

Item: 13

Orkney and Shetland Valuation Joint Board: 2 March 2023

Risk Management Policy and Strategy 2023-2026.

Joint Report by Assessor and Electoral Registration Officer and Clerk to the Board.

1. Purpose of Report

To consider a Risk Management Policy and Strategy for the period 2023-2026.

2. Recommendations

It is recommended:

2.1.

That, given the statutory nature of the duties and functions of the Assessor and Electoral Registration Officer, the Board adopt a low appetite to risk.

2.2.

That the proposed Risk Management Policy and Strategy for the period 2023-2026, attached as Appendix 1 to this report, be approved.

3. Risk Management Policy and Strategy

3.1.

Orkney and Shetland Valuation Joint Board (the Board) aims to provide high quality, transparent, effective and responsive services to all stakeholders. To achieve this the Board is committed to the management of risks within its control to safeguard its employees and service users, protect its assets, preserve and enhance service delivery and maintain effective stewardship of its funds.

3.2.

It is acknowledged that risks can never be eliminated in their entirety however, managing risks can identify positive opportunities which, with the appropriate level of control, may lead to service improvements. Therefore, the measures the Board adopts are principles of good management practice which seek to control and balance risk and opportunity.

3.3.

Risk management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of controlling them. The aim is to reduce the likelihood and frequency of risk events occurring, wherever these are possible, and minimise the severity of their consequences if they do occur.

3.4.

Risk management offers a number of benefits. It is not simply about insurance or health and safety risks. Rather, effective risk management provides the Board with a means of improving its strategic, operational and financial management. It can also help to minimise financial losses, service disruption, bad publicity, threats to public health or claims for compensation.

3.5.

Risk management is integral to policy planning and operational management. Identifying, analysing, controlling and monitoring risk will help Board members and managers make informed decisions about the appropriateness of adopting policy or service delivery options.

3.6.

A proposed Risk Management Policy and Strategy has been developed for the Board and is attached as Appendix 1 to this report. It sets out policy in respect of business risk and provides a framework to structure the risk management approach.

3.7.

Given the statutory nature of the duties and functions of the Assessor and Electoral Registration Officer, **it is proposed that** the Board seeks to adopt a low appetite to Risk.

4. Financial Implications

There are no financial implication arising directly from this report.

5. Governance Aspects

The content and implications of this report have been reviewed and, at this stage, it is deemed that the Board **DOES NOT** require external legal advice in consideration of the recommendations of this report.

6. Contact Officers

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7. Appendix

Appendix 1 – Draft Risk Management Policy and Strategy.

Orkney and Shetland Valuation Joint Board

DRAFT

Risk Management Policy and Strategy

2023-2026

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1. Introduction

Risk management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of controlling them. The aim is to reduce the likelihood and frequency of risk events occurring, wherever these are possible, and minimise the severity of their consequences if they do occur.

Risk management offers a number of benefits. It is not simply about insurance or health and safety risks. Rather, effective risk management provides the Orkney and Shetland Valuation Joint Board (the Board) with a means of improving its strategic, operational and financial management. It can also help to minimise financial losses, service disruption, bad publicity, threats to public health or claims for compensation.

Risk management is a key task for managers in every organisation. Failure to pay proper attention to the likelihood and consequences of risks could cause the Board serious problems. The effective management of risk is therefore a critical part of the Board's approach to delivering sound Governance and Best Value.

Risk management is integral to policy planning and operational management. Identifying, analysing, controlling and monitoring risk will help Board members and managers make informed decisions about the appropriateness of adopting policy or service delivery options.

This is the Board's Risk Management Policy and Strategy. It sets out policy in respect of business risk and provides a framework to structure the risk management approach.

2. Policy Context

The Board aims to provide high quality, transparent, effective and responsive services to all of our stakeholders.

In order to achieve this, the Board is committed to the management of risks within its control in order to safeguard its employees and service users, protect its assets, preserve and enhance service delivery and maintain effective stewardship of its funds.

It is acknowledged that risks can never be eliminated in their entirety however, managing risks can identify positive opportunities which, with the appropriate level of control, may lead to service improvements. Therefore, the measures the Board adopts are principles of good management practice which seek to control and balance risk and opportunity.

Given the statutory nature of the duties and functions of the Assessor and Electoral Registration Officer, the Board generally seeks to adopt a low appetite to Risk.

3. Aims and Objectives of the Strategy

The aims and objectives of the strategy include:

- Identification of risks.
- Quantification of risks.
- Control of risks.
- Financing of risks.

4. Scope of the Strategy

All risks associated with the following will be included in the risk management process:

- Premises.
- Finance.
- Information Technology (IT).
- Staffing (Valuation Service).
- Service.
- Electoral Registration:
 - Planning and Organisation.
 - Loss of Premises.
 - Failure of IT.
 - Communication.
 - Failure on the part of Contractors.
 - Integrity Issues.
 - Staffing (Electoral Registration).
 - Completeness and Accuracy of Records.

Risk management is a continuous process which will incorporate all strategic and operational risks.

5. Process and Methodology

To manage risk effectively, the internal and external risks affecting, or potentially affecting, service delivery or operational areas need to be systematically identified, analysed, controlled and monitored.

The Board has approved an approach to risk management where it annually approves a Risk Register highlighting the main areas of risk to the Board.

Further, additional risk registers continue to be maintained for a number of specific tasks or projects including for the Annual Electoral Canvass, Rolling Registration procedures and Electoral Integrity.

The approach to risk management is adopted for each of these Registers.

5.1. Approach

5.1.1. Risk Identification

Risks, which either currently, or potentially will, threaten the Board, together with the cause and impact are identified and listed in the Risk Register.

5.1.2. Risk Analysis

Each risk identified will be systematically and accurately assessed. The process will assess:

- Likelihood – the probability of a risk event occurring, and
- Impact – the potential severity of the consequences should such an event occur.

Using managers' knowledge and experience, judgements will be made about the likelihood and severity of events occurring and these will be categorised as low, medium or high risk. This results in an inherent risk rating which is detailed in the risk register.

The probability and severity will then be assessed together, normally, using the matrix in Appendix 1*, and prioritised for control action.

*Note, however, that a number of registers are derived from approaches recommended by, for example, the Electoral Commission and these may contain differing analysis methods.

5.1.3. Risk Control

Mitigating actions and controls will be taken or planned to minimise the likelihood of each risk occurring or the severity of the consequences should it happen. This may require the identification and implementation of projects or revisions to operating practices. The appropriate action may be to transfer risk to another body or insure against the risk.

Further action identified as being required will be detailed in the risk register, together with the control score and Residual risk rating which will be prevalent as a consequence of the actions or controls put in place to minimise the impact of the risk. This will be displayed as a residual rating.

5.1.4. Risk Monitoring

The implementation and effectiveness of any actions or amendments to operating practices will be monitored and reviewed by the Assessor and Electoral Registration Officer and the nature of risks will be assessed for change over time.

5.1.5. Issues Register

The Issues Register is detailed at the end of the Risk Register document and is used to record any issues arising. An issue which has occurred is usually the result of an earlier risk which has now become reality, so it is vital to ensure that both the issues register and risk register are live documents and that they are reviewed and updated in conjunction.

The issues register is a log that details the nature of the issue, its source, the date it was raised and its potential impact. It should also include the proposed action to deal with the issue, as well as assigning clear ownership to the issue and establishing the date of its anticipated resolution.

5.2. Risk Registers

The Board's Management Team will be responsible for developing and maintaining the Risk Registers.

The Board will be responsible for approving and monitoring the Risk Register annually.

The Risk Register actions will be part of a standing agenda item on the Management Team meetings.

The Assessor and Electoral Registration Officer will have overall responsibility for the risk management within the Board.

6. Roles and Responsibilities

Role	Responsibilities
Board Members	<ul style="list-style-type: none"> Oversee the effective management of risk by officers of the Board and approve the Risk Register.
Assessor and Electoral Registration Officer	<ul style="list-style-type: none"> Ensure that the Board manages risk effectively through the maintenance and review of a Risk Management Strategy. Overall responsibility for the development and maintenance of the risk register. Report the Risk Register to the Board, annually, for approval. Liaise with the appropriate constituent Council in all matters relating to insurances.
Management Team	<ul style="list-style-type: none"> Input into the development, implementation and review of a Risk Management Strategy. Input into the development and maintenance of the Risk Registers. Ensure risk is effectively managed across all areas of function. Organise relevant training and raise awareness of the Risk Management Strategy. Monitor and review success of risk control actions and procedures.
Line Managers	<ul style="list-style-type: none"> Assist in the implementation of the Risk Management Strategy and Risk Actions across relevant area of function.

Role	Responsibilities
Employees	<ul style="list-style-type: none"> • Make every effort to be aware of situations which place themselves, others or service delivery at risk and report hazards. • Provide information on any risks or hazards to Management Team for inclusion within risk register.
Orkney Islands Council / Shetland Islands Council	<ul style="list-style-type: none"> • Provide assistance, advice and training on budgetary planning and control. • Provide assistance and advice on insurance and risk. • Assist in the handling of any litigation claims. • Negotiate insurance cover.

7. Implementation and Review

Implementation of this revised Strategy will include the following:

- The Strategy will require the approval of the Board.
- The Management Team will annually review the risk register including the identification, analysis and controls required for existing and future risks.
- The Management Team will review progress against Risk Action / controls at its regular meetings.
- The Risk Management Strategy will be reviewed at 3-yearly periods or more frequently, if required.

8. Financing Risk and Insurances

Risk financing and the securing of appropriate insurances are important elements of risk management. The approach to these will be to reduce the total cost of risk, which includes:

- The amount of uninsured losses met by the Board's funds.
- Insurance premiums for the external insurance cover obtained.
- Excesses applied to individual claims.
- Management and administration costs associated with risk and insurance.
- The cost of preventative measures taken to reduce risk.

Insurance, broking and loss adjusters will be procured in liaison with the strategic lead for Finance in Orkney Islands Council.

Revenue budgets will carry the costs relating to risk prevention and loss.

9. Commitment

This strategy has been approved by the Board. It provides a robust framework for the continuous improvement of risk management practices across the Board's areas of function.

Appendix 1 – Defining the level of impact and likelihood of risk

The risk register identifies the various activities carried out by the Orkney and Shetland Valuation Joint Board and assesses the likelihood and impact of any risks which may be encountered. The resultant risk rating permits identification of priorities in dealing with potential risks.

Inherent risk evaluation

How likely is it that the risk going to happen?

1. Unlikely – Likelihood of occurrence is relatively slim – less than 10% chance of occurrence
2. Possible – Quite possible that the risk could occur, especially if control measures are inadequate - 10% to 50% chance of occurrence
3. Probable – More likely to happen than not – more than 50% chance of occurrence

What would the impact be if the risk was to materialise?

1. Minor – Unlikely to have a permanent or significant effect
2. Moderate – Potential impact on performance and service delivery. May be adequately managed through existing processes
3. Significant – Severe impact on performance through a reduced ability to deliver.

The 3x3 matrix below can be used to calculate the overall risk score:

Risk Evaluation Matrix

I M P A C T	3 - Significant	3 (Significant and Unlikely)	6 (Significant and Possible)	9 (Significant and Probable)
	2 - Moderate	2 (Moderate and Unlikely)	4 (Moderate and Possible)	6 (Moderate and Probable)
	1 - Minor	1 (Minor and Unlikely)	3 (Minor and Possible)	6 (Minor and Probable)
		1 – Unlikely	2 – Possible	3 - Probably
		Likelihood		

Residual risk evaluation

Once the appropriate action has been identified to address an individual risk, the action is given a score of 1 to 3 based on an assessment of how likely it is to be effective in reducing the risk (not all risks are capable of being reduced).

The risk owner will need to make an assessment as to whether the control measures are:

1. Poor – no control measures in place as yet, although actions may be planned
2. Average – some controls in place but further actions to be planned and/or executed
3. Good – control measures are fully in place, agreed by line manager and form part of everyday activity

The initial (inherent) risk score is then divided by the score for the control action to give a residual risk score. This is the ultimate assessment of the scale of the risk and whether it is Red, Amber or Green.