

**RISK**

**MANAGEMENT**

**STRATEGY &  
POLICY**

**(FY2016-17-19/20)**

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## 1. INTRODUCTION

- 1.1 This Risk Management Strategy and Policy for Financial Years (FY 2016/17-19/20) is drawn up pursuant to the principles of good corporate governance and in compliance with Statutory Instrument 2015 No. 234 for Local Government, England & Wales: the Accounts and Audit Regulations 2015 Part 2: Responsibility for Internal Control, wherein a relevant authority (local authority) must ensure that it has a sound system of internal control that:-
- i). facilitates the effective exercise of its functions and the achievement of its aims and objectives.
  - ii). ensures that the financial and operational management of the authority is effective; and
  - iii). includes effective arrangements for the management of risk.
- 1.2 Risk is classically still the uncertainty of an event occurring, which could be a negative threat, or a positive opportunity, that could have an impact on the achievement of the Council's key objectives. Risk is therefore the "effect of uncertainty on objectives"(BS ISO 31000:2009 Risk Management – Principles and Guidelines). Risk Management is "the process of understanding and managing the risks that an organisation is inevitably subject to in attempting to achieve its corporate objectives" (Chartered Institute of Management Accountancy Official Terminology) and is the process whereby the Council methodically addresses those risks or barriers to achieving its vision and corporate and directorate objectives. Risk arises from possible threats to objectives as well as failure to take advantage of possible opportunities. Only those risks that impact on the achievement of objectives should be captured in risk registers.
- 1.3 Risk can also be operational in nature and exist at service or team level within an organisation, such as disaster recovery risks, health and safety risks or in risks relating to the care and protection of vulnerable clients, but are likewise to be seen as barriers to achieving operational outcomes and objectives. Unless effectively managed, such risks can escalate in their nature and impact to become much more significant and strategic in their impact.
- 1.4 Harrow Council provides a range of services that improve the quality of life for communities, businesses, individuals and vulnerable people. Harrow like all UK councils is experiencing immense budgetary pressures and reductions. In total these reductions will amount to approx. £54M between now and 2018. It is responding with vigour to these challenges with the Harrow Ambition Plan 2020 and by working to achieve the aspirations of the Borough and to deliver on its vision of 'Working Together to Make a Difference for the Vulnerable, Communities, Families and Businesses'. Between now and 2020 the Council will:-
- Build a Better Harrow;
  - Protect the Most Vulnerable; and
  - Be More Business Like.
- 1.5 The Council has refreshed the vision, values and qualities it hopes and expects its staff to exhibit to enable it to make the changes to the culture and community of the Borough to achieve it's objectives while continuing to make the savings required by central government. These new values are:
- Be Courageous
  - Do It Together
  - Make It Happen
- 1.6 The Council is asking its staff to look to the future and to step forward to be bold and creative, to co-operate with each other and also with other organisational partners to overcome barriers and adversity and to promote the interests of the Council and the action that will build a Better Harrow.
- 1.7 The Council's priority of being more business-like will also ensure that its ambition and enthusiasm are tempered with realism. In addition to continuing to drive cost-cutting and

efficiency projects at the Council, it will also in more positive terms draw out and exploit the business synergies and market opportunities that exist between a public and a private sector organisation to ensure the Council can make a real and competitive offer to the community and can invest in and support a thriving, modern, inclusive and vibrant London borough that is for the collective benefit of all.

- 1.8 As the Council can no longer rely on the level of central government funding received in previous years, it will thus become more commercial with the growth of new business ventures in the private sector. Commercial initiatives are in the main being progressed during 2016-17 and beyond as part of the Council's Project Infinity and Project Phoenix programmes.
- 1.9 The Council will continue to grow and expand its portfolio of sharing services and joint working with other Councils where there are benefits and advantages to this, particularly in the areas of economies of scale and service-quality. It will therefore also continue to share and expanding services and joint working with other councils and public sector bodies and this also will occur during 2016-17 and beyond.
- 1.10 It will also undertake an ambitious £1.75bn regeneration programme to "Build a Better Harrow" creating thousands of much needed affordable and high-quality homes that will bring jobs and investment into the Borough as well as the generation of future income streams for the Council. It will continue to build new state-of-the-art schools and to create clearer greener neighbourhoods throughout the Borough.
- 1.11 The Council will also give the highest priority to creating a flourishing and contemporary arts life in the Borough and will endeavour to bring to the table a vibrant and significant new arts, culture, leisure and entertainment offering for residents.
- 1.12 By 2020 Harrow Council additionally will move into a new Civic Centre in Wealdstone designed in consultation with residents for residents and which will be at the heart of their community.
- 1.13 Many of these actions and initiatives are significant and landmark projects and will inevitably mean the Council corporately taking on and carrying more significant risk, particularly commercial risk, than it has in previous years. These actions are determined and undertaken by the Council so as to access a commensurate increased financial and social return and reward for both the Council and its residents.
- 1.14 Where increased business or financial risks could arise in the UK economy over the coming years as a result of the UK's decision to leave the European Union, and be they negative threat risks and/or more positive opportunity benefits, the Council has recognised these possible scenarios and has in place a range of financial contingencies and strategic investment options to adjust to and mitigate downwards any significant risk arising so as to safeguard the achievement of its strategic objectives. These include capital investment real options in the Regeneration Programme and a range of financial contingencies, reserves and allowances in-built in the Council's medium term financial strategy.
- 1.15 In support of the Council's corporate strategy has been the risk management strategy which has evolved to help drive Harrow forward in the knowledge that the key risks it now faces in implementing the strategy, particularly in delivering as an organisation transformational change rather than incremental change, are being effectively identified, assessed and managed.
- 1.16 Effective risk management is also a keystone of effective corporate governance and the maintenance of a strong control environment. It is at its most effective as an integral part of the Council's key business processes, particularly its business planning, budgeting and performance management processes. Risk management is the process whereby the Council identifies and controls the level of risk attached to its business and service activities that could impact upon the achievement of our objectives.

- 1.17 However, the aim of risk management is not to remove all risks, but to understand the nature of risks and to implement controlled, sensible, balanced and cost effective measures, to manage risk and achieve objectives within each activity and across the portfolio of all activities.
- 1.18 Risk management is not about being ‘risk averse,’ but about being ‘risk aware’ and this awareness will mean that the Council and its leadership team is better able to avoid threats and hazards and also take full advantage of opportunities that arise in the course of its business.
- 1.19 The relationship between risk management and objectives is shown in Diagram 1 below:-

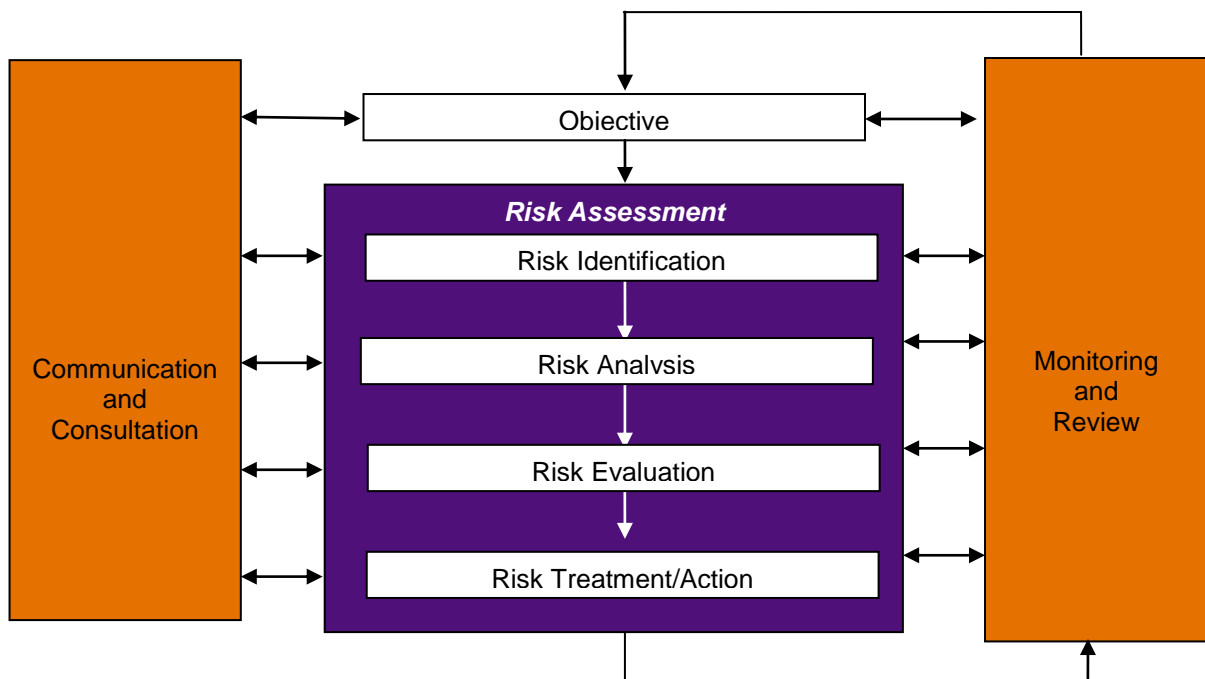
Diagram 1: Risk and Objectives



**2. THE RISK MANAGEMENT PROCESS**

- 2.1 The risk management process underlying this relationship with objectives is shown in Diagram 2 below:-

Diagram 2: The Risk Management Process



- 2.2 This process ensures that risks are constantly identified evaluated, monitored and managed as part of a continuous cycle within the lifetime of the associated activity(s) being undertaken.
- 2.3 As mentioned above, risk can also exist at more operational levels as part of the Council's day to day activities and also programmes and project management. At Harrow, and similar to the strategic level, this has already been embedded and integrated into the culture of the Council, with responsibility assigned to managers and staff responsible for the management of risk as part of their individual job profile and performance objectives.
- 2.4 It is also important to note that risk management is a tool whose benefits and use can extend beyond managing risk directly via the operation of risk registers and which can also be used to support managers in decision-making in other activities, such as the basis for allocating their limited resources, designing business processes, evaluating opportunities and for choosing and prioritising what areas of performance are monitored and the level of that monitoring. All directorates and services within the Council are contingent and frequently may not carry the same risk profile and priorities for their focus and action in risk terms. In seeking to take action, manage and mitigate its risks the Council will have recourse to a number of broad control strategies available to manage those risks. These include:-

- **Tolerate:** The exposure may be tolerable without any further action being taken. Even if it is not tolerable, ability to do anything about some risks may be limited, or the cost of taking any action may be disproportionate to the potential benefit gained. In these cases the response may be to tolerate the existing level of risk. This option, of course, may be supplemented by contingency planning for handling the impacts that will arise if the risk is realised.
- **Treat:** By far the greater number of risks will be addressed in this way. The purpose of treatment is that whilst continuing within the organisation with the activity giving rise to the risk, action (control) is taken constrain the risk to an acceptable level.
- **Transfer:** For some risks the best response may be to transfer them. This might be done by conventional insurance, or paying a third party to take the risk in another way. If a risk is transferred, accountability for the management of the risk remains with the Council.
- **Terminate:** Some risks will only be treatable, or containable to acceptable levels, by terminating the activity. This option can be particularly important in project management if it becomes clear that the projected cost / benefit relationship is in jeopardy.
- **Take the Risk** This option is not an alternative to those above; rather it is an option that should be considered whenever tolerating, transferring or treating a risk. There are two aspects to this. The first is whether or not at the same time as mitigating risk, an opportunity arises to exploit positive impact. The second is whether circumstances arise, which, whilst not generating threats, offer positive opportunities.

### 3. RISK MANAGEMENT OBJECTIVES

- 3.1 The objectives set for the risk management strategy are to: -
- Continuously develop the Council's embedded risk management framework to support the achievement of the Harrow Ambition Plan 2020 and the Council's vision of "Building a Better Harrow" and Working Together to Make a Difference for the Vulnerable, Communities, Families and Businesses
  - Promote risk-awareness, particularly business risk awareness, risk-intelligence and risk management throughout the Council
  - Successfully manage the risks associated with the economic and financial short, medium and long-run
  - Ensure programme and project risk is managed effectively
  - Support the effective identification and management of the risks associated with organisational and commercial partnerships, joint ventures, mergers and acquisitions
  - Enable risk to be managed to achieve target financial returns or better for the Council

- Support the effective identification and management of risks associated with delivering existing and new council services into existing and new markets
  - Capture, expand and act upon positive risk opportunities
  - Proactively identify and manage emergent and contingent risk
  - Clearly state and communicate to all council officers, managers, partners and residents their risk management responsibilities
  - Ensure where appropriate risks are effectively escalated and escalation is timely
  - Ensure risk management processes are engaging and relevant to all staff
  - Manage risk in line with sector best practice in corporate governance
- 3.2 This risk management strategy draws on recognised best practice guidance in risk management in the public sector, Institute of Risk Management (IRM), HM Treasury, CIMA, COSO and CIPFA guidance and is supplemented by the Risk Management Guide, available on the intranet which provides further detailed guidance on the Council's risk management processes.

#### **4. RISK MANAGEMENT ROLES AND RESPONSIBILITIES**

- 4.1 Although the corporate risk management framework is set and regularly monitored by Cabinet (who have ultimate responsibility for it) and the Council's Strategic Board (CSB) (working in conjunction with the Internal Audit & Corporate Anti-Fraud section) core delivery of the approved risk management framework is primarily led by and rests with corporate directors, acting individually and collectively in CSB, and who are then supported by their directorate management teams or equivalent. The Internal Audit and Corporate Anti-Fraud section will work in collaboration with corporate directors further to this offering professional advice and challenge and will work in reporting and monitoring terms to this protocol.
- 4.2 Furthermore, all Members, managers and staff of the Council, including when acting in partnership and joint venture with other bodies and organisations, have a general responsibility and duty to manage risk as an integral part of their role.
- 4.3 In addition, specific core risk-related/risk-driven support service activities, such as health and safety, insurance, emergency business continuity planning, performance management and project management in addition all contribute to the overall corporate risk management process.
- 4.4 A summary overview of responsibilities for risk management at the Council is attached at Annex A with a more detailed breakdown of these responsibilities is attached at Annex B.
- 4.5 Whilst the management of risk at different management levels within the Council will vary in terms of focus and level of formal analysis, in order to ensure further to good practice "that a common language is spoken on risk across the organisation" (Turnbull Report 2005 and subsequent Financial Reporting Council [FRC] Guidance 2014), it is important that consistency and clarity of risk information is achieved on risk registers.
- 4.6 For this reason, the mandatory adoption of a standard risk register format or where appropriate a risk action plan is required. The standard risk register template, which covers both the corporate and directorate risk registers, is provided in the Risk Management Guide available on the intranet and is also attached at Annex D.
- 4.7 Managers, project managers and partners, whilst retaining the 'core' information, may adapt the standard risk register (for example adding additional fields such as risk category and/or proximity, etc), where justified by business or project need. However, more substantive revision to the standard risk register format must be referred to the Council's Head of Internal Audit within the Resources directorate, who will advise on the proposed changes and how they fit within the Council's overall risk framework.

## 5. RISK APPETITE AND DELEGATED RISK APPETITE

- 5.1 The amount of risk at the strategic level the Council's and its leadership team is willing to take on, accept, tolerate or be exposed to in the pursuit of its business objectives, is generally referred to as its risk appetite.
- 5.2 The amount of risk that the Council is willing for the partnership, programme, operational and project level to tolerate is known as the delegated risk appetite.
- 5.3 Risk appetite and delegated risk appetite is expressed in terms of boundaries, which give clear guidance at each level (eg. strategic, programme, operational and project) on the amount of risk exposure officers can take before action is necessary.
- 5.4 The Council maintains an effective control framework designed to manage risks. Any risks that are an unacceptable exposure to the Council are mitigated as far as possible. Where a proposed activity or venture has a residual risk that is considered unacceptable and there is no means of reducing the risk to an acceptable level the activity may be rejected. However there may be occasions where there is a statutory obligation to undertake the activity despite the risk exposure. There will also be occasions where, in entrepreneurial terms, it will be appropriate to take measured levels of risk, in furtherance of the Council's business and service objectives. Where it is feasible and cost effective to do so, the financial impact of risks may be minimised by insurance or other third party indemnities.
- 5.5 Whilst risk appetite and related processes will be formally reviewed on an annual basis, risk appetite is not static and can be adjusted at any time by the Cabinet with supporting advice from the Corporate Strategic Board (CSB).
- 5.6 In deciding the risk appetite and delegated risk appetite, Cabinet considers:
- Environmental and wider macro-economic factors, including central government legislation and any required reductions in spending and other efficiencies in services
  - The amount of risk that is acceptable (what risk could be justified if it actually happened)
  - The Council's funding levels and its overall capacity to bear risk.
  - The areas/directorates within the Council that have an expertise and skill-set for taking risk
  - The extent and prevalence of operational and commercial opportunities capable of being exploited by the council

## 6. RISK ESCALATION AND REPORTING POLICY

### Risk Escalation

- 6.1 A key element to effective risk management is on-going vigilance and the communication and escalation of risk information to the appropriate management level. The framework for the reporting and escalation of risk within the Council and its public sector and private sector partners is based on the organisational structure and normal reporting lines and which also recognises the increased role of Harrow's residents and the Council's commercial partners. Programmes and projects can ensure communication by reporting and escalating risks to their respective Boards/Committees through the appropriate channels.
- 6.2 Risk escalation is based on the following key principles:
- **Escalation needs to be managed.** It is not sufficient to simply escalate a risk to the next management level. It is important that when a risk is escalated, it is reassessed as to its impact on the achievement of objectives at that next level.
  - **All Directors, managers, staff and residents are empowered to escalate.** Importantly escalation should not be seen as a failure. Escalation is a tool to ensure that risks that cannot



be resolved at one level are relayed to the next level to ensure that every effort is made to mitigate the risk.

- **Escalation needs to be timely.** It is important that risks are escalated early and in good time to affect a resolution.
- **Escalation should be documented.** It is important that all risks are recorded, where appropriate, in risk registers or risk action plans. Any verbal escalation should be followed up with written or email documentation detailing the risk and retained.

6.2 It is to be noted that notwithstanding these arrangements, and in conjunction and liaison with the Head of Internal Audit and the Director of Resources, that any significant or serious risk, or risk-related issue, demanding immediate attention or action, can be “flash reported” to relevant and responsible officers of the Council, including the Head of Internal Audit and the Director of Resources above.

6.4 Once escalated, the next management level becomes alerted to the risk, reassesses the risk as to its impact on the achievement of objectives at that next level and takes appropriate action. This may mean:

- managing the risk directly
- changing the activity; or
- adjusting the level of risk they judge suitable for the level below to manage
- accept the risk

6.5 When escalating risk, the impact may be lower, due to the wider range of priorities and high level objectives considered. Alternately, the risk may be incorporated into an existing risk if it is related to that risk, or the controls in place to treat the risk would also mitigate / treat the escalated risk. Risk escalation is thus an important tool for ensuring that risks are known and understood by the council officers with the authority to appropriately manage them.

6.6 Escalating risk does not always delegate the management of risk upwards. Risks can sometimes be de-escalated if management feel there are appropriate resources to mitigate the risk at the lower level. Generally, this follows discussion and agreement between Managers/Directors in relation to the appropriate level of decision making to manage the risk. The escalation and de-escalation of risk involves discussion and agreement between Managers/Directors in relation to the appropriate level of decision making to manage the risk.

6.7 Further detailed guidance for officers on assessing and evaluating risks can be found in the Risk Management Guide available on the intranet.

## **Risk Reporting**

6.8 On a quarterly basis each corporate director, or duly delegated officer, updates any corporate risks owned by them, or their directorate, which are stated on the corporate risk register, including newly emergent risks.

6.9 Normally, only the corporate risk register, containing only corporate risks, is reported to CSB. However, any corporate director can request that any other risk, eg corporate, directorate, project or partnership risk, or any risk matter, or risk analyses, can be discussed or asked for in a CSB context.

6.10 In seeking to designate a risk corporate in nature, and therefore to be monitored and reported to CSB for action, officers should consider a number of factors. For example:-

- Is the risk concerned corporate and cross-cutting in nature (ie a strategic risk)
- Is the risk concerned a business-critical risk fully justified in business planning, budgetary process and service delivery terms
- If a directorate risk, is it otherwise sufficiently serious to be discussed at CSB level

- Is it appropriate for the risk, or would it require, or benefit from, being discussed in the collective forum of CSB, eg CSB agreed and collective action is necessary for any mitigation.
  - Is the risk free standing or should it be allied or aggregated into an existing risk?
  - Does the risk increase the significance and threat of other risks or otherwise significantly or disproportionately increase the cumulative level of risk being taken by the Council
  - Is the risk an emerging corporate risk (ie a new risk not yet captured in the corporate risk register) in the above terms
- 6.11 It is important to ensure that the number of risks being discussed at CSB is sufficiently few (but critical in risk terms) to avoid information overload on risk and to ensure CSB discussion and action is sufficiently strategic and targeted where it is most needed.
- 6.12 It is expected also that at directorate level, the directorate risk register, with an emphasis on red risks, will be reported quarterly and monitored for action by the directorate DMT, or equivalent, and this will often be in the forum of Improvement Board meetings and reporting.
- 6.13 In addition wherever possible CSB should appropriately consider and seek to exploit positive risk opportunities as well as identifying and managing negative threat risks to the Council.
- 6.14 Directorates should also seek to apply the same principles outlined above but in directorate terms, so that the following factors are considered in designating a risk directorate in nature:-
- Is the risk concerned a business-critical risk to the directorate fully justified in business planning, budgetary process and service delivery terms
  - Are positive risk opportunities of benefit to the Council being appropriately identified and exploited by the directorate
  - If a divisional or service risk, is it sufficiently significant to be discussed at DMT level
  - If a divisional or service risk, does it require, or would it benefit from, being discussed in the collective forum of DMT, eg DMT agreed and collective action is necessary for any mitigation.
  - Is the risk free standing or should it be allied or aggregated into an existing risk?
  - Does the risk increase the significance and threat of other risks or otherwise significantly or disproportionately increase the cumulative level of risk being taken by the Council
  - Is the risk an emerging directorate risk (ie a new risk not yet captured in the directorate risk register) in the above terms
- 6.15 Likewise it is important to ensure that the number of risks being reported to DMT is sufficiently few (but critical in risk terms) to avoid information overload on risk and to ensure DMT discussion and action is sufficiently strategic and is targeted where it is most needed.
- 6.16 This principle should also be extended to reporting risks within a programme/project framework, including on the VERTO system, by reference to how critical/key it is to the achievement of project outcomes and objectives. Guidance on project risk management is provided on the Council intranet at [http://harrowhub/downloads/file/2319/project\\_management\\_toolkit](http://harrowhub/downloads/file/2319/project_management_toolkit).
- 6.17 It is expected that divisional directors will maintain divisional risk registers relating to their functions/services and that these are reviewed and updated at least on a quarterly basis. The maintenance of team/departmental risk registers on the same basis by service managers whilst good practice is optional.
- 6.18 As outlined above and in conjunction and liaison with the Head of Internal Audit and the Director of Resources, that any significant or serious risk, or risk related issue, demanding immediate attention or action, can be “flash reported” to relevant and responsible officers of the Council including the Head of Internal Audit and the Director of Resources above.

- 6.19 In addition to the above, a range of meetings/forums involving deliberative groups are currently held within the Council that provide the opportunity for regular discussion of risks, including directorate, cross-cutting risks and risks with partners, including trading and commercial partners
- 6.20 Corporate directors, directors, divisional directors, service managers and programme/project managers and service and also public sector and commercial trading partners are therefore responsible for ensuring that processes are in place to provide opportunities to regularly discuss and capture those risks, cross cutting risks and risks with partners that impact upon objectives. At a minimum, risks should be discussed and formally documented on a quarterly basis.

## **7. CONTINGENCY PLANNING**

- 7.1 Identified risks at the Council will as part of their management be subject to advance and proactive contingency planning. Contingency planning is the action that is foreseen to be taken if the risk, despite the best efforts of the Council to manage it, actually occurs and becomes an event or a live organisational issue to be managed.
- 7.2 In this way it is intended that the action then taken will be more effective and issue-focused because it has benefited from forward planning and analysis to minimise the impact of the risk. The provision for making contingency is recorded in the revised Standard Risk Template at Annex D.

## **8. RISK MANAGEMENT RESOURCE**

- 8.1 Sufficient resources are devoted to risk management to ensure that it is organisationally effective and co-ordinated.
- 8.2 At Cabinet level the risk management process is supported and actively promoted by the Governance, Audit and Risk Committee (GARMS). The Corporate Director of Resources acts in support of GARMS by leading, promoting and embedding risk management corporately across the Council. The Head of Internal Audit is responsible for the management of Internal Audit & Corporate Anti-Fraud Fraud section and for ensuring that the Council, directorates, services and staff comply and are supported and also challenged in the development and implementation of the Council's risk management strategy and framework.
- 8.3 Other specialist risk-related disciplines such health and safety, insurance, emergency & business continuity planning and performance management all closely contribute to the council's risk management process.

## **9. OWNERSHIP AND RESPONSIBILITY FOR RISK MANAGEMENT**

- 9.1 It is important that Risk Management is integrated into the culture of the Council and its partner organisations and is led and owned at executive member and senior management levels, with responsibility for the management of risk further delegated and assigned to individual council managers and staff (including managers and staff of the Council's service and commercial trading partners) as part of their individual job profile and performance objectives.
- 9.2 The Cabinet acting in conjunction with the GARMS committee is responsible for the agreement and approval of policies and plans relating to risk management and have ultimate responsibility for it.
- 9.3 The GARMS committee, further to good corporate governance practice, supports and advises the Cabinet by monitoring and annually reviewing the Council's risk management arrangements.
- 9.4 The Corporate Strategic Board (CSB), comprised of the Chief Executive and Corporate Directors, is responsible for considering the key finance and performance standing of the Council, including strategic, corporate, operational and partnering risks.
- 9.5 The Corporate Director of Resources has direct operational responsibility for the management of the corporate risk management function and provides expertise/specialist support and advice to

the Council relating to corporate risk management and also its closely related activities, particularly the internal audit function, and also including health and safety, business continuity/emergency planning, corporate anti-fraud and information governance.

- 9.6 The Head of Internal Audit reports directly to the Corporate Director of Resources above and is responsible for ensuring that the Council, its trading companies, its commercial and public sector partnerships, its LBH-led shared services, its directorates, services and staff comply with the Council's risk management framework and are supported and engaged in the development, implementation and review of the risk management framework.
- 9.7 A full list of the formal and specific risk management roles and responsibilities are provided at Annex B. Notwithstanding this, all members, managers and staff at the Council (including managers and staff of the Council's service and commercial trading partners and its trading companies) have an indirect, if not a direct responsibility, to manage risk as an integral part of their role so as risk awareness and management is integral to the culture and behavior of the Council.

## **10. PERFORMANCE MANAGEMENT**

- 10.1 The effectiveness of the risk management function is reviewed on an on-going basis by CSB and also as outlined above its effectiveness is annually appraised and evaluated by the GARMS committee, who also monitor and challenge activities and progress. The risk management function is also audited against public sector best practice by both internal and external audit.
- 11.2 The views of key stakeholders and internal customers in the risk management function, particularly corporate directors, divisional directors, heads of service, service-managers and staff are regularly sought. The risk management process will be continuously improved in line with this feedback.

## **11. RISK MANAGEMENT SUPPORT, GUIDANCE AND TRAINING**

- 11.1 This strategy and policy's supporting risk management guidance, templates and tools are available on the Council's intranet.
- 11.2 Support on the content of this strategy and the risk management framework is available through the Head of Internal Audit. Contact details are available on the Council's intranet.
- 11.3 Specialist support and advice on risks around health & safety, information management, fraud, and business continuity/emergency planning, including the transfer of risk through insurance arrangements and risk-based audits/reviews is also available from the Corporate Director of Resources and Head of Internal Audit above.

## **12. REVIEW AND CONTROL**

- 12.1 This strategy and policy will be subject to regular review (at least annually) by the Head of Internal Audit with any changes reflected in related guidance, training and tools as appropriate.

## Summary Overview of Risk Management Responsibilities

<b>RISK STRATEGY ACTIVITY</b>  <b>COUNCIL GROUP/TEAM/ OFFICER OR COMMERCIAL PARTNER</b>	<b>Develop the Corporate Risk Management Strategy</b>	<b>Agree the Corporate Risk Management Strategy</b>	<b>Provide Advice and Support on the Strategy</b>	<b>Implement the Strategy</b>	<b>Share experience of risk management issues</b>	<b>Review the effectiveness of the Strategy</b>
Cabinet		●				●
GARMS			●		●	●
CSB	●			●	●	●
Corporate Directors	●			●	●	●
Section 151 Officer	●		●	●	●	
Monitoring Officer			●	●	●	
LBH Trading Companies				●	●	
Commercial Partners/Joint Ventures					●	
LBH Trading Companies and LLP Partnerships	●			●	●	●
Public Sector Partnerships					●	
Large LBH Procurement Contracts				●	●	
Shared Services (LBH Service-Lead)				●	●	
Shared Services (LBH Non-Leading)					●	
Directorate DMTs			●	●	●	●
Improvement Boards				●	●	
Programme & Project Boards				●	●	
Council Committees/Boards/Groups				●	●	
Heads of Service/Service Managers			●	●	●	●
Internal Audit	●		●	●	●	●
External Audit						●
Council Staff				●	●	
Harrow Residents					●	

(Source of Model: CIPFA; Risk Management in the Public Services)

## Detailed Risk Management Responsibilities

Position	Role / Responsibilities
<b>Cabinet</b>	<ul style="list-style-type: none"> <li>• Formally and annually approve the Council's Risk Management Strategy &amp; Policy</li> <li>• Provide leadership on risk management in the organisation</li> <li>• Consider the strategic risks associated with the decisions taken.</li> <li>• Monitor the Council's risk management arrangements, including via the Council's strategic performance and audit reports.</li> <li>• Assess risks in Cabinet reports and provide challenge, where necessary.</li> </ul>
<b>CSB</b>	<ul style="list-style-type: none"> <li>• Develop, implement and review the Council's Risk Management Strategy &amp; Policy</li> <li>• Seek assurance at least annually that all risks comprising barriers to achievement of the Council's strategic objectives [Harrow Ambition Plan 2020]] have been identified and accurately assessed and are being managed</li> <li>• Seek assurance at least annually that all directorates are appropriately complying with the Council's risk management policies and framework</li> </ul>
<b>Corporate Directors/Directors</b>	<ul style="list-style-type: none"> <li>• Take personal responsibility for managing risk, including both negative threat risks and positive entrepreneurial/opportunity risks</li> <li>• Manage the strategic risks associated with their directorates, including those crossing business, organisational, service or directorate boundaries</li> <li>• Escalate and report risks, as appropriate, quarterly for consideration and action by CSB and the Head of Internal Audit</li> <li>• Ensure that a formal risk assessment is conducted each year for their directorate (as part of the business and budget planning process) and any risks that impact upon the achievement of objectives are captured</li> <li>• As required, as a part of their delegated authority, manage the risks associated with their budget allocation and service plan</li> <li>• Seek assurance that a risk-aware culture is appropriately and thoroughly embedded in their directorate and all staff</li> <li>• Ensure arrangements are in place for partnership, procurement contract, shared services, and commercial partner activities so that where risks are shared risks are identified and captured and where appropriate joint/collaborative risk registers are in place and risks are regularly monitored and risk ownership allocated</li> <li>• Provide advice to directorates and the council corporately on key risks to the Directorate's objectives and for reporting to Improvement Boards</li> <li>• Review their Directorate risk register(s) each quarter</li> <li>• Comply with the Council's strategy, policies and framework on risk</li> </ul>
<b>Directorate Management Teams, or Equivalent</b>	<ul style="list-style-type: none"> <li>• Collectively support and contribute to their corporate discharge of their risk management responsibilities</li> <li>• Make arrangements for continuing to embed risk management and a risk aware culture throughout their respective directorates</li> <li>• Ensure risk is regularly reported (at least quarterly) to their Corporate Director and at Improvement Boards and also the Head of Internal Audit</li> <li>• Maintain and review directorate risk register(s) on a quarterly basis</li> </ul>

## Detailed Risk Management Responsibilities

Position	Role / Responsibilities
<b>Heads of Service &amp; Service Managers</b>	<ul style="list-style-type: none"> <li>• Accept responsibility for managing risk as a core managerial competency</li> <li>• Manage the risks associated with their area, including those crossing area boundaries within their Directorate and their delegated budget allocation and service plan responsibilities</li> <li>• Ensure a risk register is in place for any business or project related risks and the risk registers are reviewed at least quarterly</li> <li>• Compliance with risk policies and ensure staff are trained in risk management</li> <li>• Encourage staff to raise risks and send a message to staff that escalated risks will be evaluated and acted upon if necessary</li> <li>• Promptly advise senior managers of significant identified risks</li> </ul>
<b>Improvement Boards</b>	<ul style="list-style-type: none"> <li>• Review and discuss risk exception reporting</li> <li>• Discuss and review Directorate risk register(s), as necessary</li> <li>• Where appropriate, escalate risks for discussion and consideration by CSB or the Head of Internal for inclusion on Corporate Risk Register.</li> </ul>
<b>Programme and Project Boards</b>	<ul style="list-style-type: none"> <li>• Review and update risk registers/action plans.</li> <li>• Escalate any risks that exceed the delegated risk appetite to the next level or to the Head of Internal Audit</li> <li>• Provide a copy of the updated risk register/action plan to the Head of Internal Audit</li> </ul>
<b>Other Council Boards, Panels, Steering Groups &amp; Committees</b>	<ul style="list-style-type: none"> <li>• Produce a written Terms of Reference which requires risks to achieving Board/Committee/Panel/Group objectives, or opportunities to accelerating or enhancing achievement, to be identified, assessed, managed and reported by the Board/Committee/Panel/Group</li> </ul>
<b>GARMS</b>	<ul style="list-style-type: none"> <li>• Promote, support and co-ordinate risk management at Member level ensuring a positive and cogent attitude toward the understanding and treatment of risk at the Council</li> <li>• Monitor, advise and review at least annually the effectiveness of the Council's overall risk management framework and arrangements prior to submission to Cabinet and review the Council's key of risks to ensure these are being adequately managed</li> </ul>
<b>Public Sector Partners</b>	<ul style="list-style-type: none"> <li>• Ensure that appropriate arrangements are in place to manage partnership related risks including risk escalation procedures</li> <li>• Actively manage risks within the partnership participating in the regular update and maintenance of a joint partnership risk register.</li> <li>• Report on risk management issues to the respective partnership board.</li> <li>• Show a clear link between objectives and outcomes that is customer focused.</li> </ul>

## Detailed Risk Management Responsibilities

Position	Role / Responsibilities
<b>Commercial &amp; Private Sector Partners</b>	<ul style="list-style-type: none"> <li>• Ensure that appropriate arrangements are in place to manage commercial partnership related risks including risk escalation procedures to relevant Board and/or DMT/CSB</li> <li>• Actively manage risks within the commercial partnership and participating in the regular update and maintenance of a joint commercial partnership risk register.</li> <li>• Report on risk management issues to the respective partnership board.</li> <li>• Show a clear link between objectives and outcomes that is customer focused.</li> </ul>
<b>Council Trading Companies &amp; LLP Partnerships</b>	<ul style="list-style-type: none"> <li>• Develop, implement and review the trading company's or partnership's risk management strategy</li> <li>• Seek assurance at least annually that all risks comprising barriers to the achievement of the strategic objectives of the company or LLP Partnership have been identified and accurately assessed and are being managed</li> <li>• Seek assurance at least annually that all divisions and departments within the company or LLP Partnership are appropriately complying with the company or partnership's risk management policies and framework</li> <li>• Ensure adequate risk escalation procedures are in place for the trading company or LLP Partnership</li> <li>• Escalate and report risks, as appropriate, quarterly for consideration and action by CSB and the Head of Internal Audit</li> </ul>
<b>Shared Services (LBH Lead)</b>	<ul style="list-style-type: none"> <li>• Accept responsibility for managing risk as a core managerial competency</li> <li>• Manage the risks associated with their shared-services area, including those crossing area boundaries within their Directorate and their delegated budget allocation and service plan responsibilities</li> <li>• Ensure a risk register is in place for any business or project related risks relevant to the shared-services arrangement and the risk registers are reviewed at least quarterly</li> <li>• Compliance with risk policies and ensure staff are trained in risk management</li> <li>• Encourage staff to raise risks and send a message to staff that escalated risks will be evaluated and acted upon if necessary</li> <li>• Promptly advise senior managers of significant identified shared-services risks</li> </ul>
<b>Shared Services (LBH Non-Lead)</b>	<ul style="list-style-type: none"> <li>• Ensure that appropriate arrangements are in place to manage and escalate shared services related risks.</li> <li>• Actively manage risks within the shared-service arrangements participating in the regular update and maintenance of a shared-services risk register.</li> <li>• Report on risk management issues to the Lead-Authority.</li> <li>• Show a clear link between objectives and outcomes that is customer focused</li> </ul>



## Detailed Risk Management Responsibilities

Position	Role / Responsibilities
<b>Head of Internal Audit</b>	<ul style="list-style-type: none"> <li>• Oversee, monitor and report compliance by officers with the Council's risk management framework and policies where these apply, including at the Council itself, in council arrangements for commercial and public sector partnerships and shared-service arrangements and also in trading companies and LLP partnerships established by the Council</li> <li>• Independently engage, monitor and challenge the Council (including in the above trading companies and LLP partnerships established by the Council and also including as appropriate council arrangements for commercial and public sector partnerships and shared service arrangements) and its staff on key risk management issues,</li> <li>• Be a central and professional point of contact on risk management for all the above, creating alliances/liaisons with council staff, including corporate directors and directorate DMTs and also including partner organisations, trading companies and LLP partnerships and commercial and public sector partnerships, to support them in their risk roles</li> <li>• Develop the risk management strategy and related guidance and templates</li> <li>• Provide tools, training/awareness and materials in support of council staff</li> <li>• Lead on corporate reporting of risk management to GARMS and CSB</li> <li>• Undertake ad hoc risk assessments.</li> <li>• Produce a risk based annual audit and anti-fraud plan</li> <li>• Undertake risk-based audit reviews and fraud investigations</li> <li>• Inform risk registers (ie by the provision of risk-based reports)</li> <li>• Provide independent assurance annually on the Council's control environment</li> </ul>
<b>External Audit</b>	<ul style="list-style-type: none"> <li>• Independently evaluate the effectiveness of the Council's risk management arrangements and where appropriate make recommendations for improvement further to their statutory function</li> </ul>
<b>Monitoring Officer</b>	<ul style="list-style-type: none"> <li>• Where it appears to the Monitoring Officer that a proposal under this strategy gives rise to a contravention of law or maladministration to alert the Council to this</li> </ul>
<b>All Council Officers</b>	<ul style="list-style-type: none"> <li>• Raise/escalate any risks identified or considered are not being sufficiently addressed or directly to the appropriate council manager</li> <li>• Maintain vigilance and a risk-aware attitude of mind at all times</li> </ul>
<b>Residents</b>	<ul style="list-style-type: none"> <li>• Raise any risk concerns considered not being sufficiently addressed by the Council, via your local statutory, residents, activity or consultative group(s), or through your councillor or other elected representative</li> <li>• Endeavour to maintain vigilance and a risk-aware attitude of mind at all times</li> </ul>

## Risk Reporting Cycle

Author	Risk Report/Output/Analysis	Distribution	Frequency
Cabinet	Approval of Risk Management Strategy. Approval of the Risk Appetite Statement	CSB	Annual
Head of Internal Audit	Oversee compliance with the Council risk management framework, oversee/facilitate a formal corporate risk assessment (CSB level) and Operational Risk Assessments (at the Directorate, Divisional and Team levels) and also at council trading companies and LLP Partnerships & Lead Shared Services levels, as part of the annual internal audit and budget planning process. Produce risk-based audit and anti-fraud plans. Undertake a fraud risk assessment process/exercise. Draft (risk-based) Internal Audit Plan Draft risk-based Anti-Fraud Plan Risk-based audit and fraud reports Draft AGS Draft Risk Management strategy and policies and Appetite Statement Produce annual opinion on the control environment Update of the corporate risk register Oversee update of directorate, divisional and other risk registers	CSB and/or Company Board of Directors Partnership & Shared Service Boards  GARMS  CABINET/CSB	Annual  Annual  Annual
Chief Executive	Sign off the Corporate Risk Register. Review and approve the Annual Governance Statement (AGS)	CSB, Head of Internal Audit GARMS	Annual
GARMS	Approve Draft (risk-based) Internal Audit Plan and Anti-Fraud plans. Approve Final AGS	Cabinet, CSB	Annual
Corporate Governance Group and Internal Audit	Annually undertake review of governance and produce and approve Draft AGS	GARMS	Annual
Corporate Directors/DMTs	Directorate Risk Assessment to create directorate Risk Register	DMT, Dir. Heads of Service, Head of Internal Audit	Annual
Improvement Boards	Review directorate risk registers and escalate any issues to CSB	CSB	Quarterly

## Risk Reporting Cycle

Author	Risk Report/Output/Analysis	Distribution	Frequency
CSB	Review & discuss risk exception reporting Review and approve updates to the corporate risk register Review high-level risk report Approve emergent risks to and/or risks to be removed from the corporate risk register.	Corporate Directors, Head of Internal Audit	Annually
Corporate Directors/DMTs/Improvement Boards	Review & update of Dir. Risk Register. Escalate any risks that exceed the corporate and delegated risk appetite or have a corporate impact to CSB for inclusion on corporate risk register	CSB, DMT, Dir. Heads of Service, Head of Internal Audit	Quarterly
Commercial & Private Sector Partnerships	Review/ update partnership risk register and/or programme and project risk registers and risk reports. Escalate any risks that exceed the corporate and delegated risk appetite or have a corporate impact to the relevant Board and/or DMT or CSB for inclusion on directorate or corporate risk register	Partnership Board and/or Programme/Project Board and/or CSB/ DMT	Quarterly & Ad Hoc
Programme/Project Managers	Review/ update programme and project risk registers and risk reports	Programme/Project Board	Quarterly & Ad Hoc
Trading Companies & LLP Partnerships	Review & update of Trading Company or LLP Risk Register. Escalate any risks that exceed the corporate and delegated risk appetite or have a corporate impact to CSB for inclusion on the corporate risk register	CSB	Quarterly
Shared Services (LBH Lead-Authority)	Review & update of shared services risk register. Escalate any risks that exceed the corporate and delegated risk appetite or have a corporate impact to DMT or CSB for inclusion on directorate or corporate risk register	DMT/CSB	Quarterly
Shared Services (LBH Non- Lead-Authority)	Review/ update of shared services risk register. Escalate any risks that exceed the Harrow corporate and delegated risk appetite to the relevant Lead-Authority, Board and/or DMT or CSB for potential inclusion on directorate or corporate risk register	Lead-Authority and DMT/CSB	Quarterly

RISK REGISTER

Review Date:

Next Review Date:

Risks

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

<i>LIKELIHOOD</i>					
<b>A</b> Very High					
<b>B</b> High					
<b>C</b> Significant					
<b>D</b> Low					
<b>E</b> Very Low					
<b>F</b> Almost Impossible					
		<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
<i>IMPACT</i>		Negligible Impact / Benefit	Moderate Impact / Minor Benefit	Critical Impact / Major Benefit	Catastrophic Impact / Exceptional Benefit

# Standard Risk Register Template

# Annex D (Cont'd)

No. X Ref	Corporate Priority/ Specific Objective	Risk Description	Inherent Risk Rating	Key Measures in place to Manage the Risk	Current Risk Rating	Further Action & /Implementation Date	Target Risk Rating	Manager Resp. /Risk Owner	Update
		<b>Risk</b>		<ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> </ul>		<ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul>			
	Corporate Priority: Objective(s):	<b>Causes:</b>		<ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul>		<ul style="list-style-type: none"> <li>•</li> <li>•</li> </ul>			
		<b>Consequences:</b>		<ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul>		<b>Contingency Planning</b> <ul style="list-style-type: none"> <li>•</li> <li>•</li> </ul>			

## 1. INTRODUCTION AND BACKGROUND

- 1.1 This statement of risk appetite covers the period 2016-2020 so as to be fully aligned with the achievement of the Harrow Ambition Plan 2020. It will be reviewed annually at the Council to ensure it continues to reflect current and foreseen strategic circumstances and conditions.
- 1.2 The statement is drawn up by the Council responsibilities further to the above statutory instrument 2015 No. 234 Local Government, England & Wales: the Accounts and Audit Regulations 2015 Part 2 and also further to best professional practice in UK corporate governance as outlined in the UK Corporate Governance Code [2014] Section C: Accountability; wherein the Executive [the Cabinet] is responsible on an annual basis for “determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives”. It is generally recognised that a statement of risk appetite fulfils this requirement.
- 1.3 The corporate governance best practice requirement to produce this statement or a similar statement of risk appetite exists strongly against and is connected to the background of the 2008 financial crisis and applies further to the Code in best practice terms to both private and public sector organisations in the UK.
- 1.4 It is intended that Cabinet review and approve the Statement to ensure that the risks the Council is willing to take to achieve its new corporate plan (the Harrow Ambition Plan 2020) are consistent and congruent with the Plan, are known, measured and are also consistent and compatible with the Council’s capacity to bear risk and do not expose the Council, or its stakeholders, to an unknown, unmanaged or unacceptable degree of risk exposure.
- 1.5 The statement of risk appetite is also to be read and understood in conjunction with the Council’s risk management strategy which must intrinsically support and be compatible with the Harrow Ambition Plan 2020. The approved statement of risk appetite will be incorporated into the risk management strategy and policy above.

## 2. DEFINITION OF RISK APPETITE

- 2.1 The risk appetite of the Council can still classically be defined as “*the amount and type of risk that an organisation [the Council] is prepared to seek, accept or tolerate*” (Source: British Standard on Risk Management BS31100 2009) or similarly, “The amount of risk that an organisation is willing to seek or accept in the pursuit of its long term objectives” (Source: Institute of Risk Management: Risk Appetite and Tolerance; Guidance Paper 2011).
- 2.2 Risk is defined “as a barrier to the achievement of strategic objectives” and risk management as “the process of understanding and managing the risks that an organisation is inevitably subject to in attempting to achieve its corporate objectives” (CIMA Official Terminology). Risks can therefore be seen not only as the more conventional threat or hazard type risks, they can also take the form of positive risk opportunities, or benefits to be innovated and exploited by the Council and its partners in entrepreneurial terms, and which will enhance, increase and/or accelerate the achievement of the Council’s key strategic objectives.
- 2.3 The Council’s statement of risk appetite has two aspects to it. This is firstly to clearly and fully state and quantify, and also to disclose to stakeholders, the nature and extent of the key risks it is taking on and is willing to embrace (or to exploit) as part of the delivery of the Harrow Ambition Plan 2020. This can be seen as the Council’s inherent risk appetite or its “gross” acceptance of risk before control and management action take place during 2016-20
- 2.4 Secondly, it is also to clearly set an organisational policy within the Council, also communicated to its stakeholders, in regard to what quantifiable level of risk exposure it is prepared to retain after control and management action has been taken in relation to these risks and after which point no

further action or mitigation will be undertaken by the Council in regard to the exposure. This can be seen as its residual or “net” risk appetite during the year.

- 2.5 Generally organisational attitudes to business risk, including in both private and public sector organisations, can be said to range across a spectrum of attitudes and appetites, ranging from **Low Risk** or risk-averse appetites at one end of the scale (here there is avoidance of any form of risk and uncertainty as a key organizational objective) through to an intermediary **Medium Risk** or cautious approach to risk (here the organisation’s preference is for safe delivery options that have a low degree of inherent risk) then ranging to a **High Risk** or risk-seeking position (here the organisation is strongly characterised by innovation and chooses service delivery options offering potentially higher financial returns and customer satisfaction/quality despite greater inherent risk in these activities).
- 2.6 It is important to note that inherent or gross risk appetites may often vary across different types of risk at different times, and may even vary across directorates in these terms and that an organisation’s overall gross risk appetite is often a composite, average or aggregate of the spread of these different risk appetites.

## **THE MAIN TYPES OF BUSINESS RISK TO BE TAKEN ON BY THE COUNCIL**

- 2.7 As mentioned above the nature and main types of significant business risk that it is foreseen the Council will take on as part of its risk portfolio during 2016-20 and further to the achievement of its corporate plan (The Harrow Ambition Plan 2020) will be as follows:-

- (a). Strategic Risk
- (b). Financial Risk
- (c). Service Delivery Risk
- (d). Legal and Compliance Risk
- (e). Reputation Risk

- 2.8 These risks can be defined in more detail as follows:-

### *Strategic Risk*

This is the risk arising from the possible consequences of strategic decisions taken by the Council, or the risk of a failure to achieve corporate priorities and this risk should be identified, assessed and managed at the executive and senior management levels of the Council.

### *Financial Risk*

This is the risk of changes in the Council’s financial condition and circumstances, such as for example, in its balance sheet assets and liabilities, its funding, investment, income and spending levels.

### *Service Delivery Risk*

This is the risk arising from the nature of the Council’s operations, for example, the risk of a failure to deliver statutory or other services to residents, or to fail to provide required quality in services, or to fail to provide appropriate services in the event of an emergency.

### *Legal and Compliance Risk*

This is the risk of successful legal action being taken against the Council, or of the Council breaching law in its activities and operations, and is also the risk of losses, possibly fines, and other sanctions arising from non-compliance with EU and UK laws and regulations.

### *Reputation Risk*

This is the risk of a significantly adverse or damaging perception or view of the Council by the general public and Harrow residents.

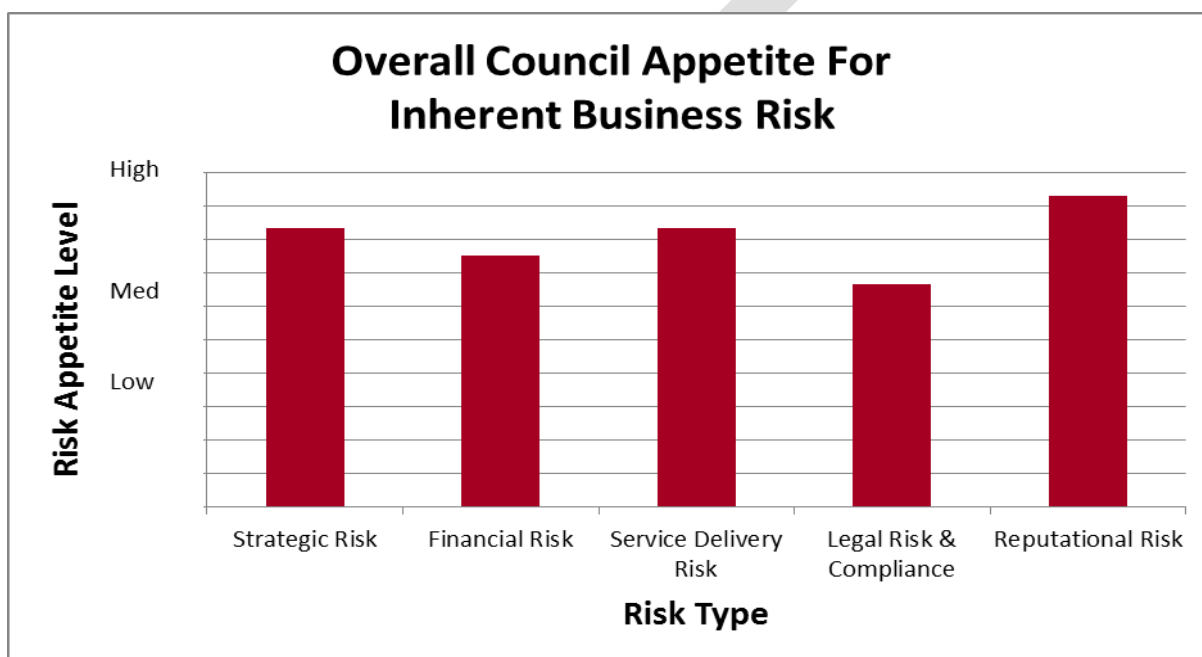
2.9 The Council values its proven organisational competencies and skill-sets in risk management and in enterprise risk management. During 2016-20 it will continue to take planned, controlled and measured levels of risk in pursuit of its strategic objectives.

### 3. THE COUNCIL'S RISK APPETITE IN 2016-20

3.1 During 2016-20 the Council will have in the main an open and moderately-high appetite for taking on risk to achieve the Harrow Ambition Plan 2020. It will be willing to consider all potential delivery options and choose those that are most likely to result in successful delivery while also providing an acceptable and targeted level of return and reward.

3.2 The Council's appetite for inherent or gross risk can thus be shown graphically in overall and summary terms as follows:-

*Diagram 1: Overall Council Appetite for Gross Inherent Business Risk*



3.3 Where significant risks arise the Council and its officers will take effective control action to mitigate these risks to minimal and safe levels of net residual risk exposure for its stakeholders.

3.4 It is to be noted however that whilst the Council will overall maintain a moderately high risk appetite, it will have areas within this where it maintains a much lower and risk-averse appetite for risk such as in delivering its statutory social services or in its treasury management function. These much lower risk appetite areas will however in turn be off-set by a commensurately higher level of risk appetite in other areas, for example in delivering its commercial and private-sector services or in supporting innovation and new models in service delivery.

In terms specifically of its borrowings and gearing the Council has total borrowings of approx. £334M (repayable in the main over period 2050-2060) and its linked ratio of financing costs to revenue stream during 2016/17 will be 13% and in 2017/18 and 2018/19 will be 15% and 17% respectively. The interest cover for interest payments to long term debt for example is x 7.5 in 2016-17, x 6.66 in 2017/18 and x 6.0 in 2018/19.

3.6 The Council will therefore in this area be taking on low to medium levels of financial risk only in regard to its long-term debt borrowing and financing exposure in 2016/17 and beyond.

3.7 It is generally recognised that most business risks are not transferable to a third-party but where such risks can be transferred via insurance arrangements to a third-party, the Council's procures



insurance to provide financial protection against these risks and so to mitigate the level of financial risk accepted by the Council.

- 3.8 External insurance contracts are regularly market-tested and are subject to large deductibles and claims below the deductibles are met from the Council's own internal insurance provision. All claims within a given financial year, irrespective of whether they are below the deductible, count towards an annual Aggregate Stop Loss and once this has been exceeded any further claims within the year will be met by insurers. The total of the Aggregate Stop Loss across the Liability, Property and Motor policies is currently £3.1M and in the event that payments for all liability claims arising in 2016/17 exceed this sum all payments over and above the Aggregate Stop Loss will become the insurer's responsibility.
- 3.9 The level of financial risk taken on and retained by the Council in relation to insurable risks thus reflects the fact that these risks are transferable and are limited by insurance arrangements and the final level of financial risk to be retained by the Council during 2016-20 will be limited by these arrangements.
- 3.10 During 2016-20 the Council believes strongly with confidence and ambition that it has the leadership, financial discipline, organisational make-up, foot-print and also people-talent in place to enable it to safely bear and manage this higher level of business risk and to manage it downwards to appropriate and acceptable levels of net residual risk exposure consistent with a local authority.
- 3.11 The Cabinet will therefore give its fullest support to embedding an organisational culture of new ideas and of ahead-of-the-curve thinking at the Council on its services and further to this will be fully supportive to all council officers in the taking of necessary, calculated and measured risk in pursuit of achieving the objectives of the Harrow Ambition Plan 2020.
- 3.12 The Cabinet accepts in regard to the taking of risk that there may often be early failure and set-back in the longer term process of obtaining the returns and outcomes from the delivery of the Harrow Ambition Plan 2020 particularly in regard to developing new and innovative service models, including new commercial processes, which will be necessary to achieve the above Plan during this time of continuing financial austerity and challenge for the Council and local authorities generally in the UK.
- 3.13 Cabinet also accepts that over the medium-term, particularly in regard to becoming more business-like in its offering to the community, the Council will be required to shift its organisational risk appetite further still from its current moderately-high appetite in public-sector terms to a more private-sector and market-orientated and higher risk-seeking appetite in order for the objectives of the Harrow Ambition Plan 2020 to be fully achieved.
- 3.14 Where increased business or financial risks could arise in the UK economy over the coming years as a result of the UK's decision to leave the European Union, and be they negative threat risks and/or more positive opportunity benefits, the Council has recognised these possible scenarios and has in place a range of financial contingencies and strategic investment options to adjust to and mitigate downwards any significant risk arising so as to safeguard the achievement of its strategic objectives. These include capital investment real options in the Regeneration Programme and a range of financial contingencies, reserves and allowances in-built in the Council's medium term financial strategy.

#### **4. THE HARROW AMBITION PLAN 2020**

- 4.1 Harrow Council provides a range of services that improve the quality of life for communities businesses and vulnerable people. Harrow like all UK councils is experiencing immense budgetary pressures and reductions. In total these reductions will amount to approx. £54M between now and 2018. It is responding with vigour to these challenges by working to achieve the aspirations of the Borough and to deliver on its vision of 'Working together to make a difference for the vulnerable, communities, families and businesses'.

- 4.2 As outlined in the risk management strategy above between now and 2020 the Council will:
- Build a Better Harrow;
  - Protect the Most Vulnerable; and
  - Be More Business Like.
- 4.3 The Council has refreshed the vision, values and qualities we hope and expect our staff to exhibit to enable us to make the changes to the culture and community of the Borough to achieve our objectives while continuing to make the savings required from us by central government. These new values are:
- Be Courageous
  - Do It Together
  - Make It Happen
- 4.4 We are asking our staff to look to the future and to step forward to be bold and creative, to co-operate with each other and also with other organisational partners to overcome barriers and adversity and to promote the interests of the Council and the action that will build a Better Harrow.
- 4.5 Our priority of being more business-like will also ensure that our ambition and enthusiasm are tempered with realism. In addition to continuing to drive cost-cutting and efficiency projects at the Council we will also in more positive terms draw out and exploit the business synergies and market opportunities that exist between a public and a private sector organisation to ensure the Council can make a real and competitive offer to the community and can invest in and support a thriving, modern, inclusive and vibrant London borough that is for the collective benefit of all.
- 4.6 As the Council can no longer rely on the level of central government funding received in previous years, it will thus become more commercial with the growth of new business ventures in the private sector and in sharing and expanding services with other councils and public sector bodies and this will occur during 2016-20. These commercial initiatives are in the main being progressed as part of the Council's Project Infinity and Project Phoenix programmes.
- 4.7 The Council will continue to grow and expand its portfolio of shared services and joint working with other Councils and other organisations where there are clear benefits and advantages to this, particularly in the areas of economies of scale and service-quality.
- 4.8 It will also undertake an ambitious but affordable and cost-neutral regeneration programme to "Build a Better Harrow" creating thousands of much needed affordable and high-quality homes that will bring jobs and investment into the Borough as well as the generation of future income streams for the Council. It will continue to build new state-of-the-art schools and to create clearer greener neighbourhoods throughout the Borough.
- 4.9 The Council will also give the highest priority to creating a flourishing and contemporary arts life in the Borough and will endeavour to bring to the table a vibrant and significant arts and culture, leisure and entertainment offer for residents.
- 4.9 By 2020 Harrow Council additionally will move into a new Civic Centre in Wealdstone designed in consultation with residents for residents and which will be at the heart of their community.
- 4.10 Many of these actions and initiatives are significant and landmark projects and will inevitably mean the Council corporately taking on and carrying more significant risk, particularly commercial and business risk, than it has in previous years. These actions are determined and undertaken by the Council so as to access a commensurately increased financial and social return and reward for both the Council and its residents.

## DIRECTORATE APPETITE FOR RISK

5.1 As mentioned above the appetite for business risk on a “gross” or inherent risk basis can vary across directorates. For example those Directorates that deliver statutory services and often dealing with vulnerable clients, such as People Services, will take much less levels of risks in what they do whilst other directorates, such as Resources and Communities, will be in many ways more business-orientated and will be more open to risk-seeking, for example in the supply of commercial services. Aggregate directorate risk appetite will therefore be a composite and aggregate of a number of differing risk appetites. During 2016-20 the risk appetite of directorates by type of business risk and on a directorate by directorate basis has been established from consultation with corporate directors and divisional heads of service and is outlined below:-

Diagram 2: Appetite for Acceptance of Strategic Business Risk



Diagram 3: Directorate Appetite for Acceptance of Financial Business Risk

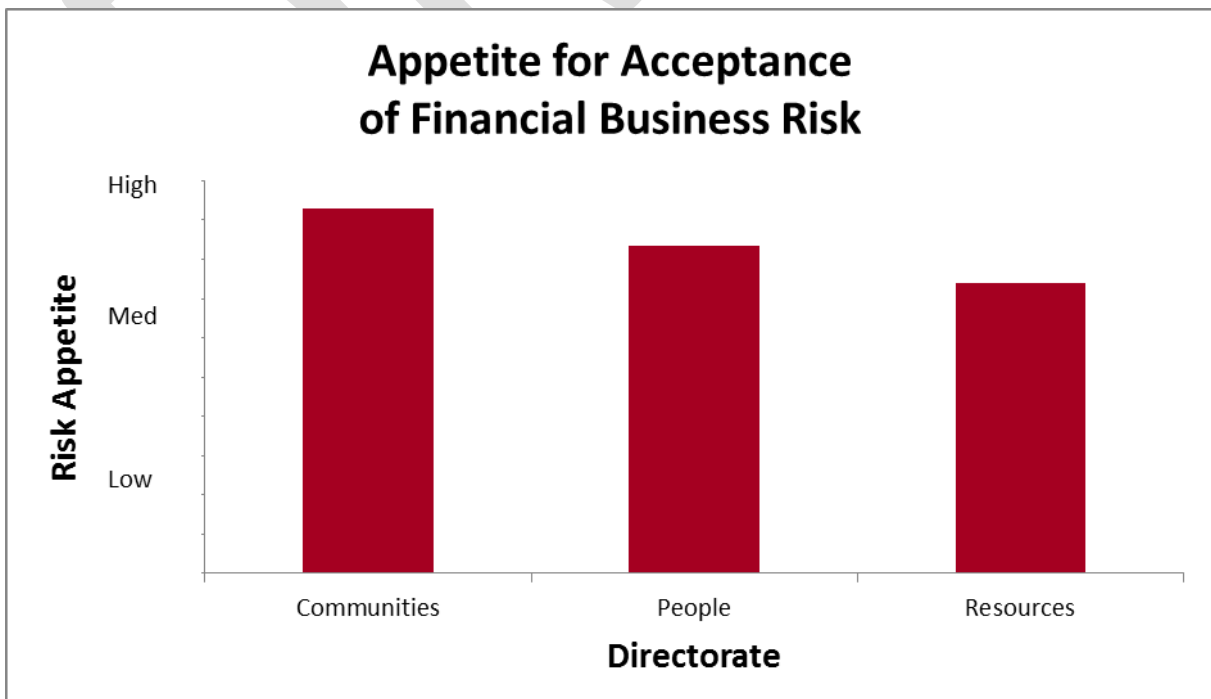


Diagram 4: Directorate Appetite for Acceptance of Service Delivery Business Risk

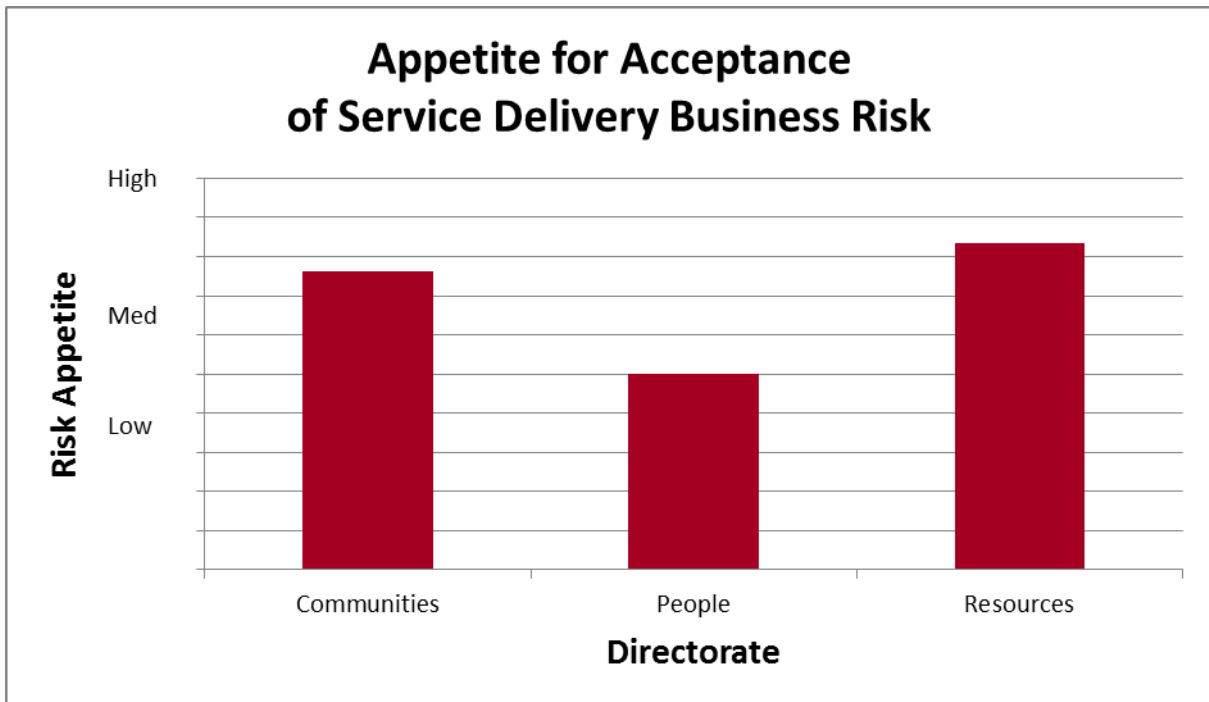
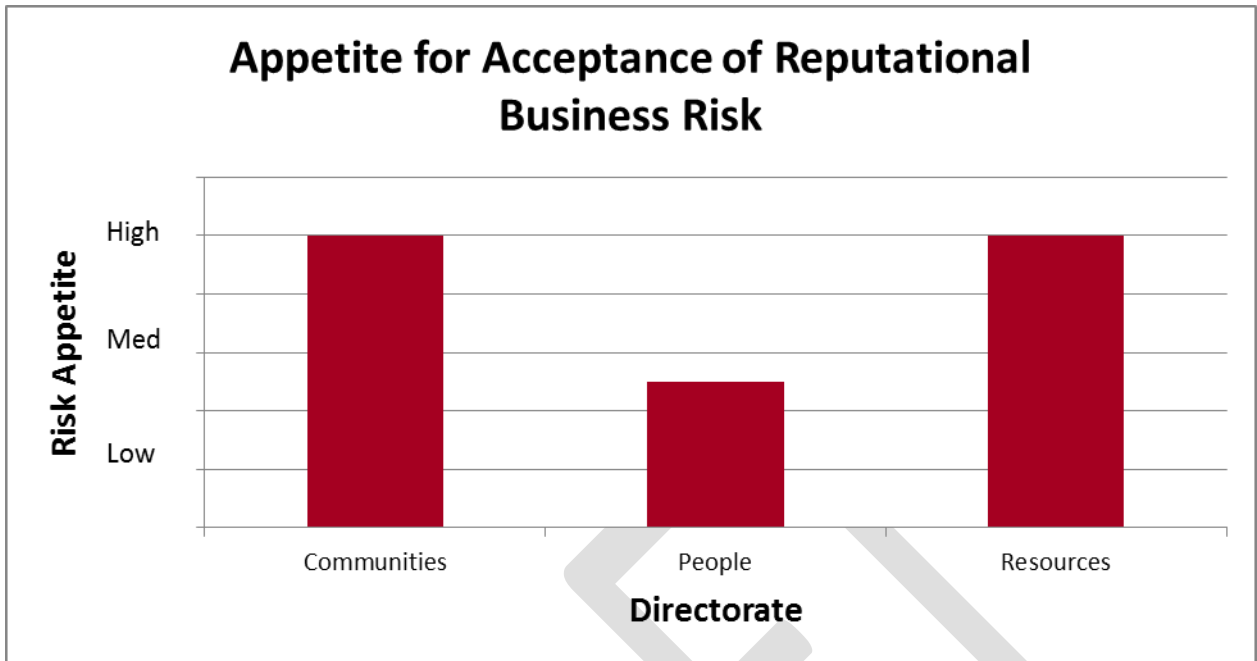


Diagram 5: Directorate Appetite for Acceptance of Legal and Compliance Business Risk

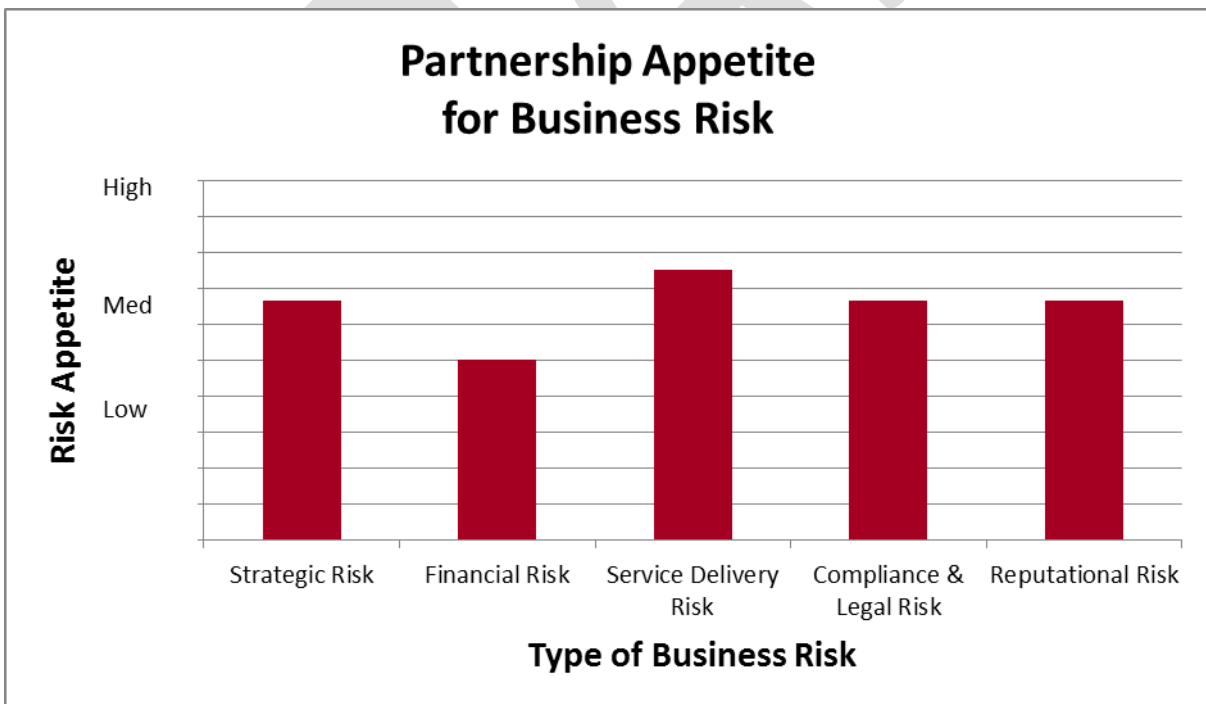


Diagram 6: Directorate Appetite for Acceptance of Reputational Business Risk



5.3 The Council's appetite for significant risk when collaborating with its public sector partner organisations, such as the NHS and Metropolitan Police, can be shown below:-

Diagram 7: Partnership Appetite for the Acceptance of Business Risk



5.4 The above risks are normal and consequential for the Council in conducting its business and delivering services across its directorates. They are generated in strategic and business terms by the ambition for and the delivery of the Harrow Ambition Plan 2020 and also exist with strong reference to the forecast challenging macroeconomic and microeconomic environment in the UK during 2016-20, including continuing reductions in the levels of government funding to councils.

5.5 Against this background the Council will seek to extend and grow its private-sector trading operations in order to generate the income and returns that can be used to compensate and off-set the effects of the above enforced and sustained reductions in funding and budgets. These factors have increased the level of business risk that will now be taken on by the Council during 2016-20 and therefore the Council will be accepting and taking on more levels of inherent business risk than in previous years and in this respect now has a higher gross risk appetite.

## 6. NET RISK LEVELS TO BE RETAINED BY THE COUNCIL IN 2016-20

6.1 Whilst the different types of risk above will commonly have different risk appetites and the appetites may vary from directorate to directorate, it is rare for any significant risk facing the Council to be purely composed of just one type of risk above, or to relate solely in impact to just one directorate. Most significant large scale risks will be composed of several risk dimensions and often have a relationship and inter-dependency in impact and likelihood terms with other risks and directorates.

6.2 The unifying factor in the Council's key, potentially large-scale and significant risks, are that they are inter-related in this way and often form part of a wider collection or cluster of risks and risk-exposures to the Council. Management of this key exposure is most effective and efficient when undertaken in common and collective terms, rather than on an individual risk by risk basis or appetite by appetite basis varying across different directorates.

6.3 For this reason all of the above significant risk types will be subject to the same managed down net risk appetite level, which will itself be risk-based, and will be driven by the significance and scale of the risk concerned and whether that significance is high, medium or low. Net or residual risk appetite level is the final level of exposure of unguarded and unprotected risk after mitigating the risk and is the point at which no further action will be taken in regard to the risk and the "do-nothing" option will be exercised and the risk simply taken.

6.4 Based on discussions with senior management the Councils Line of Net Residual Risk for 2016-20 is shown in the diagram below:

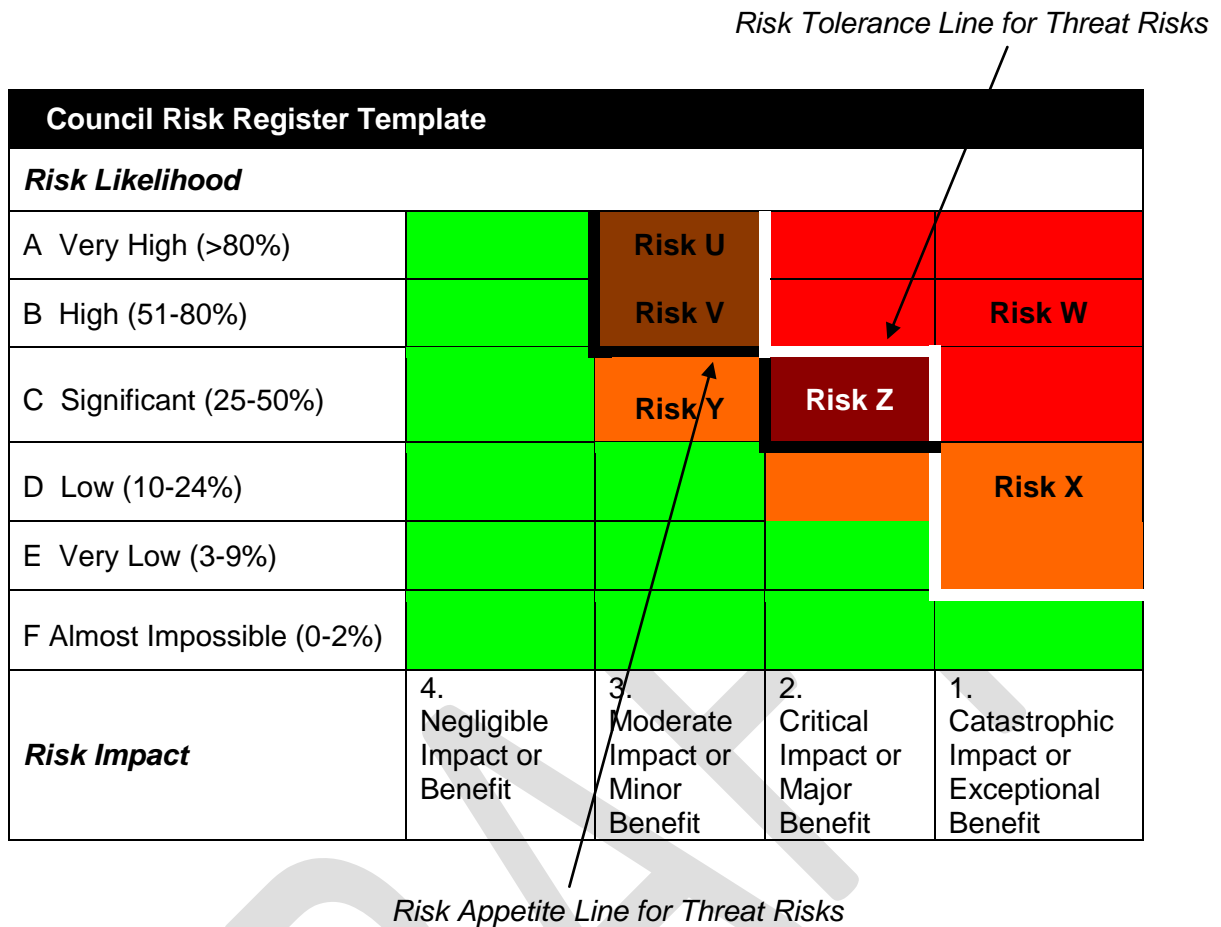
Diagram 8: Risk Appetite Line for Threat Risks

<b>Council Risk Register Template</b>				
<b>Risk Likelihood</b>				
A Very High (>80%)	<b>Risk C</b>		<b>Risk A</b>	<b>Risk B</b>
B High (51-80%)				
C Significant (25-50%)		<b>Risk D</b>		
D Low (10-24%)			<b>Risk E</b>	
E Very Low (3-9%)				
F Almost Impossible (0-2%)		<b>Risk F</b>		
<b>Risk Impact</b>	4. Negligible Impact or Benefit	3. Moderate Impact or Minor Benefit	2. Critical Impact or Major Benefit	1. Catastrophic Impact or Exceptional Benefit

*Risk Appetite Line*

- 6.5 All risks which appear above the bolded black risk appetite line are deemed to be unacceptable to be carried by in net risk terms by the Council and will require further action to be taken to manage down these risks into an area below the risk appetite line where net exposures are acceptable. Risks A and B are unacceptable in this regard. Risks at an exposure below the line are deemed acceptable.
- 6.6 In the above example Risks C, D, and E are deemed acceptable.
- 6.7 However In the area beneath the line, in which risks are acceptable, if there is any marked or significant variation or distance from the actual line of risk appetite then this could lead to the risk being disproportionately over managed to a level which is again effectively outside of the Council's risk appetite.
- 6.8 In the above example Risk F has been over managed. This is because a moderate or relatively scale small risk has in net residual risk terms been managed down in resource terms to an almost impossible level of likelihood and this is disproportionate to the risk being faced.
- 6.9 The Council recognizes that all risks should not be managed to the same extent but it should be noted further to the line of risk appetite that all significant risk (ie critical or catastrophic) will in all circumstances where possible be managed down to a low or very low net target risk exposure.
- 6.10 Where, however, the risk is deemed to be of lesser scale than catastrophic, a higher degree of residual risk exposure and lesser levels of mitigation (enabling a higher degree of measured and entrepreneurial risk-taking in business terms by officers) will be encouraged further to the pursuit of our corporate priorities.
- 6.11 Notwithstanding the above there may be occasions when by the nature of the appetite process and risks faced and also despite the best efforts of the Council to mitigate these risks to the desirable net level, it may not in fact be possible to do this.
- 6.12 In such cases the Council will be forced to accept or tolerate some risks at a higher net residual risk than what it would like to. These risks are termed tolerable risks and are tolerated or accepted against the net risk appetite level but importantly only within certain limits and beyond this limit will not be tolerated.
- 6.13 In short tolerated risks exist because whilst risk appetite relates to what an organisation actively wants to do, tolerated risks relate to what it is not prepared to do.
- 6.14 Tolerated risks are these higher risks and will in practice often correlate around risks relating to the Council's major project and change programmes, the commercial risks relating to new innovative services and trading in new markets and also external and environmental risks all of which have to be managed and mitigated within tight and often competing financial and resource constraints.
- 6.15 Based on discussions with senior management the Councils risk tolerance level for net risk exposure for threat risks (incorporating the above risk appetite line) during 2016-20 is shown below:-

Diagram 9: Risk Appetite and Tolerance Lines for Negative Threat Risks



- 6.16 In the context of tolerated risks all risks which appear above the bolded white risk tolerance line are deemed to be unacceptable to be carried by the Council in net residual or target risk terms because they are outside both the risk tolerance and risk appetite levels of the Council. In the above example risks W and X are unacceptable for this reason. These risks will require further review and action by the Council. Management must ensure control action taken is sufficient and effective enough to achieve the target risk appetite rating which will be below either the risk tolerance or risk appetite lines and that such action can in fact be taken to mitigate the risk. If such action cannot be taken to treat or mitigate the risk then the Council must either terminate or transfer its involvement in the risk.
- 6.17 Risks at a net exposure below the tolerance line but above the risk appetite line in the shaded area above are deemed undesirable but nevertheless acceptable under current conditions and constraints. In the above example Risks U and V in the shaded area are being accepted and tolerated in these terms. Where practical or efficient to do so risks at an exposure level in the gap between the risk appetite line and the risk tolerance line will be managed to a level below the net risk appetite line.
- 6.18 In this way the Council will not allow a net risk exposure to settle above the risk tolerance line without further management action (either planned or in place) being taken to reduce the net risk. Risks at a net exposure below both the risk tolerance and appetite lines are deemed both desirable and acceptable in net risk terms. In the above example Risks Y and Z are at this net level/exposure.
- 6.19 An exception to this appetite and tolerance will be fraud risks. The Council will at all times seek to ensure that an absolute and zero-tolerance level is in place for any form of fraud, corruption or theft at the Council.

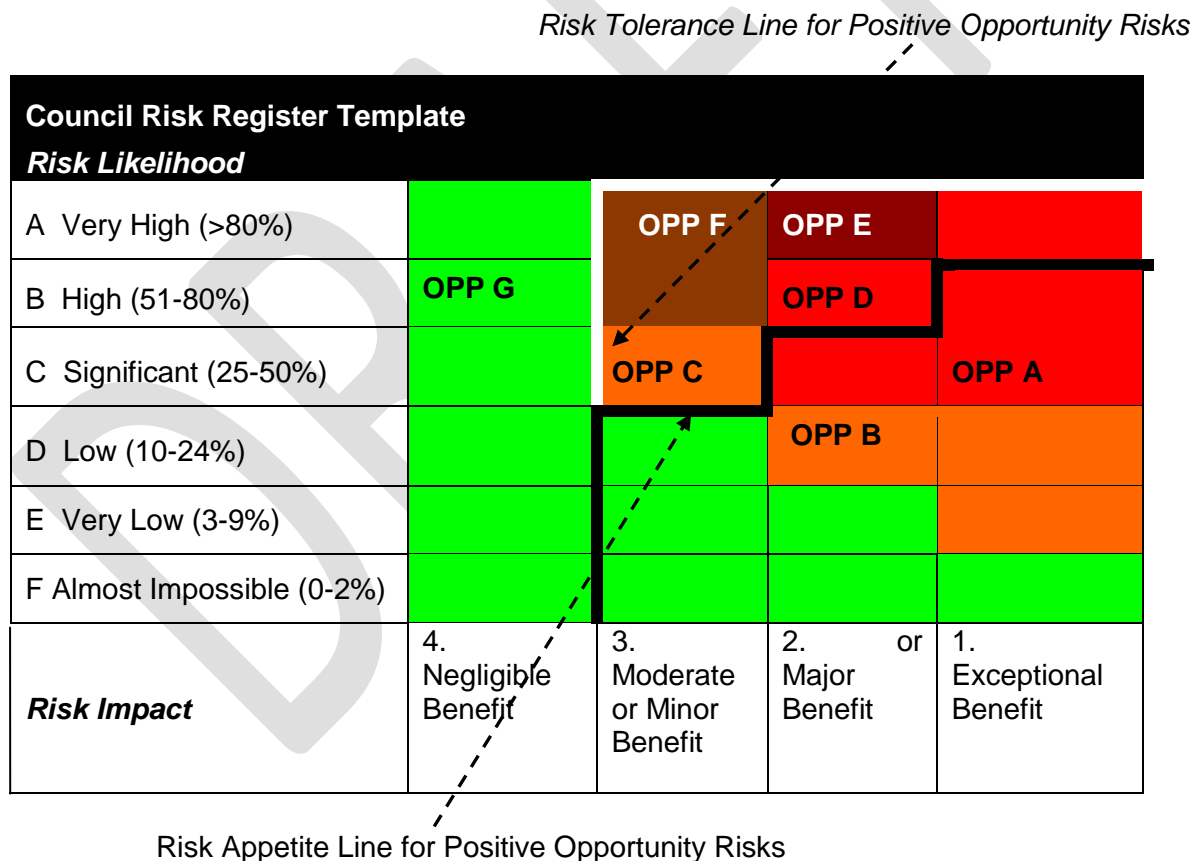


6.20 Where a residual or target risk level is in excess of the risk appetite exposure of the Council as indicated above, the risk must further to the Council's risk management strategy be escalated to the next management level for discussion, as part of normal risk reporting, e.g. department to division, division to directorate, improvement board to directorate level (project risks to the relevant project or programme and/or directorate boards) and, ultimately, from directorate level to the Corporate Strategic Board (CSB) of the Council. The framework for the reporting and escalation of risks within the Council is based on the organisational structure and normal reporting lines. As part of the risk escalation process, the next management level of the Council will be alerted to the risk and will therefore review and reassess it in terms of its impact and likelihood on the achievement of objectives at that next level and will take action as appropriate. This may mean as indicated above:-

- managing the risk directly in terms of its mitigation and control
- adjusting the level of risk they judge suitable for the level below to manage
- transferring the risk, if possible, appropriate, or cost effective to do so
- changing the activity giving rise to the risk or exiting the activity giving rise to the risk

6.21 The Council's risk appetite for positive opportunity risks will similarly be risk-based and will also incorporate risk-tolerances and based on discussions with senior management is shown below with reference to the standard risk register template:-

Diagram 10: Risk Appetite for Positive Opportunity Risks



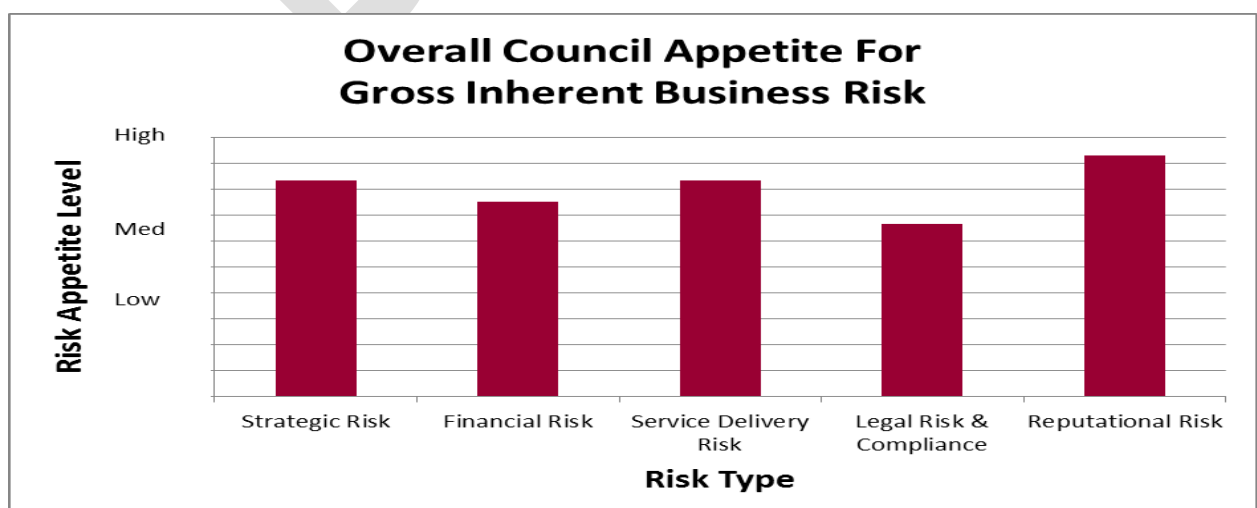
6.22 All opportunities which appear below and underneath the black line of net residual risk appetite are not being fully exploited and will require more management action by officers of the Council in order to more fully realize them and to shift them across the black line of net opportunity risk appetite. In the above example, Opportunities A and B are unacceptable for this reason and require further management review and action.

6.23 Opportunities that are being managed and pushed to a level above the black risk appetite line above are deemed acceptable because they are being exploited and realized in line with the Council's opportunity risk appetite wherein higher-value and higher-likelihood opportunities should

be prioritised first in management action terms over lower-likelihood and lower-value opportunities. In the above example Opportunities C and D are deemed acceptable for this reason.

- 6.24 However, as with tolerated negative threat risks, there can also be tolerated opportunity risks. These arise in instances where higher value opportunities may require more time or planning to be fully developed and in the meantime there may be lower-value opportunities which may be more readily available on a “quick-win” basis. Where this is the case the Council will tolerate more management action and focus on these lower-value opportunities because whilst not as desirable as the higher-value and high-likelihood opportunities they are acceptable and optimal in circumstances where such opportunities cannot yet be exploited or may not exist. In the above example Opportunities E and F in the shaded areas located in the gap between the white line of risk tolerance and the black line of risk appetite are tolerated risk opportunities.
- 6.25 It is to be noted, as in principle with negative threat risks, that in the areas above the Line of Risk Appetite, if there is any marked or significant variation or distance from the actual line of opportunity risk appetite, then that opportunity is being over managed. Opportunity G in the example above is being over-exploited as it has been managed to high level of likelihood when it offers only a negligible benefit or reward and this is disproportionate. Therefore further to the above diagram opportunities which offer negligible benefit are not pursued as part of the Council’s risk appetite.
- 6.26 Management should therefore endeavour to stay above but close to the line of opportunity risk appetite and should prioritise larger scale opportunities which have a reasonable prospect of success over smaller scale opportunities which may have higher levels of likelihood. Where a positive risk opportunity is indicated as being managed outside of the Council’s risk appetite then this will be escalated as part of normal risk reporting processing to the next management level for review and action as outlined above in regard to negative threat risks. .
- 6.27 It is to be noted therefore that it is foreseen that the Council will during 2016-20 be taking on more significant risk in both the nature and the type of risk taken on, and which has to be subsequently managed to safe levels, than it has in previous years, particularly in regard to business, commercial and service-innovation risks and both its inherent and net risk appetites for 2016-20 are reflective of these factors.
- 6.28 Risk appetite and risk tolerance lines for both for negative threat risks and positive opportunity risks are not necessarily static and will be regularly monitored during the year for any material change or change in the Council’s circumstances that may affect them.
- 6.29 To conclude in overall terms and subsequent to discussions with senior management the Council’s gross inherent appetite for key and significant business risk during 2016-20 will be moderately-high as shown in the following diagram.

*Diagram 11: Overall Council Gross Inherent Business Risk Appetite during 2016-20*



## **7. CONTINGENCY PLANNING**

- 7.1 Identified risks at the Council will as part of their management be subject to advance and proactive contingency planning. Contingency planning is the action that is foreseen to be taken if the risk, despite the best efforts of the Council to manage it, actually occurs and becomes an event or a live organisational issue. In this way it is intended that the action then taken will be more effective and issue-focused because it has benefited from forward planning and analysis so as to minimise the impact of the risk when it occurs.

## **8. DUTY OF OFFICERS**

- 8.1 All of the Council's elected Members and its staff and officers, including when they are working in partnership and joint venture with other organisations, have a general duty and responsibility as part of their actions and agencies on behalf of the Council to manage risk as an integral part of their role, which includes ensuring they comply at all times with the framework and provisions of the risk management strategy and the risk appetite of the Council as outlined in this document.

## **9. MONITORING OF ORGANISATIONAL COMPLIANCE**

- 9.1 Compliance with this risk appetite statement will be regularly monitored and reported on an on-going basis to CSB by the Council's Head of Internal Audit acting independently in their monitoring and challenging role in regard to risk management arrangements and also as part its role in the production of the Council's Annual Governance Statement.
- 9.2 Compliance will also be further monitored by the GARMS committee of Members who monitor and challenge risk management activities and progress at the Council at a governance level.