Valuation Tribunal Service
Ground Floor
Fry Building
2 Marsham Street
London
SW1P 4DF

Risk Management Policy

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Governance

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Summary of changes: Minor wording and formatting changes

1. Purpose

1.1 This Policy sets out the process that the VTS adopts in managing its risk. It explains the relationships between the different registers, how they should be completed and their individual relationship with the overarching VTS Strategic Risk Register.

2. Scope

2.1 The Policy applies to all staff and especially those with responsibility for maintaining the registers. The different roles and responsibilities of the Board, Audit & Risk Assurance Committee (ARAC), individuals and groups of staff are set out.

3. Definitions

3.1 **Risk assessment**: A structured process of reviewing and ranking risks by applying a standard scoring system to them (comprising scoring of likelihood, severity and magnitude), to enable effective comparison of the significance of different risks.

3.2 **Risk register**: A comprehensive record and register of the risks identified. The register also sets out a scored assessment of the magnitude of the risks and broadly describes the existing controls and those further controls, which should be implemented.

3.3 **Risks** are viewed as actions or events that could help or hinder the organisation in achieving objectives. Risks are defined as the uncertainty of outcome, whether positive opportunity or negative threat, of actions and events and are assessed and managed in terms of the likelihood of something happening and the impact it would have on our prospects of achieving our business objectives if it did happen. Exposure to a risk is the consequence, as a combination of likelihood and impact, for our business if a specific risk is realised – this could be either a missed opportunity or a threat crystallising.

3.4 **Risk management/control**: A structured approach to handling risks, which seeks to reduce the likelihood of occurrence or severity of impact, whilst causing minimal restrictions on achieving organisational aims.

3.5 **Risk management action plan (further actions planned):** A plan for identifying and tracking the implementation of specific actions to address matters identified in the risk register. It identifies actions, 'ownership' of a risk and timescales for completion. In the current VTS format, the action plan is incorporated into the risk register.

3.6 **Inherent risks** are the exposures arising from a specific risk before any action is taken to manage it.

3.7 **Residual risks** are the exposures arising from a specific risk after action has been implemented to manage it and making the assumption that the action is effective.

3.8 **Target date**: The date for when action plans are to be implemented and ensures that the actions will be addressed rather than sitting in limbo. Some identified risks can span over a number of financial years.

3.9 **Risk owner**: This is the person who takes the lead responsibility for addressing the risk in question. Whilst they may assign specific actions to others, they must ensure that the risk is appropriately dealt with.

3.10 **Date for reassessment of residual risk**: The date for re-evaluating the risk and the controls in place.

3.11 **Status of risk**: Shows visually whether the risk has increased, decreased or remained the same since it was last reviewed.

4. Background

The VTS approach to managing risks

4.1 The overriding objective of risk management within the VTS is to provide the organisation with the means to protect itself from the adverse effects of risk and to facilitate progress with meeting its organisational aims. Risk management will assist the organisation to prioritise in its planning and activity, within the resources available to it. The VTS views risk as a balance between opportunity for gain and opportunity for loss and accepts that some degree of risk is inevitable, being a normal part of the operation of the organisation.

4.2 The VTS must ensure that the exposure to all forms of adverse risk is kept within tolerable limits and to achieve this, the VTS Board and the Executive Management Team (EMT) will give full consideration to risk in its strategic planning and the management of all aspects of operations. The VTS will aim to put measures in place to consistently identify, quantify and communicate the range of risks that the VTS may be exposed to, and to propose the actions to be taken or the measurements to be put in place to mitigate risk.

4.3 Where practicable, the EMT and VTS Board will decide what degree or level of risk is appropriate to the organisation as a whole. Decisions on risk levels will be communicated to those responsible for managing risks or risk areas.

Goals of risk management

4.4 Some level of risk will always exist and taking risks in a controlled manner is fundamental to innovation and developing a ‘can do’ culture which may sometimes be required to achieve objectives. However, by identifying the risk exposure, capacity and appetite, we will be better able to prioritise objectives and effective utilisation of resources. The organisational focus is on being risk aware and understanding the risks to objectives.

4.5 Some risks represent an opportunity, which should be exploited, in a measured, calculated, informed and monitored fashion. The exact nature of the exploitation needs careful determination.

4.6 Risk management is used to:

- take a proactive approach, anticipating and influence events before they happen
- take a balanced view of opportunities and threats
- facilitate better informed and evidenced decision making
- improve contingency planning
- help achieve demanding performance targets
- help establish and maintain appropriate corporate ethics
- increase efficiency and improve use of resources

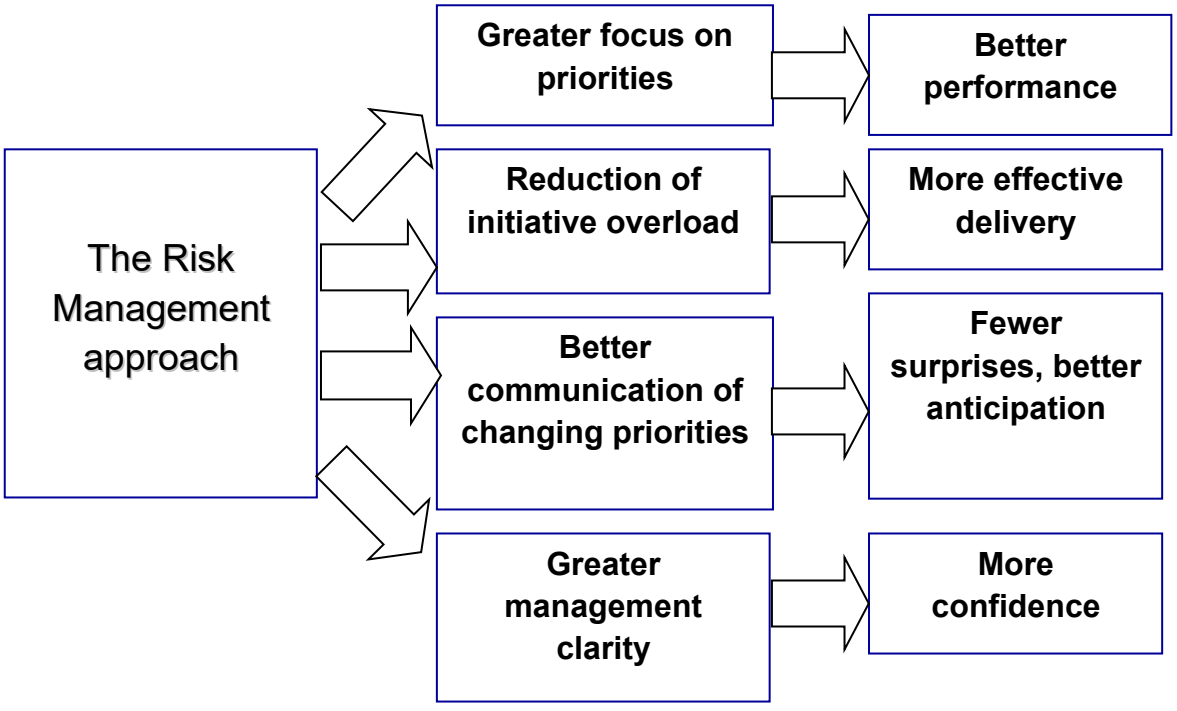
Embedding risk management

4.7 Risk management is not an exact science. While the outcomes of some risks can be measured in quantitative terms, we also need to keep in mind the nature of our business and take a holistic view.

4.8 Through effective communication of the VTS's risk appetite and the need to continuously be mindful of existing or potential risks, we will embed risk management throughout our business to inform decision making and resource allocation at strategic and operational levels.

4.9 We encourage all staff to take responsibility for risks in their day-to-day work and promote innovation and creative thinking, not only in the risk response options, but in all business activities.

4.10 The business benefits that may flow from embedding risk management are:



5. VTS risk registers

5.1 The VTS maintains a number of risk registers focussed on its operations with the intention of identifying risks in these areas:

- **The Strategic (or Central) VTS Risk Register** – is the overriding risk register for the VTS and records the high-level risks which might adversely or beneficially affect the VTS's ability to achieve its strategic and business objectives. In compiling this register, account is taken of all risks identified in other risk registers, reflecting whether they should be escalated to this level. This risk register is reviewed regularly by the EMT, Board and ARAC to ensure its effectiveness.

- **Operations Risk Register** – records the threats and possibilities that can adversely or beneficially affect operational effectiveness. This risk register is overseen by the Director of Operations & Development, and if a risk is considered significant it is escalated to the EMT for inclusion in the Strategic Risk Register.

- **Valuation Tribunal for England (VTE) Risk Register** - records the threats and possibilities that might adversely or beneficially affect the VTE and its operation, reflecting the VTS's strategic risks in the attainment of VTE objectives. The register is maintained by the Registrar & Chief Clerk and provided to the Chief Executive, who determines whether any identified risks are escalated to the Strategic Risk Register.

5.2 In addition to these risk registers, there are the following:

- **Project Risk Register** - maintained by the Programme Management Group for risks to programmes and projects.

- **Health & Safety Risk Register** - maintained by the Head of HR & Training which reflects on health and safety matters that may impact staff and the organisation.

- **Data Security Risk Register** - maintained by the Data Handling & Information Security Group and managed by the VTS' Senior Information Risk Owner (SIRO).

- **Finance Risk Register** – managed and maintained by the Finance Director and is designed to assess specific risks to financial controls, processes, resources and financial management of budgets.

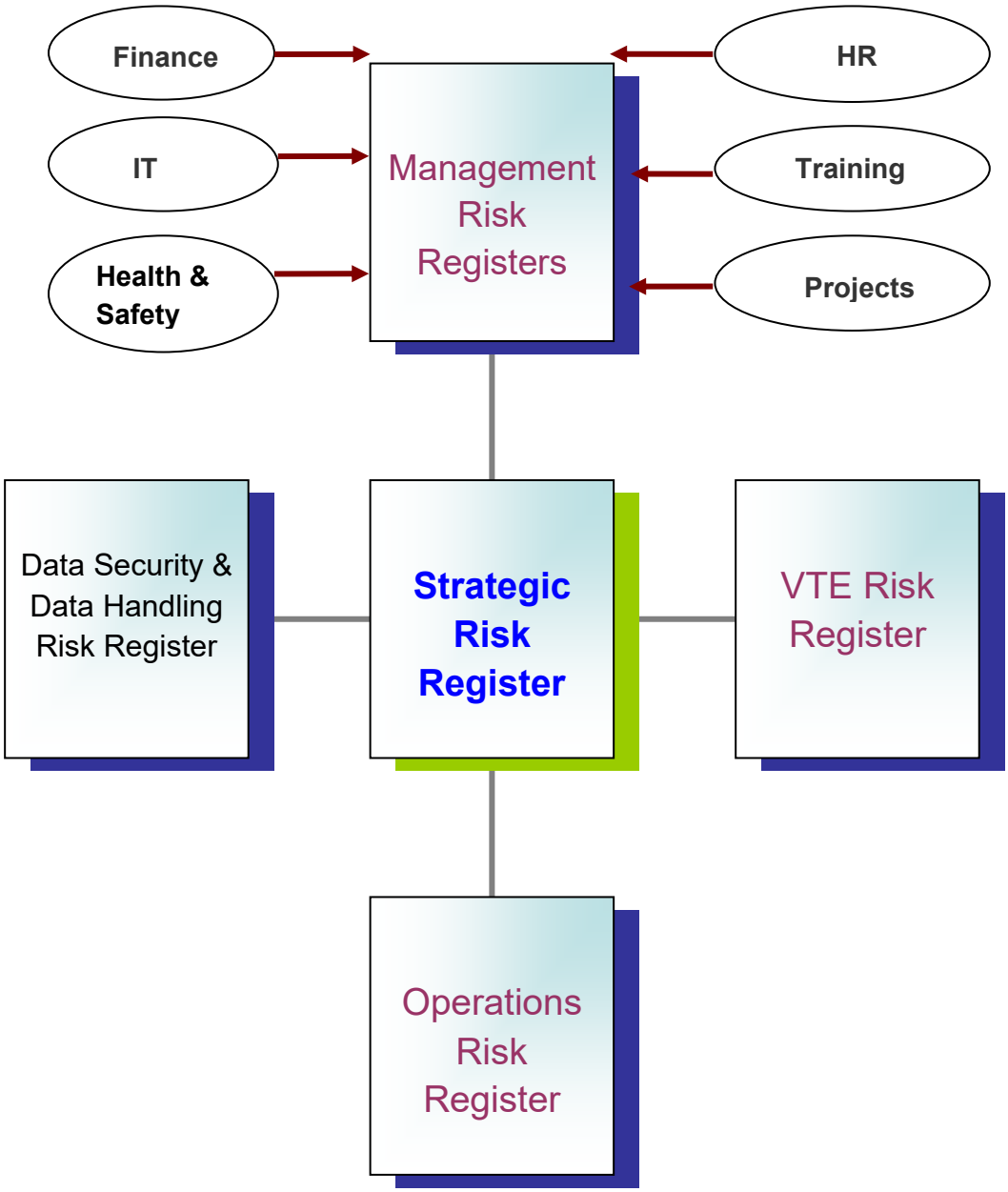
- **IT Risk Register** – managed and maintained by the Director of Operations & Development to assess risks to VTS IT systems and partnerships.

- **HR Risk Register –** maintained by the HR Team and managed by the Head of HR & Training to capture perceived risks reflecting recruiting, resource management, employment relation issues, etc.

- **Training Risk Register –** managed and maintained by the Training Manager to capture risks associated with the training of staff and VTE

Members that may impact on the achievement of VTS objectives of its legislative requirement in the provision of training to the VTE and VTS.

5.3 The diagram below shows how each of the risk registers feed into the Strategic Risk Register.



6. Roles and responsibilities for risk management

6.1 The VTS Board:

- determines the organisation's risk appetite and reviews this annually
- communicates the risk appetite to the Executive and gauges its performance against this
- considers risk in key decision making

- has overall control for development, implementation and review of the risk management strategy
- has an overview of how risks are linked to budgets
- receives a risk management report at each meeting, reviewing the VTS's strategic risk exposures and risk controls during that period and highlighting and developing issues for the next
- considers an appropriate evaluation and commentary on control of risk in the Chief Executive's annual Governance Statement.

6.2 The EMT ensures that:

- objectives are pursued in line with the Board's risk appetite
- consideration is given to relevant external risks, over which the VTS has little direct control
- all valid risk information is taken into account when escalating risks to the Strategic Risk Register
- the Strategic Risk Register is updated when new risks are identified or there are appreciable changes in previously recognised risks
- the Strategic Risk Register is reviewed on at least a quarterly basis
- financial and other resource implications are fully considered in treating a risk
- information in the Strategic Risk Register is considered in all strategic business planning
- the Assurance Map is reviewed at each meeting and that is reported to the ARAC on a regular basis along with the Strategic Risk Register
- information on VTS risks is provided to staff where appropriate
- suitable controls and responses to risks will be applied
- risk analysis is reported to external bodies
- the risk management strategy evolves to meet the developing needs of the VTS

6.3 Specific responsibilities for the risk management process are:

The Audit & Risk Assurance Committee (ARAC)

The Committee has responsibility for ensuring that processes in place are effective and that it is well informed about the VTS approach to risk management by:

- making risk management a standing item on their Committee agendas
- reviewing the Strategic Risk Register quarterly along with the Assurance Map summary dashboard and the full Assurance Map annually
- testing the effectiveness of the risk management arrangements in place by questioning the effectiveness of mitigating controls
- ensuring internal auditors conduct reviews of the risk management arrangement and considering risk management in detail they review the area concerned
- periodically asking the Finance Director, Director of Operations & Development, and senior managers to explain aspects of their risk management, testing that risk management is used in a positive way, including to help assess opportunities arising

Chief Executive

The Chief Executive takes responsibility for the management of risk within the VTS and maintains awareness of the key risks facing the organisation, ensuring that these are taken into account in strategic planning. The Chief Executive takes responsibility for the design of the VTS risk management process and for ensuring that it is suitable for the needs of the organisation. He monitors the functioning of the process and, where appropriate, takes action to ensure that the system operates as intended. Where significant risks are identified, the Chief Executive liaises with the EMT and staff to ensure that appropriate control action is taken. The Chief Executive also owns and maintains the Assurance Map.

Finance Director

The Finance Director is specifically responsible for ensuring that the risks relating to financial matters are identified and assessed in the Finance Risk Register and Assurance Map and for escalating risks to the Chief Executive. The Finance Risk Register features as a standing item at the Finance Committee meetings and is provided to the sponsoring Department Finance colleagues monthly when requesting grant in aid.

Director of Operations & Development

The Director of Operations & Development is specifically responsible for ensuring that risks relating to operational activity and service delivery are identified, assessed, and maintained in line with the VTS approach and for regularly reporting on risk to the Chief Executive. He is also responsible for assessing the magnitude of these risks and maintaining them within acceptable limits, identifying appropriate controls.

Head Office Managers

Managers are responsible for ensuring that risks relating to their areas of responsibility are identified, assessed, and maintained effectively within acceptable limits. They are responsible for monitoring their risks and for regularly reviewing them and submitting their analysis of risks to the Chief Executive together with Assurance Maps, having discussed them with their respective line manager.

Registrar

The Registrar is responsible for ensuring that risks relating to VTE functions are identified, recorded, assessed and the assurance mapped. The documentation must be maintained in line with the VTS policy and must ensure that regular reporting on risk is made to the Chief Executive (or in his absence the Director of Operations & Development). He is also responsible for assessing the magnitude of these risks and maintaining them within acceptable limits, identifying appropriate controls recording adequate actions in mitigating any risks.

Senior Information Risk Owner (SIRO)

The SIRO is responsible for ensuring that information risks are identified and assessed in line with the VTS approach. As Chair of the Data Handling & Information Security Group the SIRO liaises with all Information Asset Owners and regularly reports risks to the Chief Executive & Accounting Officer.

Data Protection Officer (DPO)

The DPO has input to the Data Security Risk Register and Assurance Map on data protection matters. Under the General Data Protection Regulation, the DPO should also be involved at the time of any project initiation, to advise on data privacy impact assessments, in accordance with VTS and ICO guidance. Such assessments form part of the risk identification process.

Other staff

All other staff are responsible for supporting their managers in identifying risks and in taking appropriate action to mitigate them. In addition, all staff must be proactive in working with their line managers to:

- compile suitable action plans to ensure risks are managed
- review risk identification, assessment and control continuously
- record all findings in the relevant risk register in the VTS format (see Appendix 1)
- provide a current version of the risk register to their line manager by defined dates each quarter
- report any significant developments in risk exposure/management to the EMT as soon as practicable through their line manager

Internal Audit

Internal Audit is responsible for auditing all elements of the risk management system, including registers, maps and action plans. This verifies compliance with the requirements of the risk management system but also explores the actual processes used to identify, assess and action risks. In this way, auditing should attempt to verify that all risks have been identified and assessed in the manner intended by the risk management system and that actions are appropriate to reach the objective required in managing the risk (including the appropriateness of responsibilities and timescales for action).

7. The process of risk management

Each risk register is a 'living' document, which may be updated on an ad hoc basis and through formal reviews.

7.1 **Identifying risks.** We identify risks in relation to the achievement of our objectives. This applies equally to the Board (including the VTE President) in identifying strategic risks and to a staff team identifying operational risks. We involve the Board and all staff in identifying and defining risks which are recorded in the Strategic Risk Register together with the date the risk was identified. This inclusive approach helps to establish a common understanding and improves our capability to respond appropriately. The following guidelines are used when identifying and defining risks:

- risks should be related to the corporate objectives as set out in the business plan (including as cascaded into team objectives)
- risks should be identified at a level where a specific impact can be identified, and a specific action(s) can be identified to address the risk
- identification of risks should form an integral part of proposals and business cases and other documents for decision

7.2 **Risk owners**. Once identified, each risk is assigned to an owner who has responsibility for ensuring that the risk is managed proactively, monitored over time and reported in accordance with this policy. Both this 'risk owner' and a date for reassessment of the residual risk are recorded in the relevant risk register.

7.3 **Risk assessment**. We separately assess the relative likelihood of each risk occurring and the impact if it does, both in terms of inherent and residual risk. We specifically review the effectiveness and proportionality of actions already being taken to manage inherent risks. We record the assessment in a way that facilitates monitoring and the identification of risk priorities. To facilitate consistency in assessment and relative scoring, the levels of likelihood and impact in terms of our business have been defined as follows:

Likelihood is described as being at one of five levels, focussing on both the chance and frequency of occurrence.

5	**Very High**	Has at least a 75% chance of occurring at least once within the next 12 months
4	**High**	Has at least a 50% chance of occurring at least once within the next 12 months
3	**Medium**	Has at least a 50% chance of occurring at least once within the next 3 years
2	**Low**	Has at least a 25% chance of occurring at least once in the next 3 years
1	**Very Low**	Less than 25% chance of occurring in the next 3 years

Impact has been defined to four different levels. Any or all of these impacts determine the level of assessment and in all cases the highest level of impact will determine the score.

		Financial impact	Service delivery	Reputation & credibility
4	**Critical**	20% or more of budget or Breach of Departmental Expenditure Limit	50% or more of customer service KPIs missed by >25%	Intervention by Government Department or NAO or Non-routine summoning of Accounting Officer by Select Committee
3	**Substantial**	>10% but <20% of budget.	>25% of customer service KPIs missed by >10%	Published expression of dissatisfaction with VTS/VTE by one or more of CLG, MOJ, NAO, ICO, VOA, billing authority
2	**Moderate**	5%-10% of budget.	>10% of customer service KPIs missed by >10%	Written expression of dissatisfaction with VTS/VTE by one or more of CLG, MOJ, NAO, ICO, VOA, billing authority
1	**Minor**	<5% of budget	<10% of customer service KPIs missed by >10%	Oral concerns expressed to VTS officers or VTE President by one or more of CLG, MOJ, NAO, ICO, VOA, billing authority

7.4 **Overall risk assessment**. This is obtained by multiplying together the likelihood and impact scores for any risk.

7.5 **Risk control.** Risks are minimised through effective controls. 'Control' consists of any action, opportunity, procedure or operation undertaken to ensure that the objectives are met. This control is designed as a response to a risk exposure and the purpose is to reduce the uncertainty surrounding outcomes. In addressing residual risks, the four "Ts", Tolerate, Treat, Transfer and Terminate will not be used explicitly, but may be deduced from the narrative.

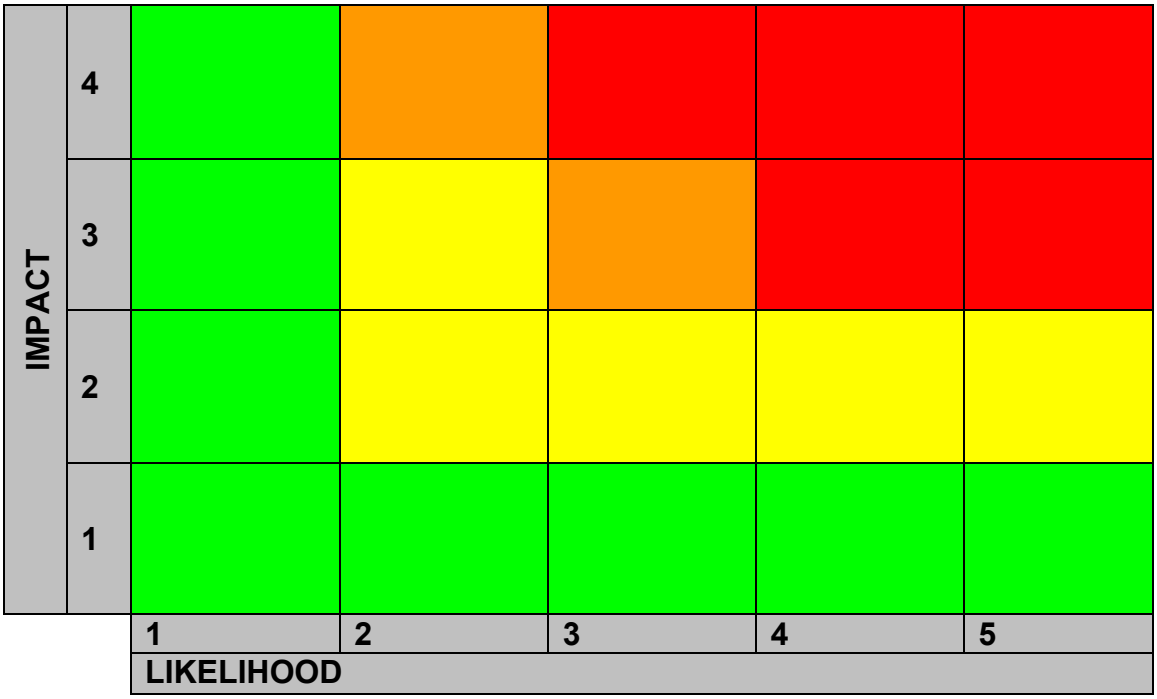
7.6 **Reviewing risks and controls.** Controls in place are reviewed by the EMT and the Board to ensure that they do actually minimise risks to an appropriate level. This review includes the effectiveness of controls applied to inherent risks, including where those actions are unsuccessful or only partially successful and the consequent level of residual risk. Where a risk score is high and unchanging over a period of time, it will be highlighted to the Board. We review and report on risks to ensure that our registers and our approach is up to date, to gain assurance that responses are effective, and to identify where further action is needed.

8 Risk appetite

8.1 Risk appetite describes the level of risk the VTS is prepared to accept or tolerate at any particular time should the exposure become a reality after internal control is exercised (that is the residual risk). The response to individual risks is determined by our risk capacity and risk appetite, measured by our set expectations defined under 'Likelihood' and 'Impact'.

8.2 The VTS's risk appetite establishes a boundary and if the residual risk assessment is higher than our risk appetite, further action will be taken, where possible, to reduce the likelihood and/or impact of the risk occurring. If this is not possible (because, for example, the risk is caused by external factors beyond the VTS's control) contingency plans will be put in place. To aid understanding and interpretation of the VTS's risk profile regarding strategic risks, residual risks are mapped by plotting the likelihood against the impact of each risk.

8.3 The colour-coded risk grid below identifies the boundaries set for the VTS's risk appetite. All **residual assessments** are plotted on the risk grid. The relevant colour for the risk should also be used in the box containing the Inherent risk calculation in the register.



The reporting process for the categorised risks is as follows:

Appetite	Risk management: actions and reporting
Immediate corrective action is required	The Board expects the Executive Management Team (EMT) to be actively managing on continuous basis, with bi-monthly reports to the Board.
Acceptable in the short term – monitor and improve progressively	The Board expects risks in this area to be actively monitored on continual basis. The Board will receive prompt reports on exception basis, and positive assurance report six-monthly.
Acceptable if actively monitored	The Board is content that day to day management of risk is delegated by the EMT to a named individual but expects the EMT to be receiving prompt exception reports plus routine positive assurance reports every quarter.
Acceptable subject to routine monitoring	The Board is content that day to day management of risk is delegated by the EMT to a named individual, and that reporting to the EMT is on exception-only basis plus annual 'stewardship'/assurance reporting.

9. Assurance mapping

9.1 This is an extension of the risk register process, whereby each risk register owner maps the assurance given by the specific mitigating controls identified for each risk. The three levels of assurance are provided by:

- management controls and reporting
- governance and oversight
- regulatory and independent oversight

9.2 This highlights where there is sufficient control and where further controls may be or are necessary. An overall assurance opinion is shown for each risk, aligned to the scoring system used in the risk registers.

9.3 The overall VTS Assurance Map is based on the Strategic Risk Register, covering all the risks identified on it, as well as general risks to the organisation in all its areas of operation.

9.4 The VTS Assurance Map is reviewed at each EMT and a summary dashboard presented to each ARAC meeting. The full Assurance Map is presented to the ARAC annually.

10. Help and feedback

10.1 Any queries or comments about this policy should be discussed with your line manager, who will raise the matter with the Chief Executive, where necessary.

APPENDIX 1
FORMAT OF RISK REGISTER

xxxx Risk Register – INSERT DATE

Strategic objectives:

The number relevant to the particular strategic objective to be included here.

The relevant colour from the risk profile grid should be used as cell fill here

Risk number	Strategic objective ref	Date risk identified	Description of Risk	Inherent Risks			Controls already in place	Residual Assessment			Further actions planned	Target date	Risk Owner	Date for reassessment of residual risk	Status of Risk
				I	L	I x L		I	L	I x L					
1															
2															
3															
4															
5															

The arrow used should reflect whether the risk has increased, reduced or stayed the same since the last review

APPENDIX 2
FORMAT OF ASSURANCE MAP

					Assurance Providers / Sources of Assurance			Assessment		
Risk Register number	**Identified Risk**	**Risk owner**	**Controls**	**Control Owner**	First line: Management and monitoring oversight	Second line: Governance oversight	Third line: Regulatory/ independent assurance	**Overall assurance opinion on the control**	**Sufficient assurance Yes/ No**	**Comments** (This should include any gaps identified and improvement action)
1										
2										
3										
4										
5										
6										