Item: 12

Policy and Resources Committee: 24 September 2024.

Risk Management Policy and Strategy.

Report by Corporate Director for Neighbourhood Services and Infrastructure.

1. Overview

1.1.   The Council acknowledges through the Risk Management Policy and Strategy that while eliminating risk is impossible, effective risk management can foster positive opportunities that, when properly controlled, may lead to service improvements. Consequently, the Council's measures are grounded in sound risk management principles, aiming to balance and control both risk and opportunity.

1.2.   In the aspect of risk management, the Council aims to:

- Consistently fulfil its statutory obligations and operate within the law;
- Protect the public, Council members, employees, pupils, tenants, and all individuals under its duty of care;
- Safeguard its assets, including buildings, equipment, vehicles, and other resources;
- Preserve and enhance service delivery;
- Maintain effective control over public funds;
- Uphold and enhance the Council's reputation;
- Protect and improve the quality of Orkney's environment.

1.3.   The aim of the Risk Management Policy and Strategy is to integrate risk management into the Council's corporate and service management, ensuring it is embedded in governance, planning, and service delivery operations. This approach allows for effective monitoring and reporting on the strategy's success.

1.4.   The strategy recognises that risks are present at all levels of the Council's functions and activities, encompassing both strategic or corporate risks and numerous operational risks.

2. Recommendations

2.1.   It is recommended that members of the Committee:

i.   Approve the revised Risk Management Policy and Strategy (2024 to 2026), attached as Appendix 1 to this report.

3. Background

3.1. The Risk Management Policy and Strategy, which was last updated and approved in October 2022, has been revised to ensure alignment with relevant legislation and to incorporate key best practice recommendations in the field of risk management.

3.2. The review has considered the findings of the UK Covid-19 report and its recommendations to ensure alignment with best practice risk management.

4. Risk Management

4.1. Risk management is part of the Council's Strategic Planning and Performance Framework, and the monitoring of risk is part of the Council's Corporate Performance and Risk Management System.

4.2. Risk management is the systematic process of identifying, evaluating, and prioritising risks, followed by the coordinated and economical application of resources to minimise, monitor, and control the probability or impact of unfortunate events. It also aims to maximise the realisation of opportunities. This process involves several key steps:

- Risk Identification: Recognising potential threats that could affect the organisation.
- Risk Assessment: Analysing the likelihood and impact of these risks.
- Risk Mitigation: Developing strategies to reduce or manage the identified risks.
- Monitoring and Reviewing: Continuously tracking the effectiveness of risk management measures and making necessary adjustments.

5. Monitoring and Accountability

5.1. Formal monitoring and accountability procedures will form an integral part of the Council's risk management process, covering the following three main issues:

- Delivering the risk management strategy.
- Implementing risk management action plans, both corporate and service.
- Determining whether the action planning is making a difference to the risk, as appropriate.

5.2.   The following monitoring arrangements are in place:

- Risk registers are presented to the relevant committee or board annually to advise members of the risks which may affect the achievement of the Council's strategic objectives.
- Service risks are tracked via the Corporate Performance and Risk Management System, ensuring that any performance risks are flagged to the Corporate Leadership Team through exception reporting.
- Ensuring that the Performance and Risk Management Group remains an effective and efficient mechanism for overseeing risk management and promoting corporate consistency in implementing the risk management policy.
- Internal Audit's role may include the auditing of the risk management process across the Council and the reporting on the efficiency and effectiveness of internal controls.

5.3.   Identified risks will be allocated to an officer and each risk will be accompanied by an assessment of whether the risk will be tolerated, treated, terminated or transferred. Registers will be accompanied by an action plan, highlighting how the assessment will be achieved.

For Further Information please contact:
Kenny MacPherson, Head of Property, Asset Management and Facilities, extension 3007, Email Kenny.MacPherson@orkney.gov.uk

Implications of Report
1.   **Financial** - No implications.
2.   **Legal** - The Risk Management Policy and Strategy supports compliance with relevant laws and obligations.
3.   **Corporate Governance** - No implications.
4.   **Human Resources** - No implications.
5.   **Equalities** - No implications.
6.   **Island Communities Impact** - No implications.
7.   **Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
☒ Growing our economy.
☒ Strengthening our Communities.
☒ Developing our Infrastructure.
☒ Transforming our Council.

8. **Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:

☒ Cost of Living.

☒ Sustainable Development.

☒ Local Equality.

9. **Environmental and Climate Risk** - No implications.

10. **Risk** - Risk management is part of the Council's Strategic Planning and Performance Framework, and the monitoring of risk is part of the Council's Corporate Performance and Risk Management System.

11. **Procurement** - No implications.

12. **Health and Safety** - No implications.

13. **Property and Assets** - No implications.

14. **Information Technology** - No implications.

15. **Cost of Living** - No implications.

List of Background Papers

None.

Appendix

Appendix 1 - Risk Management Policy and Strategy 2024 to 2026.

Risk Management Policy and Strategy

2024 to 2026

Contents ....**Error! Bookmark not defined.**

Document Control sheet.

Approval History

Date	Committee Meeting	Version Approved
11 December 2018.	General Meeting of the Council.	Version 1.0
6 October 2020.	General Meeting of the Council	V1.1
4 October 2022	General Meeting of the Council	V1.2
		V1.3

Review Change Record

Date	Author	Version	Status	Reason
October 2018	Malcolm Russell	1.0	Final.	
July 2020	Les Donaldson	1.1	Final.	Reviewed and updated
July 2022	Les Donaldson	1.2	Final.	Reviewed and updated
August 2024	DC Hunter	1.3	Draft	Reviewed and updated

1. Policy Statement

Orkney Islands Council recognises the importance of identifying and managing the various risks inherent in its activities and the services it provides to the community. To address this, the Council has adopted a risk management policy, established a Risk Management Strategy, and implemented supporting procedures.

The Council acknowledges that it is impossible to eliminate risk. However, it also recognises that effective risk management can support positive opportunities that, with proper control, may lead to service improvements. Therefore, the Council's measures are based on principles of appropriate risk management practice, aiming to balance and control both risk and opportunity.

In the aspect of risk management, the Council aims to:

- Consistently fulfil its statutory obligations and operate within the law;
- Protect the public, Council members, employees, pupils, tenants, and all individuals under its duty of care;
- Safeguard its assets, including buildings, equipment, vehicles, and other resources;
- Preserve and enhance service delivery;
- Maintain effective control over public funds;
- Uphold and enhance the Council's reputation;
- Protect and improve the quality of Orkney's environment.

To achieve these objectives, the Council will systematically identify, evaluate, and manage all risks that could potentially threaten or negatively impact these goals. Additionally, the Council will support its members and officials in developing the necessary skills and competencies to provide high-quality risk management.

2. Introduction

The aim of this strategy is to integrate risk management into the Council's corporate and service management, ensuring it is embedded in governance, planning, and service delivery operations. This approach allows for effective monitoring and reporting on the strategy's success.

The strategy recognises that risks are present at all levels of the Council's functions and activities, encompassing both strategic or corporate risks and numerous operational risks.

The UK COVID-19 report provided several key recommendations in preparedness and response which OIC has considered in this strategy to ensure alignment with best practice risk management. The key recommendations from the UK COVID-19 were:

- **Simplification of Emergency Systems:** The report calls for a radical simplification of the UK's civil emergency preparedness and resilience systems.
- **Regular Pandemic Response Exercises:** It recommends holding a UK-wide pandemic response exercise at least every three years to ensure readiness.
- **Independent Statutory Body:** The creation of a single, independent statutory body responsible for whole-system preparedness and response is suggested to streamline efforts and improve coordination.

- **Enhanced Data and Health Systems**: Improving data and health systems across the UK to ensure better risk assessment and preparedness.
- **Public Health Infrastructure**: Strengthening public health infrastructure to enhance the overall response to pandemics.
- **Reforms in Pandemic Planning**: The report emphasizes the need for radical reforms in pandemic planning to ensure better preparedness for future emergencies

The report indicated that while the UK was considered well-prepared for a pandemic, it was not adequately prepared for a catastrophic emergency like COVID-19. This gap in preparedness affected the overall risk assessment and response.

The recommendations identified the need for better risk assessments and emphasised the necessity for improved risk assessments to effectively respond to future pandemics. There should be a shift in risk assessment strategies from relying solely on reasonable worst-case scenarios to evaluating a broader spectrum of scenarios that reflect various risks and their ranges. This strategy and policy aim to support this new approach as the way forward.

Risk management is part of the Council's Strategic Planning and Performance Framework, and the monitoring of risk is part of the Council's Corporate Performance and Risk Management System.

3. Terminology

3.1. Governance
The framework through which local authorities fulfil their purpose and achieve their intended outcomes for citizens and service users, while operating in an effective, efficient, economical, and ethical manner. Good governance results in effective management, strong performance, responsible stewardship of public funds, meaningful public engagement, and ultimately, positive outcomes for citizens and service users.

3.2. Risk
Risk refers to the possibility of something negative or undesirable happening. It involves uncertainty about the outcomes of an activity or decision, particularly those that could lead to harm, loss, or other adverse effects. Specifically, risk is the chance or possibility of loss, damage, injury, or failure to achieve objectives caused by an unwanted or uncertain action or event. This can be further defined as the combination of the likelihood of an event occurring (or not occurring) and its impact on the organisation. Risks can be found in various contexts, such as health, finance, safety, and the environment. Managing risk typically involves identifying potential threats, assessing their likelihood and impact, and implementing measures to mitigate or control them.

3.3. Risk Management
Risk management is the systematic process of identifying, evaluating, and prioritising risks, followed by the coordinated and economical application of resources to minimise, monitor, and control the probability or impact of unfortunate events. It also aims to maximise the realisation of opportunities. This process involves several key steps:
- **Risk Identification**: Recognising potential threats that could affect the organisation.
- **Risk Assessment**: Analysing the likelihood and impact of these risks.
- **Risk Mitigation**: Developing strategies to reduce or manage the identified risks.

- **Monitoring and Reviewing**: Continuously tracking the effectiveness of risk management measures and making necessary adjustments.

Effective risk management helps local authorities to operate in an effective, efficient, economical, and ethical manner. It ensures good governance, strong performance, responsible stewardship of public funds, meaningful public engagement, and ultimately, positive outcomes for citizens and service users.

This approach aims to create a dynamic and responsive risk assessment process that can better prepare for and mitigate a wide range of potential risks.

4. Objectives

Orkney Islands Council is dedicated to developing and sustaining a comprehensive and systematic approach to identifying and managing risks. This commitment involves integrating risk management practices into all aspects of the Council's operations and decision-making processes. By doing so, the Council aims to proactively address potential threats and opportunities, ensuring the safety and well-being of the community, protecting assets, and enhancing service delivery. The Council will continuously monitor and review its risk management strategies to adapt to changing circumstances and maintain compliance with relevant regulations and standards. This approach underscores the Council's dedication to responsible governance and the achievement of its strategic objectives.

The Council's risk management objectives are to:
- Ensure that risk management is thoroughly and consistently embedded in the Council's culture.
- Manage risk according to best practice standards.
- Anticipate and adapt to evolving social, environmental, and legislative changes.
- Treat compliance with health and safety, insurance, and legal requirements as a baseline standard.
- Prevent death, injury, damage, and losses, while minimising the costs of incidents and accidents.
- Inform policy and operational decisions by identifying risks and assessing their potential impact.
- Raise awareness of the importance of risk management among all those involved in the Council's service delivery.
- Recognise that effective risk management includes positive risk-taking and the identification of opportunities.

These objectives will be achieved by:
- Clearly defining the roles, responsibilities, and reporting lines for risk management within the Council.
- Establishing clear risk management processes.
- Continuously demonstrating the application of risk management principles in the Council's activities, including those of its employees and members.
- Emphasising the importance of effective risk management as part of the daily work of employees and members.
- Maintaining a register of risks associated with the Council's business, corporate, and operational objectives, including those related to partnerships.
- Keeping documented procedures for risk control and provide appropriate information, training, and supervision.

- Maintaining a system for recording health and safety incidents and identifying preventive measures to avoid recurrence.
- Developing contingency plans to ensure business continuity in the event of major disruptions to the Council's operations.
- Continuously monitor and seek improvements in risk management arrangements.

5. Approach

It is essential that a single risk management approach be utilised at all levels throughout the Council. By demonstrating good governance through effective management of risks and opportunities, the Council will be in a stronger position to deliver objectives, provide improved services to the public, work better as a partner with other organisations and achieve value for money.

This approach to risk management will inform the Council's business processes, including:

- Strategic planning
- Financial planning
- Service planning
- Policy making and review
- Performance management
- Project management
- Partnership working

It is essential in order to achieve the objectives referred to in section 4, that processes are in place to identify and assess risks and opportunities, develop and implement controls and warning mechanisms, and to review and report on progress.

The identified risks and relevant control measures will be managed through the Council's Corporate Risk Register.

6. Benefits

Risk management offers numerous benefits including:

- **Regulatory Compliance**: Effective risk management ensures compliance with relevant laws and regulations, avoiding legal penalties and maintaining repute.
- **Improved Decision-Making:** Access to comprehensive risk information allows leaders to make better-informed decisions, grounded in the latest data.
- **Enhanced Planning**: Risk management helps in anticipating potential challenges, leading to more robust and resilient planning.
- **Operational Efficiency**: By proactively addressing risks, OIC can avoid disruptions and maintain smooth operations.
- **Reputation Management**: Managing risks effectively helps preserve and enhance the reputations by demonstrating responsible and proactive governance.
- **Financial Safeguarding**: By identifying and mitigating potential risks, OIC can prevent significant financial losses.
- **Employee Productivity**: A well-managed risk environment can improve employee morale and productivity by providing a safer and more predictable workplace.

- **Stakeholder Confidence**: Demonstrating a strong risk management framework can build confidence among stakeholders, including customers, and partners.
- **Opportunity Identification**: Effective risk management not only mitigates threats but also identifies opportunities for growth and improvement.

7. Status of Risk Management

Risk management is as much a part of the duties of Council officials as, for example, the control of budgets or the deployment of staff and assets. It is one of many substantive issues to be considered by elected members when making decisions. If the Council is to have reasonable assurance that risk management is effective, and is effectively part of the Council's operations, risk management must be carried out in a systematic and structured manner and be subject to monitoring and reporting on its effectiveness.

8. Management Arrangements

Risk management is a part of service and corporate management and accordingly should be integrated as far as possible within normal management processes.

The Chief Executive will have overall responsibility for the management of risk within Orkney Islands Council. In practice, this responsibility will be deferred to the four Corporate Directors and Chief Officer, Orkney Health and Social Care Partnership (HSCP).

The Corporate Director, Neighbourhood Services and Infrastructure will have responsibility for ensuring that the Council's Risk Management Strategy, Policy and Corporate Risk Register are maintained and regularly reviewed. Risk owners will clearly be identified within the register. The Corporate Risk Register will be reviewed biennially or where a new risk is identified. The reviewed Corporate Risk Register will be presented to the Corporate Leadership Team for approval and thereafter to the Policy and Resources Committee.

Corporate Directors and Chief Officer, Orkney HSCP will have responsibility for ensuring a risk register is compiled and maintained in respect of their Service. Service Risk registers will be reviewed biennially or where a new risk is identified. Any identified risk which falls out with the risk tolerance level will be escalated to the Corporate Risk Register.

Heads of Service will be responsible for ensuring a risk register is kept of all risks falling within their service and that service risk registers are reviewed biennially or where a new risk is identified. Risks which fall out with the risk tolerance level will be escalated to the respective Service Risk Register.

The Corporate Leadership Team shall:

- Determine the levels of risk and outcomes that are tolerable and acceptable to achieve the Council's objectives.
- Provide advice to elected members on the type and amount of risk to accept when making policy decisions.
- Assume ownership of the corporate risks recorded in the Corporate Risk Register.
- Carry out a strategic overview of the Corporate Risk Register at least biannually.
- Promote and support the implementation of the risk management policy and strategy throughout the Council.

Identified risks will be allocated to an officer and each risk will be accompanied by an assessment of whether the risk will be tolerated, treated, terminated or transferred. Registers will be accompanied by an action plan, highlighting the means by which the assessment will be achieved.

8.1. Evaluation of Risk

To comprehensively evaluate risk, the following categorise should be assessed.

- **Strategic Risks**: These relate to achieving long-term goals and alignment with the Council's mission and vision.
- **Compliance Risks**: Associated with adhering to laws, regulations, and industry standards.
- **Operational Risks**: Arise from day-to-day processes, systems, and activities.
- **Financial Risks**: Linked to financial stability, budgeting, investments, and cash flow.
- **Reputational Risks**: Impact the Council's image, brand, and public perception.

When considering issues for risk assessments, several key factors should be considered to ensure a comprehensive and effective evaluation. Here are the main aspects to consider:

- **Hazard Identification**: Identify all potential hazards that could cause harm.
- **Likelihood of Occurrence:** Assess how likely it is that each identified hazard will occur.
- **Severity of Consequences**: Evaluate the potential impact of each hazard if it were to occur.
- **Existing Controls:** Review the effectiveness of current control measures in place to mitigate the identified risks.
- **Vulnerabilities and Capabilities**: Consider the vulnerabilities within OIC that could exacerbate the risk, as well as the capabilities that could help mitigate it.
- **Changes in Context**: Consider any changes in the internal or external environment that could influence the risk. This includes changes in regulations, market conditions, or technological advancements.
- **Stakeholder Concerns**: Include the perspectives and concerns of various stakeholders, such as employees, customers, investors, and the community.
- **Time-Related Factors**: Consider the timing of potential risks, such as seasonal variations, project timelines, and maintenance schedules.
- **Biases and Assumptions**: Be aware of any biases, assumptions, or limitations in the information used for the risk assessment.
- **Emerging Risks**: Identify and evaluate new and emerging risks that may not have been previously considered.

By systematically considering these factors, the Council can develop a thorough and effective risk assessment that helps mitigate potential hazards and protect their operations.

It is acknowledged that there are some aspects of operational risk management which would benefit from corporate support and co-ordination. There is also a need for the Council to be able to demonstrate that risk management arrangements are effective, through the Corporate Performance and Risk Management system.

The Integration Joint Board commissions integrated health and care services from both the Council and NHS Orkney, managed through Orkney Health and Care Partnership's Senior Management Team. To avoid duplication, this integrated service may follow the risk management system and documentation currently operated by either the Council or its partner, NHS Orkney. However, the monitoring and accountability procedures in respect of the Council remain the same.

The Performance and Risk Management Group will consist of at least one representative from each Service of the Council. This will not be a decision-making body, as recommendations would be referred to the Corporate Leadership Team and, as necessary, to the relevant service committee or in relation to Orkney Health and Social Care Partnership, to the Integration Joint Board or a service committee or sub-committee established with an appropriate remit.

The Risk Management Policy and Strategy should be reviewed every two years.

8.2. Resilience Arrangements and Extraordinary Risk

Extraordinary risk events which are rare and unpredictable can have significant impacts on communities such as" Acts of God", major natural disasters, or unprecedented global technological failures. These often fall outside the scope of standard risk assessments.

However, Orkney Islands Council does recognize the importance of resilience management frameworks and response and recovery arrangements to mitigate the impact of these potential extraordinary events.

Measures are in place throughout the council via emergency planning and resilience arrangements. Response and recovery are co-ordinated tactically via an incident Management Team with 24/7 coverage via duty rosters.

Scenario-based exercises are held to ensure preparedness.

Furthermore, there is extensive partnership, communication, co-ordination and collaboration with partner agencies and emergency responders through local, regional, and national resilience frameworks.

By prioritizing resilience management in these types of events, the Council is better placed in planning for the unforeseen.

9. Business Continuity

Business continuity examines the ability to maintain essential functions during and after a failure or unexpected event. It involves planning and preparing to ensure that critical operations can continue with minimal disruption, even in the face of challenges such as natural disasters, cyber-attacks, or other emergencies.

The business continuity process is essentially risk management applied to the whole Council and its ability to continue with its service provision in the event of a catastrophic event. The Council must ensure risk management processes are applied throughout the business continuity lifecycle.

10. Monitoring and Accountability

Formal monitoring and accountability procedures will form an integral part of the Councils risk management process, covering the following three main issues:

- Delivering the risk management strategy.
- Implementing risk management action plans, both corporate and service.
- Determining whether the action planning is making a difference to the risk, as appropriate.

The following monitoring arrangements are in place:

- Risk registers are presented to the relevant committee or board annually to advise members of the risks which may affect the achievement of the Council's strategic objectives.
- Service risks are tracked via the Corporate Performance and Risk Management System, ensuring that any performance risks are flagged to the Corporate Leadership Team through exception reporting.
- Ensuring that the Performance and Risk Management Group remains an effective and efficient mechanism for overseeing risk management and promoting corporate consistency in implementing the risk management policy.
- Internal Audit's role may include the auditing of the risk management process across the Council and the reporting on the efficiency and effectiveness of internal controls.

11. Summary and Conclusion

The risk management policy and strategy create a framework for the Council to integrate risk management into its operations in an effective approach. Risk management benefits the Council and its community by adopting best practice and coupled with effective resilience arrangements to manage exceptional situations.

Monitoring and management of how risks are identified, recorded and managed allows the Council to identify hazards and assess their impact and likelihood for the Council and its community.

If the Council is to have reasonable assurance that risk management is effective, and is effectively part of the Council's operations, risk management must be carried out in a systematic and structured manner and be subject to monitoring and reporting on its effectiveness.

The Council acknowledges that it is impossible to eliminate risk. However, it also recognises that effective risk management can support positive opportunities that, with proper control, may lead to service improvements