Appendix A

RISK MANAGEMENT STRATEGY

2017-2020

1. Introduction

1.1 Risk management refers to the culture, processes and structures that are directed towards the effective management of potential opportunities and threats which may impact on the business of the Council. It is the Council's policy to proactively identify, understand and manage the risks inherent in its services and associated with its projects, plans and strategies, so as to encourage responsible informed risk taking, balancing risk and opportunity.

1.2 The Risk Management Strategy recognises that the next few years will continue to present challenges for the Council in delivering its services and its Vision 2020 priorities, with the need to identify and manage risks being even more crucial. As the nature of the Council's funding continues to fundamentally change and become more uncertain, and as a result of the need to identify new sources of income the Council will inevitably be forced to have more of an appetite for risk. Effective management of risk is therefore essential in ensuring that the Council is prepared for the challenges ahead and encouraging a move from a 'risk averse' to a 'well measured' risk approach.

1.3 Effective risk management is also a key element of corporate governance and is recognised as such in the Accounts and Audit Regulations 2015 (through the Annual Governance Statement).

2. Aim

2.1 The aim of this strategy is to provide a framework and process that enables the Council to manage uncertainty in a systematic, effective, consistent and efficient way. This supports informed decision making thereby enabling opportunities to be exploited or action to be taken to mitigate or manage, to an acceptable level, the key risks facing services and the successful delivery of the Vision 2020.

2.2 It supports the Council's Vision 2020 of 'Together, let's deliver Lincoln's ambitious future and the strategic priorities of:

- Let's reduce inequality
- Let's deliver quality housing
- Let's drive economic growth
- Let's enhance our remarkable place

2.3 It seeks to encourage well measured risk taking where it is likely to support the Council in delivering transformed services required within the dynamically changing environment of local government.

3. Objectives

3.1 This Risk Management Strategy seeks to achieve a number of specific objectives:

- To ensure that there is a strategic approach to risk management to make better informed decisions which is vital to successful transformational change.

- To set a 'tone from the top' on the level of risk we are prepared to accept on our different service delivery activities and priorities. Understanding our 'Risk Appetite' and acknowledging that how we 'think about risk' will be different depending on the context of corporate impact and sensitivity.

- To acknowledge that even with good risk management and our best endeavours – things will go wrong. Where this happens we use the lessons learnt to try and prevent it from happening again.

- To develop leadership capacity and skills in having a clear understanding of the risks facing the Council in delivering our services and transformational change and how we manage these risks. Risk management should be integral to how we run Council business/services.

- To support a culture of well measured risk taking throughout the Councils business, including strategic, change and operational.

- To ensure that our approach to risk management is proportionate to the decision being made.

- To ensure that we have effective monitoring and Corporate Management/Executive intelligence on the key risks facing the Council.

- To ensure that we have good practice tools to support management of risks in place, which are applied consistently throughout the Council

4. The Policy Framework

4.1 In order to achieve the strategy objectives the following policy and principles underpin the Council's risk management arrangements;

- Risk management will be embedded into business critical processes ensuring that risks are considered as part of the formulation of Council plans (service / strategic / financial), projects, policies and performance.

- A simple risk management process will be in place which;

- identifies, understands, and manages key risks affecting the Council, at both corporate/strategic and operational levels
- sets risk ownership and accountabilities
- considers risks for likelihood and impact
- identifies mitigating controls with clear allocation of responsibility - thinking about the level of risk, appetite for risk, reward, impact and cost of control measures (responding in a balanced way).
- includes risks relating to strategic partnerships
- ensures that processes include risk monitoring

- Key responsibilities, for officers, members, and committee including reporting structures will be clearly set out.

- A senior officer and member champion will be identified who will take overall responsibility for risk management.

- Processes will be are cascaded effectively to officers and members, using adequate mentoring facilitation and training.

- Process will be in place to consider and disseminate risk management best practice.
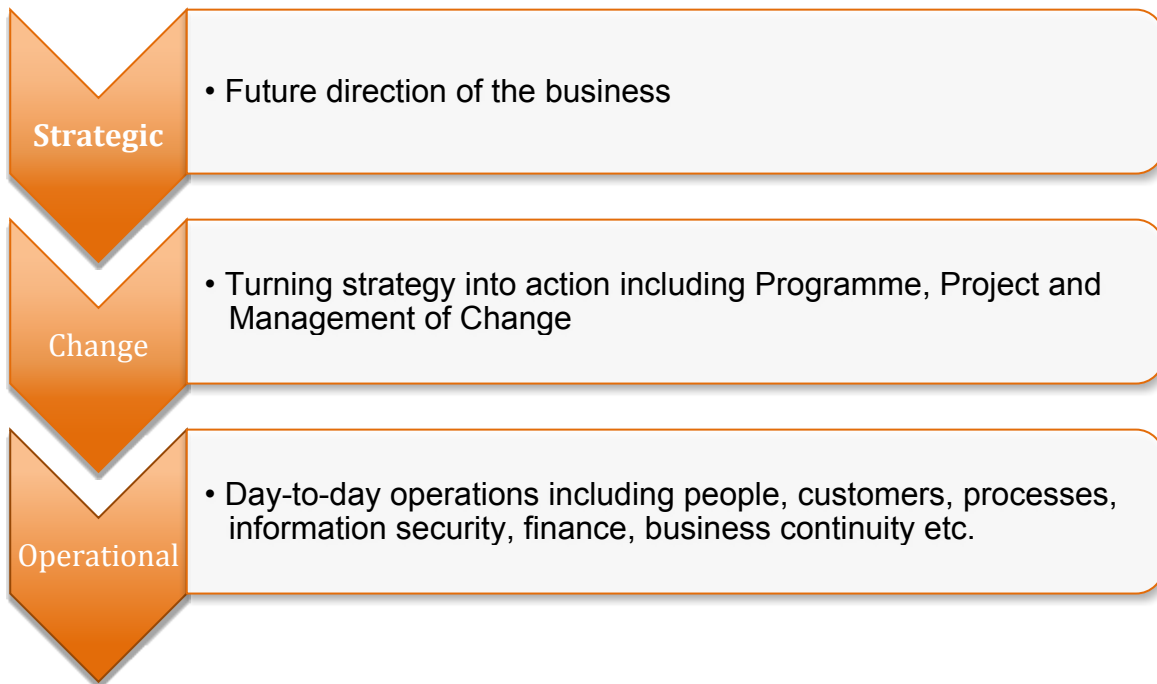
5. Strategy

5.1 The Council's Risk Appetite statement is **Creative & Aware**:

*"The Council wishes to be **creative** and open to considering all potential delivery options with well measured risk taking whilst being **aware** of the impacts of its key decisions. The Council is prepared to 'take leaps of faith' on this basis, with an acceptance that it might not always work out as planned. As an authority it is prepared to take calculated risks to achieve its vision and strategic priorities".*
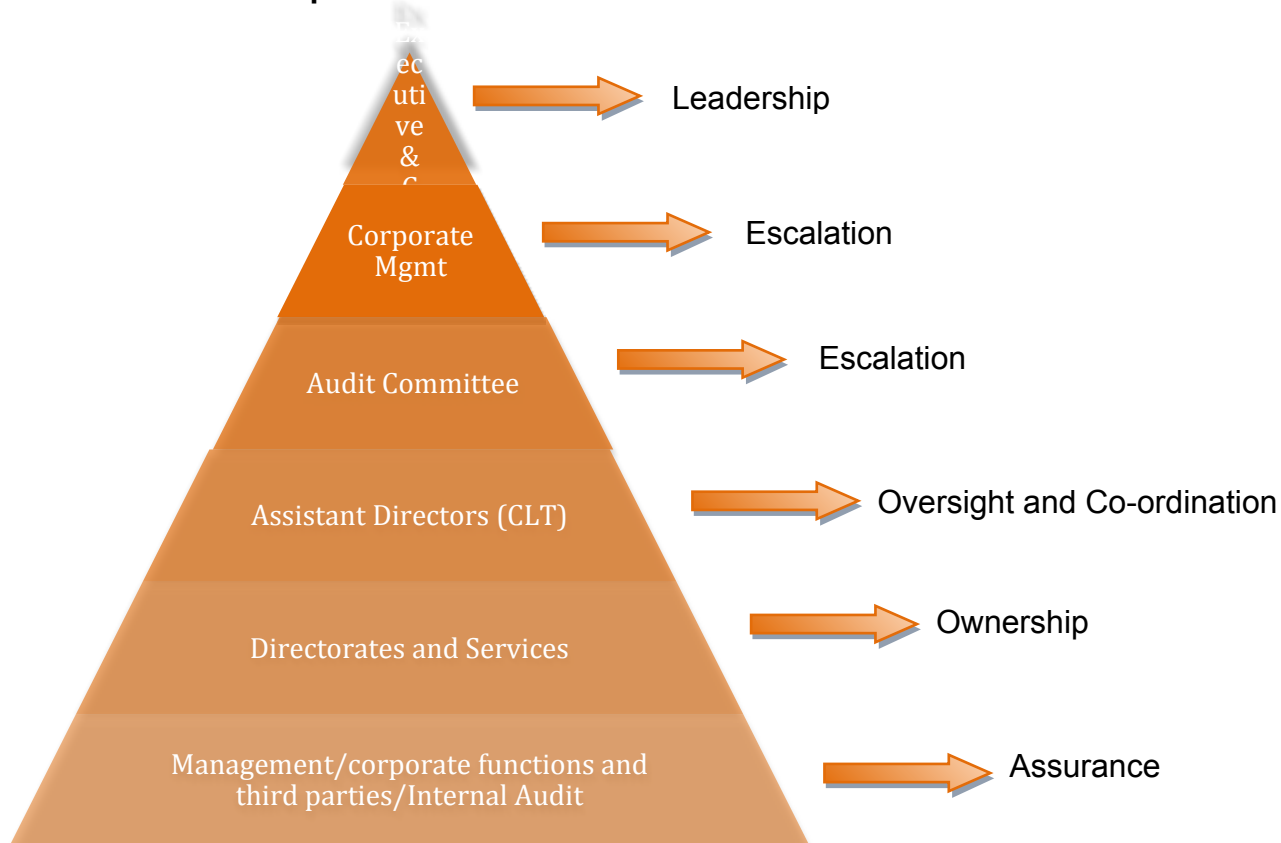
5.2 This means that the Council's risk and assurance systems need to be working well so to create an environment of 'no surprises'.

5.3 Whilst working within this overall context – 'tone from the top' – it is acknowledged that the risk appetite will vary depending on the nature of the service. For example the Council's appetite for risk taking on Health & Safety is more cautious.

5.4 Where the Council undertakes operations or initiatives outside the agreed risk appetite this must be reported and monitored through the appropriate Director. This helps promotes informed decision making based on risk awareness.

5.5 The Council's approach to risk management is proportionate to the decision being made or the impact of changes to service delivery/strategies. Risk management

arrangements enable the Council to manage uncertainty in a systematic way at all levels of the Council's business – as shown below:

Strategic
• Future direction of the business

Change
• Turning strategy into action including Programme, Project and Management of Change

Operational
• Day-to-day operations including people, customers, processes, information security, finance, business continuity etc.

5.6   A formal risk assessment, producing a risk register, is not required for everything the Council does. Risk Registers are only required for:

- Strategic Risks
- Significant Directorate Operational Risks
- Key projects and programmes determined by the Vision 2020 and Project Management guidance.
- New service strategies that have a greater impact on people, finance and the Council.

5.7   All key decisions presented to the Executive must clearly show the key risks associated with the decision (recommendations), the potential impact and how these will be managed. This helps promote informed decision making, particularly in an environment of uncertainty and change.

5.8   Officer and Member awareness is a key component of successfully embedding risk management arrangements; specific training will be made available to officers and members with risk management responsibilities with general awareness training provided for other officers and members.   Specific Risk Management Guidance which sets out the Council's requirements and processes and gives people the tools to help them identify and manage risks effectively is also available for officers.

6.   Roles and Responsibilities

Pyramid diagram with levels from top to bottom: Executive & Corporate; Corporate Mgmt; Audit Committee; Assistant Directors (CLT); Directorates and Services; Management/corporate functions and third parties/Internal Audit. Arrows point to: Leadership, Escalation, Escalation, Oversight and Co-ordination, Ownership, Assurance.

6.1   Within this structure, each party has the following key roles:

- The Executive and Corporate Management Team, on the top of the pyramid, has the ultimate accountability for the risk and related control environment and is responsible for approving and reviewing risk policies and setting the level of risk the council is prepared to accept – the 'risk appetite'.

- The Audit Committee is responsible for overseeing the effectiveness of the Council's risk management arrangements, escalating issues to the Corporate Management Team/Executive.

- The Performance Scrutiny Committee is responsible for ensuring that the Council's Strategic Risks are effectively managed, escalating issues to the Executive.

- The Assistant Directors (Corporate Leadership Team) is responsible for the facilitation and co-ordination of risk management activity across the Council.

- Directorates and Services are the 'risk takers' and are responsible for identifying, assessing, measuring, monitoring and reporting significant risks associated with their functions and activities.

- As part of the Council's combined assurance model, management, third parties and Internal Audit give assurance on the management of risks and the operational/performance controls.

6.2 Whilst effective risk management is integral to how services are run, the Council in conjunction with the Strategic Risk Management Team at Lincolnshire County Council helps support management and promote good practice. The key roles being:

- To co-ordinate and maintain the Council's Strategic Risk Register.

- To develop and co-ordinate the implementation of the Risk Management Strategy.

- Provide guidance on risk management.

- To support Members and Officers to help them identify and manage risks facing the Council.

- Promote good risk management through training and awareness events/ publications.

- Measuring/monitoring the successful implementation of the Risk Management Strategy.

7. Review

7.1 This Strategy will be reviewed at least every three years and any significant amendments reported to the Council's Executive for approval.

Revised: February 2018 (no significant amendments).