APPENDIX I

Leicestershire County Council Risk Management Policy

1. All organisations face risk. Those organisations which stimulate effective and efficient risk management (both threats and opportunities) and strive to create an environment of 'no surprises' should be in a stronger position to deliver business objectives, and attain improved services and better value for money.

2. Local government is undergoing a profound transformation. Continuing austerity, increasing expectations and rising demand are creating a lasting change on the management of local authorities. The movement from being service providers to service commissioners and strategic partners, adds new layers of complexity and risk, but also opens up new opportunities for innovation, transformation and community engagement. The County Council recognises that in order to successfully manage its own fundamental transformation, diverse opportunities and risks, effective risk management is a vital activity. The Council will engender a culture for managers where they are encouraged and supported to be innovative but also to have a good understanding of risk and the implications of their decisions.

3. This Risk Management Policy Statement and supporting documentation form an integrated framework that supports the Council in the effective management of its risk. In implementing the framework, we will provide assurance to our stakeholders and partners that the identification, assessment, evaluation and management of risk, plays a key role in the delivery and achievement of the Council's vision contained in its Strategic Plan 2014-18 and all of its other plans, strategies and programmes.

4. Our risk management framework will be fit for purpose, reflect our size and the nature of our various operations and use our skills and capabilities to the full. In order for risk management to be effective and become an enabling tool, we will ensure that we have a robust, consistent, formalised process of awareness, management, monitoring and reporting throughout the Council.

5. This Policy has the full support of Members and the Chief Executive, who are committed to embedding risk management throughout the Council and it requires the co-operation and commitment of all employees to ensure that resources are utilised effectively.

Signed: John Sinnott

Title: Chief Executive

Date: 15th January 2015 Review Date: December 2015

Leicestershire County Council Risk Management Strategy

1.0 Introduction

Risk for this purpose is defined as:

Under the ISO31000 – Risk is defined as: *Effect of uncertainty on objectives* Risk Management is defined as: *Coordinated activities to direct and control an organisation with regards to risk*

The Risk Management Strategy outlines how Leicestershire County Council will use risk management to successfully deliver Service, Departmental and Corporate objectives and priorities.

All organisations face a wide variety of risks, including risks to people or property, financial loss, failure of new projects or ongoing service delivery and damage to reputation. The County Council recognises that at a time when public services are facing unprecedented cuts in funding and undergoing a significant period of change, the effective management of risk is needed more than ever.

2.0 Why do it?

The County Council's Code of Corporate Governance sets out a requirement to ensure that an effective risk management system is in place. Risk Management is a business process that is used to identify, assess, evaluate, review and report risks in a robust, systematic and documented way. The process of risk management does not seek to fully eliminate all risks, as this cannot be achieved. Rather, it acts to reduce the residual risk to an appropriate level with which the organisation is comfortable.

The approved Risk Management Policy and Strategy documents aim to provide a framework within which risks can be identified, assessed and managed.

3.0 Benefits

Risk management is a tool that forms part of the governance system of every public service organisation. When applied appropriately it can bring multiple benefits:

- Helps organisations achieve their stated objectives and improve the delivery of intended outcomes.
- Helps managers to demonstrate good governance, better understand their risk profile and better mitigate risks (particularly uninsurable ones).
- Help the organisation to enhance political and community support and satisfy stakeholders' and partners' expectations on internal control.
- Increased effectiveness of transformation projects and programmes.
- Improved efficiency of operations.
- Protection of budgets from unexpected financial losses.
- Protection of assets.
- Protection of reputation.
- Protection of people

4.0 Risk Management Maturity

Across all industries, sectors and organisations different levels of risk management maturity exist. Risk management maturity refers to the journey an organisation goes through when managing risk.

The Association of Local Authority Risk Managers (ALARM) has developed and published a National Performance Model for Risk Management in Public Services to illustrate what good risk management looks like in a public service organisation. There are 5 levels.

A detailed review[1] undertaken in January 2015 scored the Council's level of risk maturity as between levels 3 ("Working") and 4 ("Embedded and Working"). The assessment concluded that there had been significant progress since the previous assessment (reported to Corporate Governance Committee in September 2011 as between levels 2 and 3) and, by and large, a robust framework exists underpinning risk management within the Council.

A number of recommendations were made to further develop risk management processes and an action plan will be produced to address the recommendations.

1. Undertaken using the ALARM Performance Model by a Senior Internal Auditor not routinely involved in the Council's risk management framework, reporting to the Finance Manager within Strategic Finance to directly avoid any conflict of interests. See section 8.0 'Risk Management Framework – the role of the Internal Audit Service.

The Council will evaluate its risk maturity against ALARM guidance on a three-yearly frequency (maximum) with the next review planned for December 2017.

5.0 Our Vision

Our short term vision (within the calendar year 2015) is to implement the improvements recommended in the risk maturity assessment to prove we have fully achieved level 4 'Embedded & Working' across all core areas where required. Thereafter, subject to resources available, we will consider whether it is practical and affordable to move further along the risk management maturity scale for some core areas, towards the top score of level 5 'Driving'. In practice, that would mean making progress towards achieving the outcomes associated with each core area of maturity as follows:

Core Area	**Outcomes**
Leadership and Management	• Senior management uses consideration of risk to drive excellence through the business, with strong support for well-managed risk-taking.
Strategy and Policy	• Risk management capability in policy and strategy helps to drive organisational excellence
People	• All staff are empowered to be responsible for risk management. • The organisation has a good record of innovation and well-managed risk-taking. • Absence of a blame culture.

Partnerships, Shared Risks and Resources,	• Clear evidence of improved partnership delivery through risk management and that key risks to the community are being effectively managed.
Processes	• Management of risk and uncertainty is well-integrated with all key business processes and shown to be a key driver in business success.
Risk Handling and Assurance	• Clear evidence that risks are being effectively managed throughout the organisation. • Considered risk taking part of the organisational culture.
Outcomes and Delivery	• Risk management arrangements clearly acting as a driver for change and linked to plans and planning cycles.

6.0 Objectives

The Council supports the vision and will do this by:

- Integrating risk management fully into the culture of the Council and into the Council's corporate and service planning processes;

- Improving the framework for identifying, assessing, controlling, reviewing and reporting and communicating risks across the Council;

- Improving the communication of the Council's approach to risk management;

- Improving the coordination of risk management activity across the Council;

- Ensuring that the CMT, Corporate Governance Committee and external stakeholders can obtain necessary assurance that the Council is mitigating the risks of not achieving key priorities and thus complying with corporate governance practice;

- Enhancing the effectiveness of the current approach to managing risks by developing and applying a structured approach to decision making processes throughout the Council;

- Managing risk in accordance with best practice.

7.0 The Risk Management Process

The risk management process is a continuous process involving the identification and assessment of risks, prioritisation of them and the implementation of actions to mitigate the likelihood of them occurring and impact if they did. Our approach to risk management will be proportionate to the decision being made or the impact of the risk. Our arrangements will enable us to manage risks in a consistent manner, at all levels.

The risk management process can be illustrated as:

1 Risk Identification	Have those events which might create, prevent or delay achievement of the County Council's objectives been identified?
2 Risk Assessment	Have the risks identified been assessed using the County Council's risk assessment criteria?
3 Review of current controls and accurate assessment of current risk score	Identification and assessment of the controls already in place to mitigate each risk. If current risk score is still high even with controls: - • Is the score correct? • If so, does the risk need escalating?
4 Managing Risk	Determine whether the cost of implementing further mitigating control is merited when compared to the risk reduction benefits achieved. Development of further SMART actions
5 Review, Monitor and Report	Using the Risk Management Matrix as an indicator to the frequency of reviewing, monitoring and reporting risks.
6 Integration with Strategic Planning and Decision Making	Using risk management information to make informed decisions.

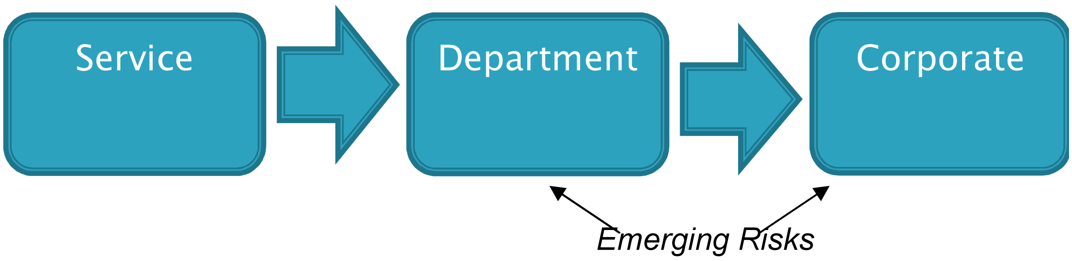
The LCC Risk Management Guidance on CIS provides full details of each step within the above process. It also includes various tools and templates that can be used to aid the whole cycle.

This process is applied through the Risk Management Framework detailed in Section 8 below.

8.0 Risk Management Framework

Process

There is an established framework in which consistent application of the process should ensure the flow of appropriate risk information across the Authority as follows:



Department Risks:

Departments will undertake a risk identification exercise at least annually, as part of service planning. This will include:

- Risks identified and assessed by managers at local/service area;
- Assessment will identify the risks to be managed within the service area and those that may need to be escalated to the next level i.e. department risk register;
- Development of the department risk register including:
    - Department specific risks
    - Risks that may have been escalated up from local/service levels
    - Relevant risks from programmes, projects and partnerships
    - Any department horizon scanning of emerging risks
- In line with Corporate methodology, key risks should be escalated and reported to DMT regularly, settling clear accountability for managing risks;

- Review of department registers to identify continuing 'high scoring' risks for escalation to the Corporate Risk Register either individually or consolidated with other risks.

This exercise will provide senior managers with a central record of departmental risks, with a clear audit trail of where the risk originates from and also provide assurance that risks are being managed.

Corporate and Cross-cutting risks - Corporate Risk Register

This process will provide Directors and Members with a central record of corporate risks, to ensure consideration is given to high ranking, strategic risks that could impact the financial, political or reputational arena.

- Each quarter, department risk champions and management teams will review department registers to identify and consider risks for escalation to the Corporate Risk Register, either individually or consolidated from Departmental Risk Registers;
- Internal Audit Service will confirm the quarterly reviews have been consistently undertaken, and co-ordinate the production and reporting of the Corporate Risk Register, through CMT and Corporate Governance Committee
- Whilst most risks are expected to come through this route they may not capture all of the strategic risks facing the Authority. Therefore horizon scanning, information from relevant publications and minutes from key meetings will also provide a basis for including additional risks on the Corporate Risk Register.

Programme, Project and Partnership Risks

Risk implications relating to programmes, projects and partnerships will be assessed and considered for inclusion within the departmental risk registers as appropriate. This process will also recognise that partnership working and the investment of County Council funding in that context is becoming potentially more complex. Separate guidance on partnerships is provided on CIS.

Business Continuity & Insurance

The Business Continuity Team co-ordinates the preparation of business continuity plans at a corporate level and for each department. Such plans aim to minimise the likelihood and/or impact of a business interruption by identifying and prioritising critical functions and their resource requirements. Critical risks will be captured through the service and departmental risk reporting framework. Progress against business continuity and insurance activities will also be regularly reported to the Corporate Governance Committee.

Support

The above process will be supported by the following:

- Ownership of risks (at appropriate levels) assigned to Directors, managers and partners, with clear roles, responsibilities and reporting lines within the Council;
- Incorporating risk management into corporate, service and business planning and strategic and local partnership working;
- Use of the Risk Management Toolkit throughout the Authority
- Providing relevant training on risk management to officers and Members of the Authority that supports the development of wider competencies;
- Learning from best practice and continuous improvement;
- Seeking best practice through inter-authority groups and other professional bodes e.g. the Association of Local Authority Risk Managers (ALARM).

The Role of the Internal Audit Service

In the UK public sector, the provision of assurance services is the primary role for internal audit. This role requires the County Council's Head of Internal Audit Service (HoIAS) to provide an annual internal audit opinion based on an objective assessment of the overall adequacy and effectiveness of the organisation's framework of governance, risk management and controls. The HoIAS annual opinion and report informs the County Council's governance statement.

In order to be able to form such an opinion, the HoIAS establishes a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals. The plan takes into account the County Council's risk management framework, including the current and projected levels of risk maturity and appetite, which allows the HoIAS to determine the overall audit strategy and the level of additional audit planning required. The plan is reviewed and adjusted as necessary, in response to changes in the Authority's business, risks, operations, programs, systems, and controls.

The HoIAS intends to continue to develop the approach to engagements and terminology used so that it aligns wherever possible to the Authority's risk management processes.

Responsibility for the administration and development of, and reporting on, the Council's risk management framework transferred to the HoIAS in the summer of 2014 Whilst the HoIAS does not identify, evaluate and manage department or corporate risks, since that is a management function, the Internal Audit Charter provides that any internal audit engagement covering the risk management framework, especially for the formation of the annual opinion on the effectiveness of the control environment would be overseen by someone outside of the Leicestershire County Council Internal Audit Service (LCCIAS). The HoIAS in conjunction with the Director of Corporate Resources will determine the frequency of the review and how it will be affected.

A risk maturity review was conducted by the Internal Audit Service in January 2015. See section 4.0 for approach and conclusion.

9.0 Risk Appetite

Risk appetite is best summarised as “the amount of risk an organisation is willing to accept” and is about looking at both the propensity to take risk; and the propensity to exercise control.

Risk appetite and risk tolerance help an organisation determine what a material risk is; what a high risk is; and what a low risk is. In deciding this, the organisation can:

- More effectively prioritise risks for mitigation
- Better allocate resources
- Demonstrate consistent and more robust decision making
- Clarify the thresholds above which risks need to be escalated.

The Corporate Management Team (CMT) has collectively agreed that the Authority currently exists in a ‘riskier’ environment and that this is likely to continue. In reality this will mean creating a better understanding of acceptable risk levels, depending on their impact and likelihood. Defining levels allows risks to be categorized and appropriate actions assigned so that the management of identified risks will be proportionate to the decision being made, or the size of the impact on service delivery.

We will review risk appetite and tolerance annually to ensure risks are being managed in the right place.

10.0 Risk Management Roles and Responsibilities

The following structure is unique to the Authority and is influenced by risk maturity, resource capacities, skills sets, internal operations and existing operating structures. The County Council’s risk management framework aligns to existing structures and reporting lines**. Full details** of risk management roles and responsibilities can be found on the County Council’s intranet, CIS.

Leadership

- Cabinet
- Lead Members
- CMT

Cabinet:
- Understands the key risks facing the Authority, determines the level of risk and ensures risk management is delivered to mitigate risks.

Lead Members:
- Have responsibility for understanding the risks facing their areas of accountability and how these risks are being managed.

CMT:
- Manages the level of risk the Authority is prepared to accept.
- Establishes a control environment in which risk can be effectively identified, assessed and managed
- Ensures progress against mitigating actions / controls for risks on the corporate risk register.

Corporate

- Corporate Governance Committee (CGC)
- Corporate Risk Management Group (CRMG)

CGC:
- Ensures that an adequate risk management framework and associated control environment is always in place
- Monitor's the arrangements for the identification and management of strategic and operational risks.

CRMG:
- Provides assurance that the risk management framework and its processes are effective.

Departmental

- DMT
- Service Managers
- Programme / Project / Partnership Boards
- Risk Champions

DMT:
- Ensure that the risk management framework is implemented in line with the Councils Risk Management Strategy, and guidance
- Takes full ownership of risks within their departmental risk register and agrees risk mitigation actions, assigns defined timescales and responsibilities – including those departmental risks that are also in the Corporate Risk Register (CRR)

Service Managers:
- Take ownership of all risks that fall within their remit
- Provide assurance to DMT's that these risks are being managed effectively.

Programme / Project / Partnerships:
- Providing assurance that risks and their implications are managed effectively and escalated if appropriate.

Risk Champions:
- Implement the risk management framework within their dept. and provide support and challenge to DMT and service managers.

Staff:
- Responsibility for gaining an understanding of the risks facing their area of accountability and how these risks are being managed.
- Report promptly perceived failures in existing control measures that could increase risk.

Internal Audit

- Internal Audit Service

Risk Management *:
- Review and challenge risk actions
- Provide assurance that the flow or risk information throughout the Authority is working effectively.
- Collates and co-ordinates, risk management updates for reporting to CMT and CGG

Internal Audit:
- Review and challenge the effectiveness of the risk management framework including controls in order to form an independent opinion.

Governance:
- Review and provide assurance within the Annual Governance Statement that the Authority's Risk Management Policy, Strategy, Guidance and Toolkit are being implemented at all levels.

* The Head of Internal Audit Service (HoIAS) is responsible for the administration and development of, and reporting on, the Council's risk management framework. It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that this 'impairment' to independence and objectivity is recorded in the Internal Audit Charter (approved by CMT and CGC in November 2014) and (to avoid any conflict of interests) any audits of the risk management framework are overseen from a manager outside of the Service.

Continuous Improvement

Regulators and risk management professionals indicate that good practice is to continuously improve risk management methodologies in line with recommendations from regular assessments and adapt to changing economic conditions.

To this effect, the LCC Risk Management Policy, Strategy, Guidance and related documents will continued to be reviewed after the release of new legislation or government guidance that affects risk governance, internal controls, financial management or the regulatory regime for public service organisations. They will also be reviewed following the results of any audit / review by Internal Audit Service or an external third party.