

Report of Chief Executive

Subject: Risk Management Policy

Purpose of Report

To ask Members to consider the draft Risk Management Policy and to suggest amendments prior to presenting the Policy to the Authority for approval.

Introduction/Background

Over recent years the Authority's Internal Auditors have undertaken two reviews of Risk Management and Risk Maturity. These have recommended a number of recommendations, with the most recent review by our current Internal Auditors outlined the following recommendations and suggestions:

Recommendation 1

Guidance on the following areas should be made available and this could be achieved through the existing Risk Strategy or a separate guidance document: ω Risk identification; ω Controls, including the different types of control (preventative, directive, corrective and detective); and ω Assurance, including the different types of assurance and the difference between potential assurance and actual assurance.

Recommendation 2

A column for objectives should be added to the start of the Risk Register and all risks should be clearly linked to one or more objectives. A review of the risks should then be undertaken to identify any risks to the objectives that haven't yet been considered and also to ensure that current risks are re-worded to make it clear what the cause of the risk is and what the effect is on the objective to which the risk is linked.

Recommendation 3

We recommend that the organisation removes the second "Control / monitoring" column and has just one either "Mitigation" or "Controls" column where the current Mitigation column is. Within this column should be recorded the tangible, key controls that are in place to reduce either the impact or the likelihood of risk occurring.

Recommendation 4

Either in addition to or instead of the "Progress Update" column, a "Gaps in control or Assurance" column should be added and this should be used to record planned further action to reduce the risk (controls) or planned assurance to be gained that controls are operating effectively (assurance). For ease of understanding, consideration should be given to recording this with either an "(c)" for gaps in control or "(a)" for gaps in assurance.

Recommendation 5

An assurance column should be added to the Risk Register and this should be used to record specific, actual assurance that risk management activities are having the

intended effect. Consideration should be given to having two assurance columns: one for internal (2nd Line) assurance and one for independent (3rd Line) assurance.

Suggestion 1

The Authority should consider more clearly defining its appetite for managing particular risks and could do this by defining an appetite for each of the 'categories' in its Risk Strategy that it has established for risk scoring (noting Suggestions 2 and 3 below). Defining a guide to the maximum 'score' for each category would provide a framework to set each risks 'target risk' score so that it aligns to the other elements of the organisation's risk appetite.

Suggestion 2

In light of the points raised in this report, the organisation should re-review these categories and check that they remain correct and this should also include whether they could be used for risk appetite (see Suggestion 1 above). Another category that should be considered for inclusion is Health and Safety.

Suggestion 3

Consideration should be given to moving to a 5 x 5 matrix, which is considered good practice. In addition, consideration should be given to creating individual matrices for each of the organisation's risk categories (linked to Suggestions 1 and 2 above) and the colour distribution could be used to show the alignment of risk management activity to the organisation's risk appetite; i.e. red = above risk appetite; amber = within risk appetite but further controls are required if possible; and green = within risk appetite and no further controls are required.

Risk Management Policy

In order to take forward these recommendations a revised Risk Management Policy is included as Annex A. The revised policy introduces new elements of Assurance to reflect the good practice provided by the three Line Model and also introduces an approach to Risk Appetite. Members of the Committee are invited to comment and make suggestions on the draft policy, which will then be presented to the Authority for approval. The implementation of Recommendation 1 will be undertaken after the Authority has agreed the policy to ensure that the guidance reflects to agreed policy.

Objectives of the Risk Management Policy

Recommendation 2 recommends the identification of Objectives and that all risks should be linked to an Objective. The following are presented as Objectives for the Authority in relation to Risk Management:

- Secure sufficient funding from a variety of sources to ensure the financial stability of the Authority;
- Make best use of the resources available to the Authority;
- Deliver High Quality Services that meet local and national policy priorities;
- Protect and conserve the National Park;
- Protect the reputation of the Authority;
- Meet high standards of Governance;
- Support people across the Authority to work in a safe environment;
- Manage an effective and safe IT service.

Members are asked to comment on the draft Objectives and to suggest any alternatives or amendments.

A revised set of Objectives will be presented at the next Audit and Corporate Services Review Committee meeting.

Conclusion

The paper provides an amended approach towards Risk Management and takes on board good practice in relation to this area of work. Members are provided with an opportunity to comment and suggest alternative approaches prior to presenting the revised policy for approval of the Authority.

Recommendation

Members are invited to discuss and suggest amendments to the Draft Risk Management Policy and the draft Objectives for Risk Management.



Pembrokeshire Coast National Park Authority

POL_G4 Risk Management Policy

Version	Active Date	Document Owner	Internal/ External
2		Chief Executive	Internal

Please note: Policy Control Sheet is at the end of the document. Policy document is uncontrolled once printed. Please refer to the Authority's Intranet site for up-to-date policy.

Does this Policy relate to me:

- This policy covers all the work of the Authority

Quick Reference - Key Policy Messages:

- Policy covers all the work of the Authority
- Outlines our approach to Risk Management and Assurance
- Outlines the content of the Risk Register
- Outlines our approach to Risk Appetite
- Outlines Responsibility for overseeing and implementing the policy

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1. Policy Statement

- 1.1 The Authority is committed to a proactive approach to risk management which is integrated into the policy framework, planning and budgeting cycles. The Authority recognises that there are risks involved in everything it does and that it has a duty to manage these risks in a balanced, structured and cost-effective way. Risk cannot be totally eliminated and may at times need to be embraced as part of an innovative approach to problem solving and achieving best value. In essence, risk management is not about taking no risks at all. It is about being able to take calculated and controlled risks to improve the services that the Authority provides.
- 1.2 The Risk Management Policy outlines the framework, responsibilities, and accountabilities for the systematic and consistent management of risk across the Authority, partnership and collaborative activities. The Policy forms part of the wider approach of the Authority towards ensuring assurance which adopts the principles of the Three Lines Model of Assurance. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event.

2. Aim of Policy

- 2.1 The Pembrokeshire Coast National Park Authority is committed to establishing and maintaining a systematic approach to the identification and management of risk.
- 2.2 The Authority's risk management objectives are to:
 - Ensure that risk management is clearly and consistently integrated and evidenced in the culture of the Authority.
 - Manage risk in accordance with good practice.
 - Anticipate and respond to changing social, environmental and legislative requirements.
 - Consider compliance with health and safety, insurance and legal requirements as a minimum standard.
 - Prevent death, injury, damage and losses, and reduce the cost of risk.
 - Inform policy and operational decisions by identifying risks and their likely impact.
 - Raise awareness of the need for risk management by all those connected with the Authority's delivery of service.
 - Ensure assurance from a wide range of sources.

3. Scope of Policy

- 3.1 The objectives of the policy will be achieved by:
 - Clearly defining the roles, responsibilities and reporting lines within the authority for risk management.
 - Clearly identify the objectives of the Authority and of Risk Management

- Identify a wide range of assurance methods e.g. Management reports, Expert input and Internal and External Audit
- Including risk management issues when writing reports and considering decisions.
- Continuing to demonstrate the application of risk management principles in the activities of the Authority, its employees and Members.
- Reinforcing the importance of effective risk management as part of the everyday work of employees and members.
- Maintaining a Corporate Register of Risks linked to Authority's business, corporate and operational objectives, also those risks linked to working in partnership, which is updated and reviewed by officers and Members on a regular basis (quarterly)
- Maintaining documented procedures of the control of risk and of suitable information, training and supervision.
- Developing and maintaining a Risk Appetite statement that clearly identifies the threshold for acceptable risk management.
- Maintaining an appropriate system for recording health and safety incidents and identifying preventative measures against recurrence.
- Preparing contingency plans to secure business continuity where there is a potential for an event to have a major impact upon the Authority's ability to function.
- Monitor arrangements continually and seek continuous improvement.

4. Definitions

- 4.1 A risk is defined as any event or possible event that threatens the Authority ability to deliver its strategic objectives.
- 4.2 Risk management is the planned and systematic approach to the identification, evaluation and control of risk. The objective of risk management is to secure the assets and reputation of the organisation and to ensure the continued financial and organisational well-being of the Authority.

5. Legislation

- 5.1 While there is no specific legislation in relation to Risk Management, this Policy plays a key role in our internal management and control. The Policy will also support our work across a number of areas such as Financial Management, Legal, Governance, Safeguarding, Data Protection, Cyber Security and Operational Delivery and Health and Safety.

6. Risk Management Approach

- 6.1 Good risk management is about identifying what might go wrong, what the consequences might be of something going wrong and finally, deciding what can be done to reduce the possibility of something going wrong. If it does go wrong, as some things inevitably will, making sure that the impact is kept to a minimum.

- 6.2 Risk management should ensure that an organisation makes cost effective use of a risk framework that has a series of well-defined steps. The aim is to support better decision making through a good understanding of risks and their likely impact. Risk management should be a continuous and developing process which runs throughout the organisation's strategy and the implementation of that strategy, methodically addressing all risks surrounding the authority's activities past, present and future.
- 6.3 The process of identifying and managing risk increases the probability of success and reduces the likelihood of failure.

Our Approach

- 6.4 It is essential that a single risk management approach be utilised at all levels throughout the Authority. By effectively managing our risks and opportunities, which is all part of good governance, we will be in a stronger position to deliver our objectives, provide improved services to the public, work better as a partner with other organisations and achieve value for money. This approach to risk management will inform the Authority's business processes. The Authority will agree its main objectives for managing risk and report against these.
- 6.5 The Risk Management Objectives of the Authority will be agreed and amended by the Audit and Corporate Services Review Committee.
- 6.6 For those with responsibility for achieving objectives, there is also the responsibility for identifying and assessing risks and opportunities; developing and implementing controls and warning mechanisms; and reviewing and reporting on progress. The identified risks and relevant control measures will be managed through a Risk Register.
- 6.7 Some objectives could be reliant upon external groups that the Authority may work with, such as other organisations, partners, contractors etc. This partnership working could affect the achievement of an objective and therefore the risk management process should be incorporated into partnerships agreements.
- 6.8 The management of risk will become an integral part of corporate policy decisions and the initiation of major projects, which will include a statement on risk to help inform the decision-making process.
- 6.9 This will assist members and officers to ensure that new risks are detected and managed, by providing more detail on the process for managing risk, where each stage builds upon the other and provides basic practical guidance on how to identify, assess and treat risks, and monitor their progress. To assist with this approach to risk management and to ensure consistency across the Authority, a guidance document on the risk management process has been prepared, which will be reviewed on an annual basis and reported to the Audit and Corporate Services Committee for approval and adoption.

6.10 Risk will be measured using a 5 x 5 matrix. There will be a score of between 1 to 5 on the likelihood of a risk occurring and a score of between 1 to 5 on the impact of the risk. Each risk will have a score of between 1 and 25.

	1 Very low Impact	2 Low Impact	3 Medium Impact	4 High Impact	5 Very High Impact
5 Very likely	Medium 5	High 10	Very high 15	Extreme 20	Extreme 25
4 Likely	Medium 4	Medium 8	High 12	Very high 16	Extreme 20
3 Possible	Low 3	Medium 6	Medium 9	High 12	Very high 15
2 Unlikely	Very low 2	Low 4	Medium 6	Medium 8	High 10
1 Very unlikely	Very low 1	Very low 2	Low 3	Medium 4	Medium 5

Risk Register

6.11 The Authority has one overarching strategic risk register which reports on the strategic risks which could impact upon the Authority’s strategic objectives. The Strategic risk register is underpinned by departmental subsidiary registers, which outline risks relevant to each area of work.

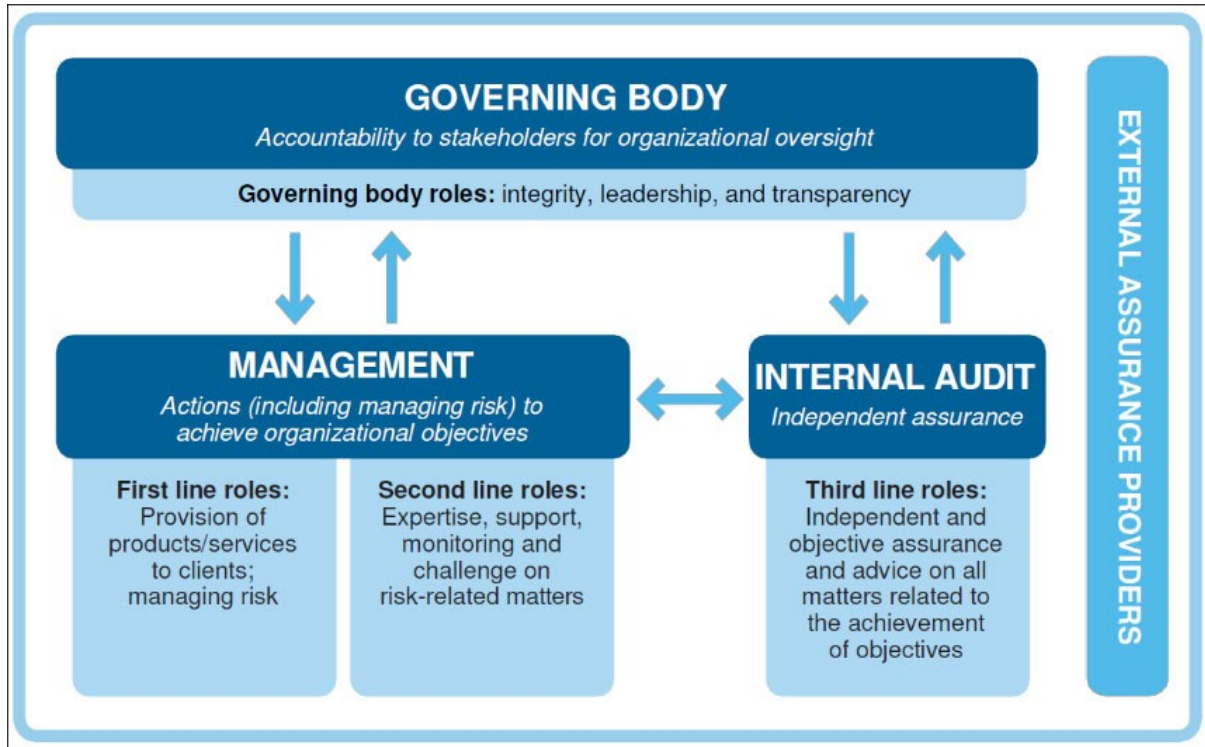
6.12 The Risk Register will include the following:

- Objectives
- Risk Description
- Calculation of Inherent Risk based on Likelihood and Impact (between 1-25) - this is an assessment of the risk without any controls.
- The Key Controls in Place
- Calculation of Residual Risk based on Likelihood and Impact (between 1-25) - this is an assessment of the risk once Key Controls have been put in place.
- Information on the Assurance Level required based on High, Medium or Low
- Evidence of Internal Assurance (Second Line)
- Evidence of External Assurance (Third Line)
- Indication of Risk Appetite

A blank version is included as Annex B.

Assurance

6.13 In order to ensure assurance from a wide range of sources the Authority will adopt the Three Lines Models of Assurance.



Line One – Risk Management and Controls

Line Two – Management reports, expert advice, compliance, performance against KPIs

Line Three – Internal and External Audit Reports.

The Risk Register will reference the three lines.

The Risk Register will reference the Assurance Level required based on three categories – High, Medium or Low. There will also be an indication of the Assurance level achieved based on Second and Third Line evidence.

Risk Appetite

6.14 Risk appetite can be defined as the amount and type of risk an organisation is willing to accept in the pursuit of its objectives. The Authority recognises that some level of risk needs to be accepted but it will vary according to the activities undertaken. Risk appetite is not a single, fixed concept and there will be a range of appetites for different risks which may vary over time. The Authority will develop a Risk Appetite Statement that will outline the risk

appetite or tolerance assigned to each of the Objectives. The Risk Appetite Statement will include the following:

- The Risk Tolerance for each Objective
- A detailed Narrative to explain the tolerance level.

Risk Appetite Definitions are:

Type	Appetite Level	Definition
Adverse	Low	Prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return.
Cautious		Willing to accept some low risks, while maintaining an overall preference for safe delivery options despite the probability of these having mostly restricted potential for reward/return.
Moderate	Medium	Tending always towards exposure to only modest levels of risk to achieve acceptable outcomes. Prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk
Open	High	Willing to consider an range of options to deliver outcomes. Some of them will include a degree of moderate risk.
High		Eager to seek original/creative/pioneering delivery options and to accept the associated substantial risk levels to secure successful outcomes and meaningful reward/return.

The Risk Appetite will be scored according to the following matrix

	1 Very low Impact	2 Low Impact	3 Medium Impact	4 High Impact	5 Very High Impact
5 Adverse	Medium 5	High 10	Very high 15	Extreme 20	Extreme 25
4 Cautious	Medium 4	Medium 8	High 12	Very high 16	Extreme 20
3 Moderate	Low 3	Medium 6	Medium 9	High 12	Very high 15
2 Open	Very low 2	Low 4	Medium 6	Medium 8	High 10
1 High	Very low 1	Very low 2	Low 3	Medium 4	Medium 5

7. Roles and Responsibilities

7.1 Responsibility for risk management should run throughout the authority. Clear identification of roles and responsibilities will ensure the successful adoption of risk management and demonstrate that it is embedded in the culture of the authority.

Group or Individual	Role
National Park Authority	Oversee the effective management of risk throughout the Authority, and gain an understanding of its benefits, ensuring officers develop and implement an all-encompassing approach to risk management. To approve an annual review of the Authority's risk register.
Individual Members	To understand the importance of risk management in all that the authority does and to champion the cause of risk management as part of the responsibility of the role of members and to monitor the management of their assigned risks.
Audit and Corporate Services Review Committee and the Operational Review Committee	Provide independent assurance of the risk management framework and associated control environment. To receive and review regular reports on risks relevant to activities within their terms of reference.
Management Team	Oversee the implementation of the risk management strategy and agree any inputs and resources required supporting the work corporately. Ensure that the risk management process is promoted, managed and implemented effectively in their service areas within the organisation. Liaising with external agencies to identify and manage risk. Disseminating relevant information to service managers and employees and ensuring appropriate training is provided. To review and update the risk register quarterly and maintain relevant departmental risk registers.
Managers	Raise awareness, manage and implement the risk management process effectively in their service areas, recommending any necessary training for employees on risk management. To ensure the corporate risk register reflects the current state of all risks within their responsibilities. Contribute to ensuring that Departmental Risk Registers are kept up to date. Incorporating risk ownership through the appraisal scheme with employees and share relevant information with colleagues in other service areas.
Employees	Manage risk effectively in their jobs, liaising with their manager to assess areas of risk in their job. Identify new or changing risks in their job and feed these back to their line manager.

8. Monitoring and Assurance

- 8.1 Each identified risk will be assigned to an officer whose responsibility will be to monitor and highlight any issues associated with that risk. The risk register is a standing item on the Authority's Management Team meetings and a detailed review of at least one strategic risk will be undertaken at each meeting. The Management will also consider the need to add or remove risks to / from the register. While not reported on all closed risks will be retained and recorded on a closed tab on the register. The risk register is reviewed quarterly by Corporate Management Team and is reported in full to the Audit and Corporate Services Review Committee quarterly.
- 8.2 Managing risks is not just about identifying and assessing risks and putting controls in place to mitigate the risks. Risks will constantly change and so a key stage of the risk management process is risk monitoring. Risks are required to be updated quarterly to align with service planning and performance management monitoring and reporting. It is important that risk register is kept up to date and accurate as this will form how not only objectives are being monitored but also how risks are being managed.
- 8.3 Monitoring of strategic risks is undertaken through Management team meetings. Management should prioritise those risks, concentrating on high risks and medium risks but also regularly review actions to ensure low risks are being effectively managed and to identify any emerging risks.
- 8.4 The review of risk registers should consider:
- Are the key risks still relevant?
 - Has anything occurred which could impact upon them?
 - Are the risk ratings appropriate?
 - Are the controls in place effective?
 - If risk scores are increasing what further controls might be needed?
 - If risk scores are decreasing can controls be relaxed without adversely affecting likelihood or impact ratings?
 - Has something new happened within the service, project, partnership or contract?
 - Has ongoing management review identified, for example, budget pressures, unexpected demand for a service or external factors such as changes in legislation or government policy?

9. Related Policies and Operational Procedures

- 9.1 The Risk Management Policy covers all the work of the Authority and will relate to policies in areas such as Financial Management, Legal, Governance, Safeguarding, Data Protection, Cyber Security and Operational Delivery and Health and Safety.

Appendix 1 – Type of Risks and Likelihood Assessment

Type of Risks

Type of Risk	Minor	Moderate	Major	Critical
Financial	Loss/Overspend under £1k	Loss/Overspend under £10k	Loss/Overspend under £100k	Loss/Overspend over £100k
Service	Marginal disruption to services	Short term disruption to services	Medium term disruption to services	Long term / permanent disruption to services
Reputation	No adverse publicity	Minor adverse publicity	Significant adverse publicity	Permanent adverse publicity
Legal	Breaches of internal procedures /standards	Breaches of advisory regulations	Breaches of Law punishable by fines	Breaches of Law punishable by imprisonment
Environment	Incident with no lasting impact	Incident with short term impact	Incident with medium term impact	Incident with long term lasting impact
Individual	Incident with no lasting impact	Incident with short term impact	Incident with medium term impact	Incident with long term lasting impact

Likelihood Assessment, Impact Description and Severity Definitions

Likelihood of risk occurring	Assessment
5 Very likely 90%+	Expected to occur, almost certain
4 Likely 65-90%	Will probably occur, measure may or may not exist to reduce likelihood
3 Possible 35-65%	Could occur; measures exist to reduce likelihood but may not be fully effective
2 Unlikely 10-35%	May occur at some point in time. Controls exist and are effective.
1 Very unlikely -10%	Rare in exceptional circumstances
Impact if risk occurs	Description
5 Very high	Significant impact on one or more categories of the appetite statement which would result in one or more objectives not being delivered
4 High	Major impact. Risk factor may lead to significant delay or non-achievement of objectives
3 Medium	Moderate impact. Risk factor may lead to delays in achieving objectives.
2 Low	Minor impact
1 Very low	Insignificant impact

Policy Control Sheet

Change Level

Change Level	Tick
Minor editorial/ accuracy changes	
Change requires Management Team Approval Only	
New Policy or Change requires NPA Approval / HR Committee Approval	

Consultation

Group	Date
<i>[Staff/ Staff Reps]</i>	
<i>[Asset Management Group/ Health and Safety Group etc.]</i>	
<i>[Management Team]</i>	

Assessments

Assessment – If Applicable	Date
Integrated Assessment – Full	
Integrated Assessment – Policy/ Procedure Review	
Data Protection Impact Assessment	

Approval

Approved by	Name	Date	Signature
<i>[NPA/ HR Committee/ Management Team]</i>			

Version History

Version	Active Date	Summary of Changes

Review

Version	Active Date	Document Owner	Review Date Trigger

Publication

Policies must be co-ordinated through the Performance and Compliance Team, for compliance, auditing, and control purposes. Please send all new or reviewed policies once approved to mairt@pembrokeshirecoast.org.uk for formal publication of policy to staff, Members, volunteers and where required on the Authority's website.

Publication	Date
Published on Sharepoint Corporate Policy Hub	
External Policy – Published on Website: HTML	

Objective	Risk Controls								Assurance that we are achieving objective				Risk Appetite
	Risk Description	Inherent Risk			Key Controls in Place	Residual Risk			Assurance Level required	Internal assurance (2 nd Line)	Independent Assurance (3 rd Line)	Assurance level achieved	
		Risk Impact	Prob.	Inherent Risk Score		Risk Impact	Prob.	Residual Risk Score					