Appendix 2

Risk Strategy

UPDATED
November 2020

Belfast City Council

Introduction

The effective management of risk is central to Belfast City Council's success in achieving our objectives and in delivering services to the communities to which we are accountable. We have a dynamic approach to risk management as it is a key enabler that supports BCC in delivering its ambitions for the city through the Belfast Agenda.

The Council is required by statute to have arrangements in place for the management of risk. Legal requirements aside, effective risk management is required to ensure the continued financial and organisational well-being of the Council. It is also vital for the delivery of our priorities and objectives in what continues to be a continually transforming environment. The Council recognises that risk management is an integral part of both sound management practice and good corporate governance. It improves decision making, enhances outcomes and strengthens management accountability.

The underlying principles of the Council's Risk Strategy are consistent with BS ISO 31000 (Risk Management – Guidelines). More detailed guidance on the Council's risk management is set out in the Risk Management Guidance and Process Manual which is available through Interlink.

Purpose

This Strategy details the overall approach to risk management in Belfast City Council.

As Deputy Chief Executive / Strategic Director of Finance and Resources, I am the owner of the Strategy, which has been adopted by the Council's Strategic Policy and Resources Committee and the Audit and Risk Panel.

Review & Approval

The Risk Management Strategy, in particular the Risk Appetite, will be reviewed and updated annually by the Strategic Policy and Resources Committee.

Ronan Cregan, Deputy Chief Executive / Strategic Director of Finance and Resources

Assurance Framework

Risk Management is an integral part of the Council's assurance framework. The assurance framework shows how different sources of assurance combine to give management and Members assurance that the Council is doing the right things, in the right way.

The effectiveness of this assurance framework is underpinned by a model, commonly referred to as the **Three Lines of Defence**. This model shows that the management of risks and achievement of objectives is helped by:

1 **Control** - the processes and systems that people use every day to deliver services / projects

Oversight - management reports and information that confirm that these processes and systems are in place

2

3 **Independent assurance** – audits and reviews that provide independent assurance that these processes and systems are well designed and operating in practice.

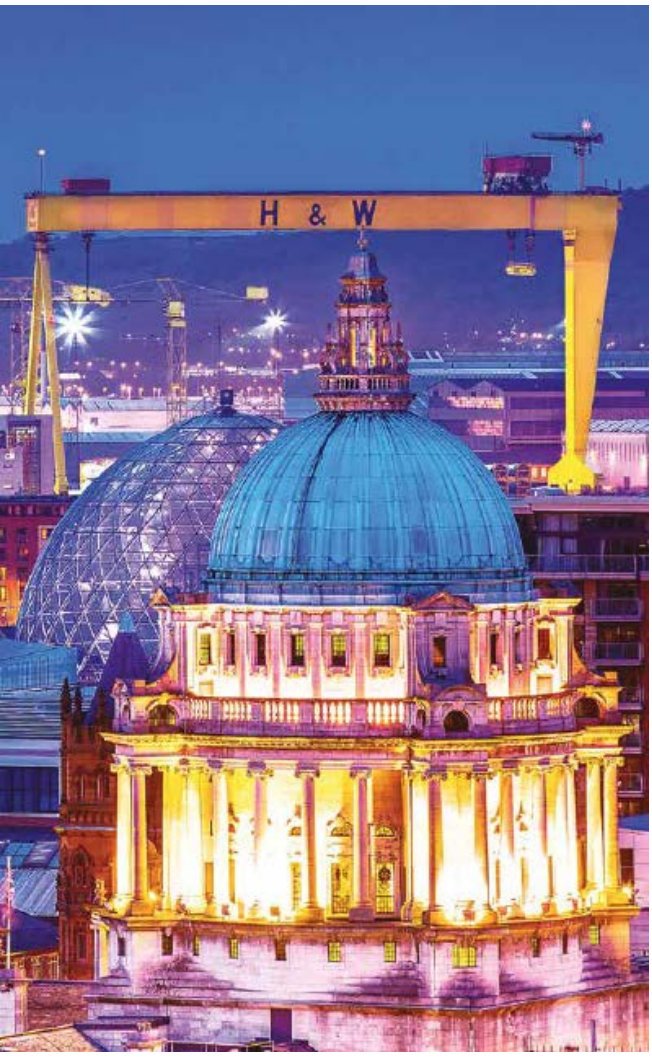
Scope

As a modern local authority, the Council is committed to delivering quality services to the citizens and communities of Belfast. Our attitude to risk is that it should be identified and managed rather than avoided. Successful risk management is dependent on the willingness to take measured and considered risks in order to exploit opportunities and maximise our resources. Effective risk management, that is culturally embedded, is a cornerstone to decision making.

Everyone in the Council plays a role in managing risk by identifying opportunities and minimising uncertainty in a way that enables the Council to achieve its goals. It should be noted that calculated risk taking is not the same as the absence of risk management. This Strategy is therefore Council-wide and applies to all employees and covers all activities undertaken by the Council.

The risk management process should be an integral part of management and decision-making and integrated into the structure, operations and processes of the organisation. It can be applied at strategic, operational or programme / project levels.

How we do this



Strategic

- Corporate risks, relating to delivery of the Corporate Plan, are identified by CMT and recorded on MKinsight. For example, corporate risks around digital information security or continuous improvement

Operational

- Departmental risks, relating to delivery of key functions, are identified by Directors and operational management and recorded on MKinsight. For example, risks around day to day operations such as waste collection or cemeteries / crematorium.

Programme / Project

- Programme / project risks relating to delivery of key strategic programmes of work / projects are identified by the Senior Responsible Officer (SRO) and Programme / Project Board and are recorded on risk registers. For example, the Physical Programme and the priorities of the Belfast Agenda.

Our Process

Risk Management is the planned and systematic approach to the identification, evaluation, prioritisation and control of risks and opportunities facing the Council.

The risk management process should be an integral part of management and decision making and integrated into the structure, operations and processes of the Council. It can be applied at a strategic, operational, programme or project level.

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Risks are evolutionary and can change. Ongoing review and reporting is therefore essential for proactive risk management

Identify risks and their underlying causes

Risk Owners should ensure that the risk action plan or mitigation plan is implemented i.e. key controls are operating effectively and risk actions are progressed and implemented. We expect that implementation of risk actions will result in movement in the risk assessment.

The likelihood of a risk occurring and the impact of a risk if it were to occur are assessed on a scale of 1 to 5 – see the risk assessment grid below. Each risk is assessed from 3 different perspectives - initial risk, current risk and target risk. Further detail is provided in our Risk Guidance notes, available on Interlink.

The risk response and a plan to treat, tolerate, transfer or terminate the risk should be developed.

Integration with other processes

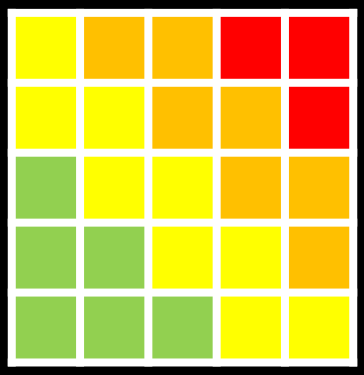
Directors will integrate the management of risk into their business processes including finances, planning, performance management, key decision-making processes and major change initiatives.

Risk Register

Corporate, departmental and Service / Unit level risks are captured on the Council's corporate risk management system, MKinsight.

Other risks, such as those relating to programmes / projects or partnerships / joint ventures, should be captured either in MKinsight or through another process that ensures that sufficient risk detail is recorded:

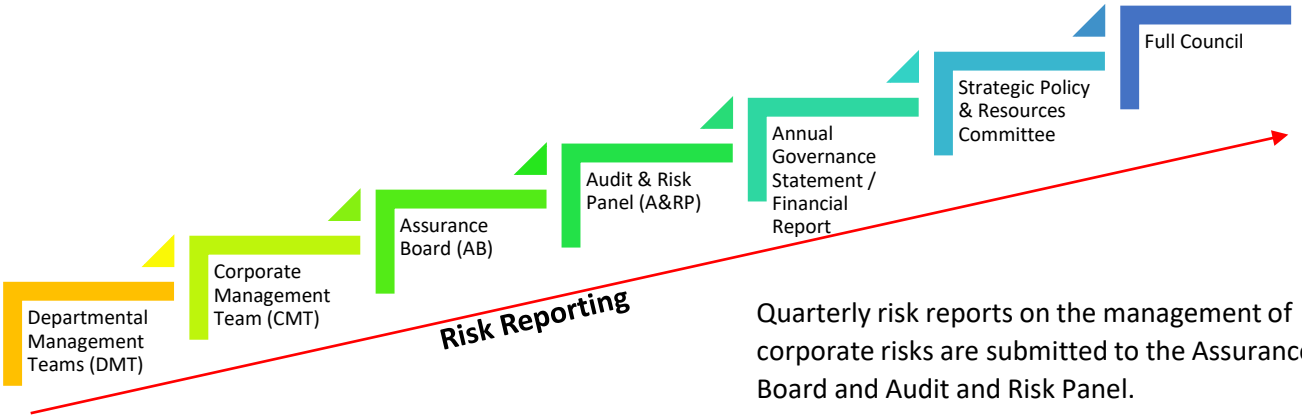
- Risk description
- Risk causes
- Risk type
- Risk treatment
- Sources of assurance
- Risk owner / updater
- Risk assessment
- Key controls
- Key risk actions



Risks are assessed on a scale of 1-5 in terms of both likelihood and impact which results in the risk ratings outlined below:

Low | **Moderate** | **High** | **Severe**

Review & Report



It is essential that risk management is used as a tool to assist good management and to provide assurances to relevant officers that adequate measures have been taken to manage risk.

As a minimum, all risks should be reviewed quarterly and this review should be formally recorded.

However, programme and projects are often higher risk, due to both the nature of the activities being undertaken and the velocity of risks, and a more frequent review may therefore be more appropriate.

Quarterly Assurance Statements are completed by Chief Officers to confirm that Corporate, Departmental and Service risks have been reviewed and updated in line with the Risk Strategy.

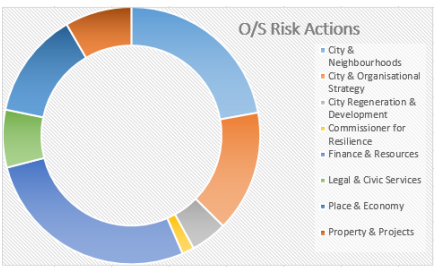
Quarterly risk reports on the management of corporate risks are submitted to the Assurance Board and Audit and Risk Panel.

In addition, Annual Assurance Statements are completed by all senior managers within the Council.

Departmental Management Teams and other relevant oversight boards / groups should ensure that risk management is a standing or regular agenda item. Appropriate arrangements should be put in place for reporting on risks. This may include:

- dashboard reporting
- reporting of risk assessments against risk appetite etc.

In addition to the regular review of risks, all oversight groups should ensure that horizon scanning is regularly undertaken to identify key trends and drivers that present both opportunities for, and risks to, the achievement of objectives. This supports risk identification and informs decision making and strategic planning.



Total BCC Risks

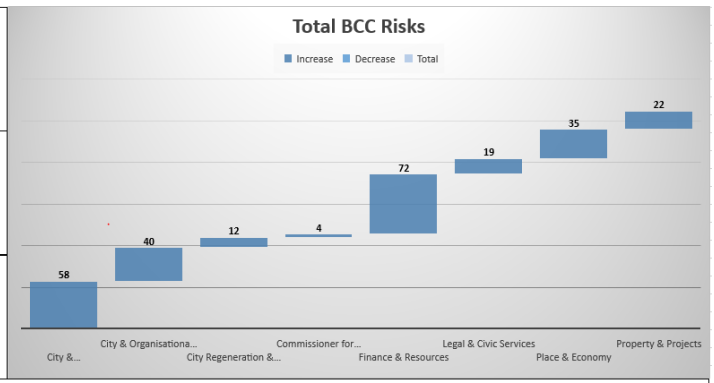
262

Total Risk Actions

1,149

Total Severe Risks

34



BCC Risk Profile

Severe	High	Moderate	Low
91	57	71	43

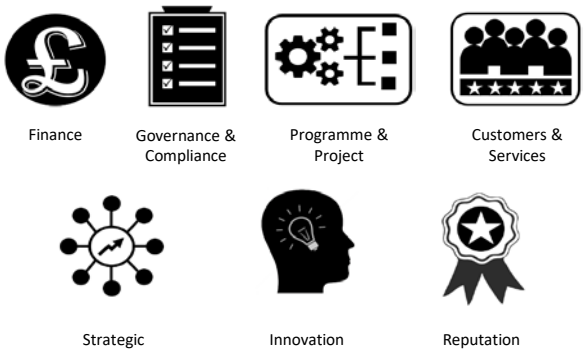
Risk Categories & Appetite

Risk Categories

Every organisation will face different types of risk. The main categories of risk facing the Council are set out below.

It should be noted that these categories are not mutually exclusive.

The categories will be used to ensure all major risks and all types of response are properly considered. Understanding the type of risk being faced can also help determine what action is best to take.



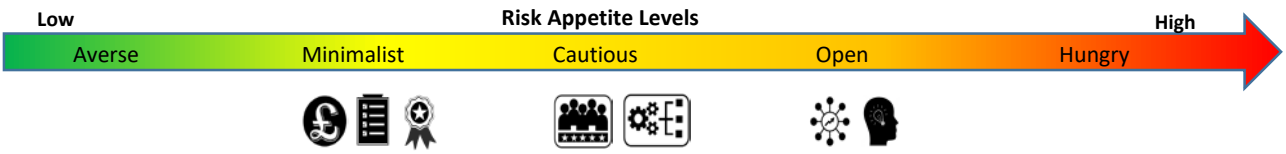
Risk Appetite Statement

Belfast City Council aims to be risk aware, but not overly risk averse and to ensure that the organisation takes a balanced approach to risk taking in order to deliver its corporate priorities and agreed outcomes for the City.

The Council recognises that, in pursuit of its priorities and outcomes, it may choose to accept different levels of risk in different areas. As a result, it has established and articulated risk appetites for different categories of risk – for risks falling into the Finance, Governance & Compliance and Reputation categories it has a minimalist risk appetite, for risks falling into the Programme & Project and Customers & Services categories it has a cautious risk appetite and for risks falling into the Strategic and Innovation categories it has an open risk appetite. Action should be taken to manage risks down to a level which falls within the agreed risk appetite for that category.

Risk appetite is best summarised as "the amount of risk an organisation is willing to accept". If the agreed risk appetite is high, then there is an increased need for good risk management processes to be in place in order to manage the risks.

This statement sets out how we balance risk and opportunity in pursuit of achieving our objectives. Managers should be mindful of the Council's risk appetite, particularly when undertaking new activities. It should be noted that calculated risk taking is not the same as the absence of risk management.



Averse *- Avoidance of risk is paramount. Risks for which the Council has an adverse risk appetite will only be accepted if they have a Low risk rating, before taking account of any mitigations.*

Minimalist *– Risks for which the Council has a minimalist risk appetite should be managed so that mitigations will deliver a risk rating of Low-Moderate within an agreed timeframe.*

Cautious *– Risks for which the Council has a cautious risk appetite should be managed so that mitigations will deliver a risk rating of Moderate within an agreed timeframe.*

Open *– In order to achieve significant reward, risks for which the Council has an open risk appetite should be managed so that mitigations will deliver a risk rating of Moderate - High within an agreed timeframe*

Hungry *– In order to achieve potentially very high reward, risks for which the Council has a hungry risk appetite, should be managed so that mitigations will deliver a risk rating of Severe within an agreed timeframe.*

Roles & Responsibilities

All Members, employees and stakeholders have a role to play in ensuring that risk is effectively managed across the Council. The key roles and responsibilities of each stakeholder are outlined below.

Strategic Policy & Resources Committee

- Approve Risk Management Strategy & Policy
- Receive assurance from the Audit & Risk Panel on the application of the Risk Management Strategy & Policy

Audit Assurance Board

- Support the Audit & Risk Panel in the discharge of their duties

Corporate Management Team

- Overall accountability for risk management across the Council
- Identification of key corporate risks
- Review, challenge and oversight of the management of corporate risks on a quarterly basis, including seeking reasons for significant delays in the implementation of risk actions
- Set the tone for risk management, promote the benefits of effective risk management and lead by example in embedding the risk management framework
- Establish a control environment and culture where risk can be effectively assessed and managed

Audit & Risk Panel

- Provide assurance to the Council on the effectiveness of risk management and internal control
- Seek assurance from Officers on the management of risks within the Council

Strategic Directors / Directors

- Ensure there are effective risk management arrangements in their Departments in line with this policy
- Identification of risks affecting delivery of key objectives
- Identify and manage risks relating to key programmes and projects
- Responsible for the management of corporate risks (as designated by the Chief Executive)
- Seek and receive assurances on the management of risks in their key areas of responsibility, including where they are SRO
- Ensure the Department's risks are reviewed at least quarterly
- Determine who will be the Departmental Risk Co-Ordinator for their Department
- Promote the benefits of risk management

Departmental Risk Co-ordinator

- Support the Director in the implementation of the risk management framework for their Department
- Liaise with Audit, Governance and Risk Services

Roles & Responsibilities

Senior Managers

- Manage risks effectively in their service area, in accordance with the risk management framework
- Take ownership for risks within their Service / area and ensure that Risk Action Plans are reviewed and updated regularly
- Identification of risks facing their Service /area and, where applicable, escalate for consideration to the Departmental Management Team
- Seek information on the management of their Service / area risks
- Ensure that the risk management framework is embedded in their Service / areas and that staff are competent in risk management

Employees

- Maintain awareness of risks and manage them as part of their jobs

Audit, Governance & Risk Services

Audit, Governance & Risk Services have a dual role with regard to risk management. These roles are separately managed.

Assurance role:

- Provide guidance, tools and training to support the organisation to manage risk effectively
- Provide assurance that risk is being effectively managed

Risk Advisory role:

Provide resource, in liaison with the Departmental Risk Co-Ordinator, in the form of a risk consultant who will:

- Support and challenge management in the identification, assessment and management of risks
- Collate risk information / intelligence, for integration into performance reports, to support senior management and inform decision making

Risk Assessment Guidance

IMPACT					
5	Moderate	High	High	Severe	Severe
4	Moderate	Moderate	High	High	Severe
3	Low	Moderate	Moderate	High	High
2	Low	Low	Moderate	Moderate	High
1	Low	Low	Low	Moderate	Moderate
	1	2	3	4	5
	LIKELIHOOD				

LIKELIHOOD

1. Very Low
Has not occurred before or has happened rarely.
(<5%)

2. Low
Although unlikely, there is a chance that the risk may materialise.
(5-20%)

3. Possible
The outcome is in the balance, and is almost as likely to occur as not.
(20-50%)

4. Likely
More likely to occur than not occur.
(50-75%)

5. Almost Certain
Significantly more likely to occur than not occur.
(>75%)

IMPACT	Objectives	Financial	Health & Safety	Reputation
5. Severe	The risk will cause the objective to not be achieved	Severe financial implications. (e.g. outside the agreed year-end budget variance tolerance by more than 5%)	Major injuries leading to death and irreversible health effects; high profile investigation and enforcement; significant impact on staff and service delivery; sustained national public / media interest; significant financial losses.	Very significant adverse coverage, sustained over a considerable period.
4. Major	The risk will cause several elements of the objective to be delayed or not achieved.	Major financial implications. (e.g. outside the agreed year-end budget variance tolerance by up to 5%)	Major injury leading to longer term incapacity / disability; multiple complaints / external agency investigation; major impact on staffing and service delivery; national public / media interest; major financial loss	Significant adverse coverage, likely to recur on several occasions
3. Moderate	The risk will cause some elements of the objective to be delayed or not be achieved.	Moderate financial implications. (e.g. within agreed in-year budget variance tolerance levels of 2% underspend and 1% overspend)	Moderate injury requiring medical intervention and time off; formal complaint and investigation likely; moderate impact on staff / service delivery; local public / media interest; moderate financial loss.	Adverse coverage, probably on a one off basis.
2. Minor	Some impact on objectives resulting in slight but redeemable deviation.	Minor financial implications (e.g. within agreed year-end budget variance tolerance levels for depts. of 2% underspend and 0.5% overspend)	Minor injury / illness requiring medical intervention and little time off; low level impact on staffing / service delivery; risk of short term loss of public confidence; small financial loss	Some interest possible but likely to be localised and short term.
1. Insignificant	The risk will not substantively impede the achievement of the objective.	Minimal financial implications.	Minimal injury requiring no/minimal intervention; informal investigation; very low level impact on staffing / service delivery impact; minimal financial loss; potential for rumours / public concern	Little interest