Enterprise Risk Management Policy

Implementation date: January 2015

Control schedule

Approved by	Corporate Policy and Strategy Committee
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Senior Responsible Officer	Chief Risk Officer
Author	Rebecca Tatar, Principal Risk Manager
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Version control

Version	Date	Author	Comment
0.1	24 February 2015	Rebecca Tatar	Version approved by Corporate Policy and Strategy Committee
0.2	December 2015	Rebecca Tatar	Minor changes to reflect inclusion of localities and CLT change of name. Reviewed by the Chief Risk Officer
0.3	December 2016	Rebecca Tatar	Minor changes to reflect minor name change. Reviewed by the Chief Risk Officer

Committee decisions affecting this policy

Date	Committee	Link to report	Link to minute
29 January 2015	Governance, Risk and Best Value Committee	Report	Minute
24 February 2015	Corporate Policy and Strategy Committee	Report	Minute

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Enterprise Risk Management Policy

Policy statement

1.1 Robust risk management ensures that the Council's agreed outcomes, pledges, objectives and service delivery are achieved more effectively and efficiently; that performance will be improved through better informed decision making and reduced uncertainty.

1.2 This policy (Policy) sets out the Council's overarching approach to risk management and the activities and responsibilities required to ensure that enterprise wide, risk management is embedded comprehensively and consistently across the Council.

Scope

2.1 This Policy applies to:

2.1.1 all risks that could affect the Council achieving its corporate and service delivery objectives; and

2.1.2 all risks that arise throughout the Council's risk universe. This includes service areas, localities, projects and third party relationships.

2.2 All employees have an important role to play in risk management and are responsible for managing risk by ensuring controls are operated as intended and that any risks they identify are escalated appropriately. All managers, directors and elected members are responsible for ensuring that risk management is embedded in accordance with the Policy.

Definitions

3.1 A **risk** is an event or issue that can affect, positively or negatively, the delivery of the Council's agreed outcomes, pledges, objectives and service delivery.

3.2 **Inherent risk** is the pure unmitigated risk - as if there were no controls in place to manage it.

3.3 **Residual risk** is the current level of risk - given the effects of mitigation already in place.

3.4 **Risk appetite** is the level of risk we are prepared to **tolerate** or **accept** in the pursuit of our strategic objectives.

3.5 **Risk escalation** is the process by which risk is communicated - up, down and/or across the organisation - to ensure it is dealt with most effectively.

3.6 **Risk management** is about identifying and managing the risks to achieving the Council's agreed outcomes, pledges, objectives and service delivery. It includes the

culture, structures, controls and processes that are directed towards the effective management of events and opportunities

3.7   The **Risk Register** is where we capture risk management information: the risks identified, our assessment of them, the controls in place to manage them, any plans for improving their management and the ownership of such risks.

3.8   The Council's **risk universe** comprises all the areas of Council operations where risks arise and should be captured in the Council's risk registers.

3.9   A **control** is an action that has been designed and put in place to direct the way we carry out our day to day work and service delivery, to mitigate risk and help ensure we meet our objectives effectively and efficiently. Controls should be operated as designed.

Policy content

4.1   Robust risk management is based on a cycle of regular review and update which should be evidenced in risk registers held and maintained by the Corporate Leadership Team (CLT), the Service Area senior management teams (SMTs), Locality SMTs and beyond this as required by the respective SMTs.

4.2   To ensure effective risk management it is essential that the following policy requirements are understood and applied consistently across the Council.

4.3   **Identifying risk**

   4.3.1   The Council faces many different types of risk. These can include: strategic, operational, financial, human/organisational, reputational or legal/regulatory risks. Risks emerge, evolve and change over time, as does the environment in which we operate.

   4.3.2   As risks are identified they should be escalated to managers or advised to staff and captured in the risk registers as appropriate.

4.4   **Analysing and assessing risk**

   4.4.1   Once identified, each risk should be assessed for the inherent likelihood of the risk arising and the impact should it materialise; and then, once the controls currently in place to manage the risk have been identified, the residual likelihood and impact of the risk materialising.

4.5   **Responding to and managing risk**

   4.5.1   The level of risk the Council is prepared to tolerate or accept in the pursuit of its objectives is set out in the Council's **Risk Appetite** statement.

   4.5.2   Based on the level of residual risk a decision should be made by an appropriate manager or SMT, CLT or Committee as to whether carrying that level of risk is acceptable or whether it requires further response. The options are: Tolerate, Treat, Transfer or Terminate.

   4.5.3   All options to treat or respond to the risk should be considered to ensure that the option chosen is that which is most likely to result in successful delivery, provide an acceptable level of value for money as well as being proportionate.

4.6 **Monitoring risk**

4.6.1 Risks and their mitigating action plans must be reviewed regularly by relevant individuals and teams and the risk register updated appropriately. As a minimum, every quarter. The SMT and CLT will review and challenge the issues and risks arising and update their risk registers appropriately.

4.7 **Reporting risk**

4.7.1 Each quarter, on behalf of the CLT, the Chief Risk Officer will report on risks and risk management to the Governance, Risk and Best Value Committee (GRBV).

Implementation

5.1 This Policy, and all guidance referred to in it, is available to all employees on the Orb. It is supported by eLearning modules in Risk Management and Internal Controls. These will help ensure a clear understanding of ownership and accountability for risk management among managers and employees.

5.2 The success of implementing this policy will be demonstrated by:

5.2.1 outcomes and objectives being achieved more efficiently and effectively;

5.2.2 a reduction in surprise events and time spent reactively "fire-fighting";

5.2.3 better informed decision making and reduced uncertainty; and

5.2.4 improved reputation through strengthened governance and assurance.

5.3 Implementation of the Policy is supported by Risk Management Groups which are tasked with assisting the Corporate Leadership Team in embedding risk management in accordance with best practice outlined in this Policy and the associated Risk Management Procedures.

Roles and responsibilities

6.1 Part of the remit of the **GRBV** is to scrutinise the Council's risk arrangements.

6.2 Part of the role of the Council's **Internal Audit** team is to provide assurance on the adequacy of the risk management framework and associated control environment.

6.3 The **Corporate Leadership Team** has overall responsibility for risk management. CLT ensures there is both strategic direction over risk management within each directorate and a consistent approach across the Council. This involves providing high level support to ensure that each directorate applies the Risk Management Policy and results in providing evidenced statements of assurance as part of the Council's Annual Governance Statement.

6.4 To facilitate the development and implementation of risk management, **Directors** nominate individuals to chair directorate Risk Management Groups and to carry out specific responsibilities. The members of the group promote improved risk behaviours, ensure ownership, accountability and transparency for risk, and support risk management across the directorate.

6.5 The role of the **Chief Risk Officer** (CRO) is to maintain a strong system of risk governance and control Council-wide, supporting Directorates to embed risk management and to promote the development of a "risk-aware" culture across the

Council. The CRO coordinates the development and implementation of the Council's approach to the management of risk and oversees escalation and co-ordination of Council wide risks. The CRO regularly reports to the CLT and GRBV on risk matters and chairs the CLT and SMT Risk and Assurance Committees.

6.6   All **managers** have a responsibility for ensuring effective risk management in their service areas and teams. This includes, but is not limited to, ensuring that the risk management policy and procedures are followed.

6.7   All **staff** are responsible for ensuring that controls are operated as intended and that any risk they identify is escalated appropriately.

Related documents

7.1   Related documents include:

7.1.1   Risk Management Procedure details how to put the Policy into practice.

7.1.2   All Council policies are intrinsic to managing risk to the Council.

Equalities impact

8.1   There are no equalities issues arising from this policy.

Sustainability impact

9.1   There are no sustainability issues arising from this policy.

Risk assessment

10.1   The risks of not implementing this policy include:

10.1.1 Inability to achieve Council outcomes and objectives

10.1.2 Ineffective and inefficient service delivery

10.1.3 Financial inefficiency and loss

10.1.4 Reputational damage to the Council

Review

11.1   In line with the Council's Policy Framework this policy will be reviewed annually or more frequently if required.

Document control

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Document revision

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