confirmed by each Director/Chief Officer signing a Controls Assurance Statement.

Risk Profiling

The Council will maintain a Corporate Risk Profile, and a range of other risk profiles for Directorates, programmes, projects and partnerships, where considered necessary.
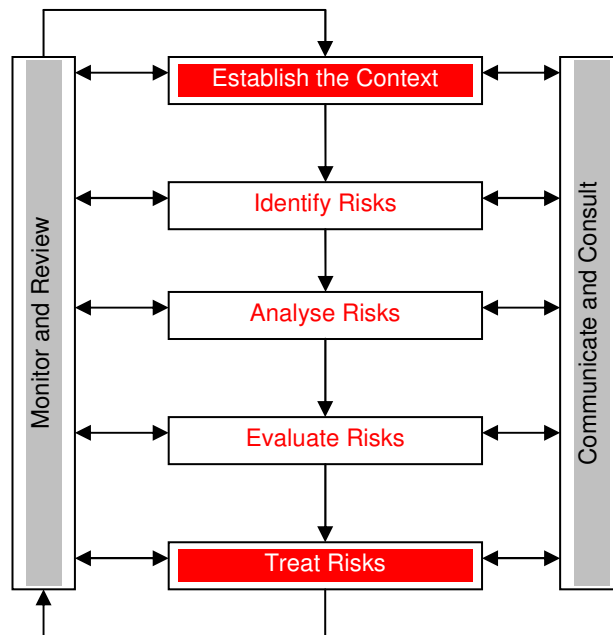
Risk Appetite

Given the breadth of services and functions the Council undertakes it will inevitably have a variable appetite to risk in different areas. Decisions will depend on the context, on the nature of the potential losses or gains, and the extent to which information regarding the risks is complete, reliable and relevant.

Risk appetite will be assessed as part of the risk profiling process.

Risk Management Process

The overall process followed for risk management is set out below.

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                    ┌──────────────────────────┐
                    │   Establish the Context   │
         ┌──────────┴──────────────────────────┴──────────┐
         │                                                 │
      ┌──┴──┐    ┌──────────────────┐                 ┌────┴──┐
      │     │    │   Identify Risks  │                 │       │
  Monitor and    ├──────────────────┤            Communicate and
   Review        │   Analyse Risks   │                Consult
      │     │    ├──────────────────┤                 │       │
      │     │    │   Evaluate Risks  │                 │       │
      │     │    ├──────────────────┤                 │       │
      └──┬──┘    │    Treat Risks    │                 └────┬──┘
         │       └──────────────────┘                      │
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The process above provides a systematic, effective and efficient way by which risks can be managed at different levels throughout the organisation.

Reporting

At a strategic level, an annual review of the Risk Management Policy and Strategy will be carried out and an Annual Report prepared as to the effectiveness of the risk management arrangements in place. The findings will be reported to the Executive Management Team (EMT), Cabinet and Audit and Governance Committee.

The Corporate Risk Profile will be reviewed twice yearly and the findings will be reported to EMT, Cabinet and the Audit and Governance Committee.

Directorates will report quarterly to the Corporate Risk Management Group on the effectiveness of their approach to Risk Management, covering:

- Directorate Risk Management Action Plan;
- Risk Management in Service Plans;
- Partnerships;
- Projects;
- Training and Communication.

Principles and Actions to deliver the Risk Management Objectives

Risk Management Principles

The risk management arrangements adopted by the Council will be based on the following principles, in line with ISO 31000. The application of the principles will be regularly reviewed to reflect changing circumstances.

- **Risk management is tailored**
  The organisation should have an approach to risk management which is proportionate and scaled to address the internal and external circumstances in which it operates.

- **Risk management takes into account organisational culture, human factors and behaviour**
  The organisation's risk management should recognise the capabilities, perceptions and intentions of external and internal people that might facilitate or obstruct achievement of the organisation's objectives.

- **Risk management operates under a common language**
  The organisation should apply a common language when identifying, assessing and responding to risks and maintaining its risk management framework.

- **Risk management is systematic and structured**
  The approach to risk management should, where practicable, be consistently applied within the organisation. This helps ensure that the outputs are both reliable and comparable, and gives managers increased confidence to make effective decisions.

- **Risk management is based on the best available information**
  The inputs to the process of managing risk should be based on available information sources, such as experience, subject knowledge, expert judgment and projected forecasts. Managers should be aware of any limitations to the data or difference of opinion among experts.

- **Risk management explicitly address uncertainty**
  The organisation should use risk management to help clarify the nature of uncertainty affecting decisions and how it might be treated.

- **Risk management is part of decision making**
  Risk management should support informed decision making by helping to understand risks. This helps managers to choose the option that is most appropriate for the organisation in terms of its risk appetite and ability to manage the risks effectively.

- **Risk management creates and protects value**
  The organisation should optimise risk management to contribute to the demonstrable achievement of objectives and maximise overall business and commercial benefits. It should support corporate governance, be integrated with management processes, provide assurance to stakeholders (and investors), and reflect legislative and compliance requirements.

- **Risk management is transparent and inclusive**
  Management and stakeholders should be actively involved in risk identification, assessment and response so that the organisation's risk management remains relevant and up-to-date. External organisations or other partners can play a valuable role in shaping and delivering risk management.

- **Risk management is dynamic, iterative and responsive to change**
  The organisation should ensure its risk management continually identifies and responds to changes affecting its operating environment by having an open, positive culture that encourages managers to disclose, discuss and respond to risk.

- **Risk management facilitates continual improvement of the organisation**
  Organisations should implement strategies to improve their risk management maturity alongside all other aspects of the organisation.

- **Risk management is an integral part of all organisational processes**
  Risk management is not a stand alone activity that is separate from the main activities and processes of the organisation. Risk management is part of the responsibilities of management and an integral part of all organisational processes, including strategic planning and all project and change management processes.

Actions to deliver the Risk Management Objectives

Objective 1 - Ensure that Risk Management assists in ensuring secure and effective arrangements that identify and achieve successful local and national priority outcomes.

The Council will employ Risk Management processes to identify and manage the risks / barriers to achievement of its objectives and outcomes as stated in:

- Sunderland Strategy
- Local Area Agreement
- Corporate Improvement Plan
- Directorate Service/Business Plans

The Council will also:

- Ensure Risk Management will be an integral part at all stages of service / project planning;
- Ensure Risk Management is integral to delivering the business of the Council;
- Work closely and collaboratively with partners to achieve a joint successful approach to managing risks.

Objective 2 - Embed Risk Management into the culture, ethos, policies and practices of the Council.

Risk Management will be an integral part and included in its own right in key Council documents and processes, including but not limited to:

- Constitution
- Sunderland Strategy
- Strategic Service Planning / Corporate Improvement Plan
- Medium Term Financial Strategy
- Services/Business Planning
- Business Transformation Programme
- Community Leadership Programme
- Local Code of Corporate Governance
- Code of Practice on Partnerships
- Project Guidance
- Reports to support key policy decisions
- Performance Management
- Financial Management

Objective 3 - Ensure that the Council continues to meet all statutory and best practice guidance.

The Council will:

- Include, as appropriate, any national or best practice guidelines in relation to risk management within its framework and processes;
- Monitor changes/recommendations by appropriate relevant national organisations;
- Engage with any relevant local or national risk management forums to further identify improvement to the Council's framework and approach;
- Participate in relevant and appropriate benchmarking exercises.

Objective 4 - Ensure that Risk Management continues to be a key and effective contributor to Corporate Governance and the Annual Governance Statement.

- Heads of Service will be required to make statements as to the effectiveness of their systems for identifying profiling, controlling and managing all significant corporate and operational risks. This will be confirmed by each Director/Chief Officer signing a Controls Assurance Statement;
- Evidence will also be provided for the Annual Governance Review about the overall corporate position of Risk Management within the Council;
- The Corporate Risk Profile will be taken into account in developing the Internal Audit Operational Plan.

Objective 5 - Ensure that all parties understand their roles and responsibilities and contribute to the approach to Risk Management.

The Council will provide an understanding to all parties concerned as to the principles, purpose and need for risk management and how to effectively practice this in their own areas. This will be carried out by:

- Defining all parties' roles and responsibilities;
- Providing appropriate training to staff and stakeholders;
- Providing appropriate professional advice and guidance;
- Awareness raising.

Objective 6 - Ensure the Council successfully manages risks and opportunities at a corporate; operational; programme; project and partnership level.

The Council will establish an effective framework for Risk Management. This will include:

- A Corporate Risk Management Group will be responsible for the development and ongoing review, monitoring and reporting of the Corporate Risk Profile;
- A Directorate Risk Management Plan will be produced, which is subject to ongoing review, monitoring internally and reporting to the Corporate Risk Management Group;
- Where appropriate Divisional/Service area plans will be produced and monitored by the relevant Departmental Management Team;
- Head Teachers and Governors will be responsible for ensuring schools have a process in place to identify and manage risks;
- Lead Officers in Partnerships will be responsible for producing appropriate Risk Profiles regarding the Council's risks and ensuring they are appropriately managed. Lead Officers will also be responsible for ensuring that Partnerships have a Risk Profile;
- Programme/Project Boards and Programme/Project Managers will be responsible for ensuring Risk Profiles are maintained and reported;
- An effective reporting system to ensure that risks are identified and properly managed. This will include reporting to the Corporate Risk Management Group, Executive Management Team, Cabinet and the Audit and Governance Committee.

Risk Management - Roles and Responsibilities

Councillors

- Ensure that an effective policy and strategy is in place to manage risks throughout the Council;
- Be aware of the risk management implications of decisions;
- Approve a Member Champion.

Member Champion

- Alongside the Director of Financial Resources, embed risk management throughout the Council.

Cabinet

To consider:

- An Annual Report on the performance of risk management within the Council;
- Reports relating to the Council's Corporate Risk Profile;
- Reports containing a risk analysis of the major issues which could impact on policy decisions.

Audit and Governance Committee

- Provide independent assurance of the adequacy of the Risk Management Policy and Strategy and the associated control environment within the Council.

Directors / Chief Officers

- To agree jointly an effective framework for the management of risks and opportunities throughout the Council;
- To receive jointly reports on the Corporate Risk Profile;
- To ensure jointly and individually that the actions contained in the Corporate Risk Profile are completed including reporting as appropriate;
- To produce, implement and review a Directorate Risk Management Plan and report progress quarterly to the Corporate Risk Management Group;
- To ensure that an effective framework is in place to manage risks faced by their Directorate / service areas;
- To ensure that reports to support strategic or policy decisions and project initiation documents include a risk assessment including a sustainability impact appraisal, where appropriate;
- Ensure staff are aware of key risk management process and their responsibilities;

Corporate Risk Management Group

The above group is made up of senior managers from all Directorates and oversees the Risk Management process throughout the Council. The group is chaired by the Head of Audit, Risk and Procurement. The group has responsibility for:

- Support the development and implementation of the Risk Management Policy and Strategy;
- Ensuring the framework for managing risks throughout the Council including partnerships is effective;
- Ensuring risk management is embedded in all business processes;
- Providing a Risk Management Annual Report to the Executive Management Team, Cabinet and Audit and Governance Committee.
- The production of a Corporate Risk Profile;
- Developing, monitoring and reviewing the Corporate Risk Profile and associated actions;
- Providing a six monthly report for the Executive Management Team, Cabinet and Audit and Governance Committee in relation to the above;
- Receiving quarterly reports from Directorate representatives on Risk Management activities and progress;
- Reviewing training needs and programmes in relation to Corporate Risk Management;
- Considering bids for utilisation of the risk management fund;
- Ensuring communication links with Directorates are effective.

Risk Management Corporate Team

- Spreading the ethos of good Risk Management throughout the Council;
- Supporting the activities of the Corporate Risk Management Group;
- Assisting Directorates in identifying, analysing and controlling the risks that they encounter;
- Providing guidance and support to Directorates in relation to risk management generally, and to assist in the formation and implementation of Directorate Risk Management Action Plans;
- Reviewing Directorates Risk Management Plans and reporting progress to the Corporate Risk Management Group;
- Liaising with external Consultants and Risk Management organisations to identify, share and maintain best practice within the Council;
- Organising and promoting risk management awareness and training;
- Liaising with both internal and external audit with regard to risk management.

Internal Audit

The role of internal audit within risk management is to provide an independent assessment of the effectiveness (or otherwise) of:

- The robustness of corporate arrangements for risk management;
- The risk management function / section of the Council;
- The implementation of corporate / departmental risk management arrangements;
- Internal controls across the Council's services / systems.

Internal Audit has a clear remit to report upon the effectiveness of the Council's internal control environment and therefore help managers in minimising risk levels.

Internal Audit Services also provides advice and guidance on risk and control

Programme Boards

- Provide leadership and direction for risk management;
- Understand and agree the nature and level of risk acceptable within the programme and associated projects;
- Clarify rules of escalation from projects to the programme and delegation from programme to projects relating to the risk register;
- Identify how inter-project dependencies / cross programme risks will be identified and managed.

Project Boards

- Provide leadership and direction for management of risks to the project;
- Notifying the Project Manager of any external risk exposure to the project;
- Making decisions on the Project Managers recommended reactions to risk;
- Striking a balance between the level of risk and the potential benefits that the project may achieve;
- Notifying corporate or programme management of any risks that affect the projects ability to meet corporate or programme objectives.

Employees

To understand their role in the management of risk with regard to:

- Risk management process;
- Risk management action plans;
- Highlighting any risk management training needs;
- Managing risk effectively in their job.