



**RISK
MANAGEMENT
FRAMEWORK**

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RISK MANAGEMENT POLICY AND STRATEGY

Policy

- 1.1 We define risk as something that might have a detrimental impact on the achievement of the Council's objectives, reputation, or service delivery.
- 1.2 The appraisal and management of risk will be part of our business planning, project management and change management process as well as how we effectively manage our working partnerships.
- 1.3 It is the responsibility of every member of staff to take an active role in the identification and appropriate management of risk across the Council.
- 1.4 We will use risk management to promote innovation as well as to help secure our objectives, this will be achieved through the appropriate use of risk appetites.

Organisation

- 2.1 This risk management strategy will be subject to endorsement by the Governance and Audit Committee.
- 2.2 The Director of Strategy and Governance is responsible for risk management. The Corporate Improvement and Performance Team will support the Director of Strategy and Governance in assessing risks likely to have a significant impact on the achievement of the Council's objectives.
- 2.3 All Senior Managers will implement risk management within their services and ensure that;
 - All staff are aware of their roles and responsibilities in risk management.
 - Risk assessments are carried out as a routine part of service planning and management activities.
 - The Corporate Improvement and Performance Team is notified of any significant changes in service provision likely to arise if a risk materialises to enable them to ensure that appropriate and adequate mitigations are in place.
 - The Director of Strategy and Governance and the Director of Growth and Commercialisation are informed if financing measures are required to be put in place.
 - A risk culture is built across the department that does not inhibit the Council to continue to be innovative.
 - Key risks to service objectives, projects, partnerships and change management processes under their control are identified, recorded and managed on the Council's performance management system.

- Those risks that have a corporate impact are for consideration for inclusion in the Corporate Risk Register.
- 2.4 The Director of Strategy and Governance is responsible for coordinating the Council's approach to risk management. The Corporate Improvement and Performance Team is responsible for monitoring the effectiveness of this risk management strategy and for reviewing compliance with controls introduced to manage risks.
- 2.5 The process is set out contribute to the Council's emerging three lines of defence approach to assurance. In this model Risk Management would be recognised as a second line of defence and would contribute towards the Council's overall levels of assurance.

Arrangements

- 3.1 Reports to Committees will include an appraisal of all associated risks and their implications.
- 3.2 Corporate risks will be identified and:
- assessed for likelihood and impact
 - mitigating controls identified
 - allocated responsible officers for the mitigating controls
 - cost implications of controls will be considered
- 3.3 Risk Management training will be provided to senior managers with the aim of ensuring that they have the skills necessary to identify, appraise and control the risks associated with the services they provide. Elected Members will receive training on risk so that they can consider the implications of risk in their work for the Council.
- 3.4 Every partnership, project team or change management team will appraise strategic and operational risks and make provision for dealing with those risks appropriately and in a way that does not prevent innovation.

1. Introduction

The fundamental principles adopted by the Council on Risk Management are described in the policy and strategy statement on Risk Management (page 3-4). Adopting and implementing the framework detailed below will achieve compliance with the policy and strategy.

2. Background

Councils face a wide variety of risks including physical risks to people or property, financial loss, failure of service delivery, information management and damage to its reputation. Risk for this purpose is defined as "the chance of an event happening and leading to unintended effects which will impair the Council's ability to achieve its objectives".

Good risk management is a key tool in assisting the Council to manage uncertainty in order to enable it to better achieve its corporate objectives. Risk management is intended to be a planned and systematic approach to the identification, assessment and management of the risks facing the Council. It is essential that steps are taken to effectively manage those risks. Risk management supports innovative solutions as it carefully considers benefits, alongside the risks, that may occur.

The traditional means of protecting against the more obvious risks has been through insurance. However, there are many risks which cannot be insured against and which must be addressed in different ways. Even in the case of those risks which are insurable, action can be taken to reduce the potential risks with consequent savings of premiums and disruption of work.

3. Corporate Governance

Effective risk management is an essential element of good corporate governance which, in turn, supports effective decision making and ultimately contributes to improved performance and providing assurance.

The risk management framework aims to:-

- Clarify responsibilities for identifying and managing risks
- Ensure that an appropriate level of risk management is consistently applied across the Council
- Increase awareness and use of risk management as a normal element of service management and improvement
- Facilitate sharing of experience and good practice across the Council
- Embed the concept of risk management in the authority and to ensure that accurate and relevant statements are made in the Annual Governance Statement.
- Act as a second line of defence in the Council's three lines of defence assurance model

4. Leadership and Responsibility

Given the diversity of Council services and the wide range of potential risks, it is essential that responsibility for identifying and taking action to address potential risks is clear.

Responsibility for effective risk management rests with all Elected Members and Officers of the Council.

The Chief Executive Officer is the Officer with overall responsibility for ensuring adherence to the Council's policy on Risk Management.

The framework of roles and responsibilities in Appendix One shows how these are allocated.

5. Training

Individual officers and Members will have different needs and these can be met with different methods. These will include appropriate awareness raising sessions as well as the more formal training. External providers will be identified to deliver specific training and, where appropriate, in house training will be used.

6. Resourcing Risk Management

Risk management is not a new issue and, as identified at paragraph 4, every Member and Officer is responsible for considering risk implications as they relate to the actions of their day to day work. However, it is recognised that the concept of risk management needs to become formalised and part and parcel of the culture of the Council.

The designated risk champion at Executive Management Team level is the Director of Strategy and Governance.

The Corporate Improvement and Performance Team will be the link for all aspects of risk management.

7. Role of the Performance, Risk and Audit Board

Whilst acknowledging the wide variety of risks that face the Council, and the differing circumstances that apply in different services, it is essential that there is some consistency in the way that risks are identified and assessed. This helps to ensure that all areas of risk are adequately considered and relative priorities for action can be judged.

The Performance, Risk and Audit Board will provide this consistency of approach. The Board will act as a link between project managers, specialised groups dealing with particular areas of risk, senior management and Elected Members. The Board will review updates on both corporate and operational risks on a quarterly basis and take any remedial actions necessary; including

escalation to the Executive Management Team and the Governance and Audit Committee as appropriate.

Quarterly updates on the Corporate Strategic Risk Register will be provided to the Executive Management Team and the Governance and Audit Committee.

8. Risk Management Role in the Governance and Audit Committee

The Governance and Audit Committee is responsible for monitoring the arrangements in place for the identification, monitoring and management of strategic risk.

To provide the Governance and Audit Committee with the necessary information to undertake these responsibilities, regular progress updates on the Corporate Strategic Risk Register are reported quarterly at Governance and Audit Committee meetings.

9. Risk Identification

To meet the requirements of this framework, risk(s) must be capable of being identified at any level, and by anybody, within the Council.

All members of staff will be responsible for identifying risks and ensuring that these are recorded and managed through the Council's corporate performance system. Service managers and team leaders will have overall responsibility for ensuring that all risks relating to their service area are identified, recorded, mitigated and managed. These will include key risks to service objectives, projects, partnerships and change management processes under their service area. Service/Operational risks will be included as an agenda item on Performance, Risk and Audit Board meetings quarterly, the purpose of this is to review whether any further mitigation is required, whether additions, deletions or any other changes need to be made. Where an operational risk retains a high risk score despite mitigation for three quarterly reporting periods it will be escalated to become a corporate risk.

Any risk can, if appropriate, be escalated to being a corporate risk through the Director of Strategy & Governance, Corporate Improvement and Performance Team and the Executive Management Team.

The Corporate Strategic Risk Register will be reviewed on a quarterly basis and updated to reflect any changes to the risks currently included and to include any new risks identified.

10. Involvement of Other Related Groups

The Council's Internal Audit section also contributes to the management of risk. The work of Internal Audit is based on a needs and risk assessment process that identifies and focuses resources on higher risk areas. Audit findings are reported to the relevant Director and Senior Manager together with recommendations for improvement and an action plan. Checks are

undertaken by Internal Audit and the Corporate Improvement & Performance Team to ensure agreed recommendations are implemented.

11. External Contacts

The potential risks faced by the Council are in many cases similar to those faced by other authorities and it is practical and cost effective to learn from the experience of others. In order to share risk management information and experiences, the Council has established networks with other authorities and agencies.

12. Partnerships

A Partnership Policy is available and outlines the Council's approach to assessing risks for partnerships. The policy explains the steps that should be taken to assess risks before the decision is made to enter into a partnership and also how to undertake ongoing monitoring of risk once a partnership has been established. The matrix for partnership risks is set out in appendix two of this document.

13. Methodology

A methodology for identifying, assessing and managing risk within the Council has been developed. This methodology has the advantage of being relatively straightforward to use and can be applied to both the strategic risks of the Council and as part of the routine service, project planning and change management processes (operational risks).

Once a risk has been identified it is essential to determine the level of impact and likelihood. The Impact and likelihood criteria is set out in Appendix 2.

The Corporate Strategic Risk Register is held by the Corporate Improvement and Performance Team and published through the Council's corporate performance system. The format of the register is as below:

Title	Description	Original Score	Controls/Mitigation	Current Risk Score	Impact	Likelihood	Trend (last quarter)	Latest Note	Latest Update Date	Target Impact	Target Likelihood
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The table below sets out an explanation of each of the fields contained within the Corporate Risk register: -

<i>Title</i>	Title of Risk
<i>Description</i>	Description of the risk before mitigation
<i>Original score</i>	This is the original risk score (Impact x Likelihood)
Controls/Mitigation	This is the mitigating actions and controls put in place to reduce the risk
Current Risk Score	This is the risk score at the present time with the mitigations included
Impact	This is the current risk impact score (see Appendix)
Likelihood	This is the current risk Likelihood score (see Appendix 2)

Trend (last quarter)	This highlights the direction of travel compared to the previous quarter
Latest Note	This provides details on latest actions taken
Latest Update Date	This is the date the latest update was provided
Target Impact	This is the target impact score that the Council has deemed to be acceptable for this risk (see Appendix 2)
Target Likelihood	This is the target likelihood score that the Council has deemed to be acceptable for this risk (see Appendix 2)

14 Risk Appetite (Targets)

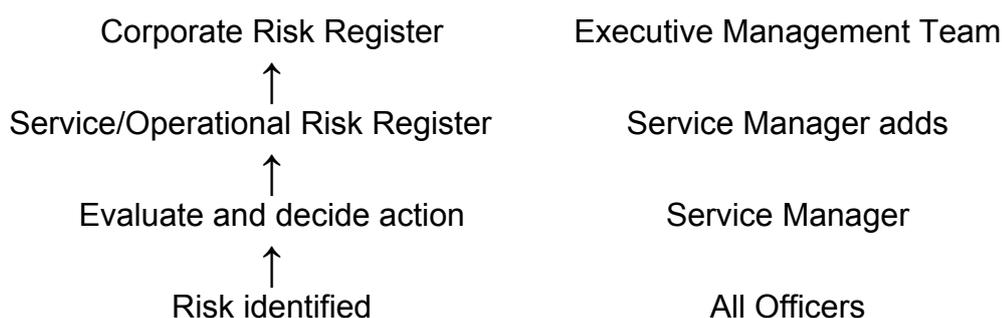
Risk appetite refers to the Council’s attitude towards risk, which in turn dictates the amount of risk that it considers acceptable. As a result, risk appetite refers to our willingness to tolerate a particular level of exposure to specific risks. The appetite is also a function of our capacity to bear risk which should not be exceeded.

15. Risk Management Approach

The development of a consistent, corporate approach to risk management needs to be done in a methodical and proportionate way in order to avoid the creation of a self-defeating bureaucratic burden.

To ensure that risk management is handled in the most efficient way within the Council, risk is included as part of the corporate planning process and the Council’s performance framework to ensure the quick identification emerging risks and changes to identified risks.

The following chart (from bottom up) shows how a risk could be identified and escalated:



16. Reviews

The Framework will be the Governance and Audit Committee on an 18 month basis and published on the Councils Intranet and internet. The Corporate Strategic Risk Register will be reviewed by the Executive Management Team on a quarterly basis and the Governance and Audit and Committee at a minimum of every six months and published through the Council’s corporate performance system.

Shared Leadership – Role and Responsibilities

Everyone has a role to play in an integrated risk management framework. Combining shared leadership with a team approach will help contribute to its ultimate success. Roles as identified at present are:

1. AUDIT AND RISK COMMITTEE

Approve the Risk Management Framework which includes the Risk Management Policy and Strategy.

Provide proactive leadership and direction on Risk Management Governance issues and champion Risk Management throughout the Council.

Receive progress reports on the Corporate Strategic Risk Register at least six monthly.

Monitor to ensure that an adequate risk management framework and associated control environment is in place.

Monitor arrangements for the identification, monitoring and management of strategic risks within the Council

2. CHIEF EXECUTIVE OFFICER

Promote Risk Management and its benefits throughout the Council.

Overall responsibility for securing adherence to the Council's Policy on Risk Management.

Appoint a Director to take responsibility for risk management.

3. EXECUTIVE MANAGEMENT TEAM (EMT)

Consider risks attached to proposals for new / changed policies and service delivery arrangements.

Ensure that this framework is applied throughout all areas of the Council.

Receive progress reports on risk reduction programme and propose revisions to "corporate risk register"

Supports the Director of Strategy and Governance in assessing risks likely to have a significant impact on the achievement of the Council's objectives.

4. DIRECTOR OF STRATEGY AND GOVERNANCE

The Director of Strategy and Governance is responsible for risk management.

The Director of Strategy and Governance is responsible for coordinating the Council's approach to risk management.

5. EXECUTIVE DIRECTORS

Executive Directors will implement risk management within their services and ensure that;

- Key risks to service objectives, project, partnership and change management processes under their control are identified, recorded and managed.
- managers carry out risk assessments as a routine part of service planning and management activities
- Those risks having a Corporate impact are reported for consideration for inclusion in Corporate Risk Register.
- A risk aware culture is built across the department, through all staff.

6. CORPORATE IMPROVEMENT AND PERFORMANCE TEAM

The Corporate Improvement and Performance team is responsible for monitoring the implementation and effectiveness of this risk management strategy and for reviewing compliance with controls introduced to manage risks.

Coordinate risk management activity across the Council.

Report on risk management activity to EMT and Members.

Maintain a corporate strategic risk register and liaise with Service Managers relating to operational risks.

Provide risk management training for Officers and Elected Members, appropriate to their needs and responsibilities.

Provide advice and assistance as required.

Review Risk Management Framework on an 18 month basis.

7. SERVICE MANAGERS

Develop action plans in relation to corporate strategic risks as they relate to their service area.

Identify risks attached to proposals for new / changed policies and service delivery arrangements.

Assist with the identification and recording of all key risks to services, projects, partnerships and change management processes.

8. ALL STAFF MEMBERS

Maintain awareness of risk management principles and take responsibility for identifying and managing risk within their own working environment.

Apply risk management to those risks requiring further action, particularly new developments and "project" work.

9. INTERNAL AUDIT

Internal Audit reports to Management on the organisations performance under the Risk Management Framework and the adequacy and effectiveness of systems of risk management.

10. EXTERNAL AUDIT

External Audit reports to Senior Management on the organisations performance on risk management.

APPENDIX TWO

RISK SCORING CRITERIA AND MATRIX

Likelihood:

Likelihood score	1	2	3	4	5
Definition	Rare	Unlikely	Possible	Likely	Almost certain
<i>Description</i>	The likelihood of the risk has been minimised to a negligible possibility	The risk is technically possible but an occurrence is not foreseeable in the medium-long term	The risk is a real possibility but the likelihood of an occurrence in the short-medium term is small	The risk is probably going to occur at some point in the medium term, possibly sooner	The risk is probably going to occur imminently
<i>Timeframe</i>	Will occur at some point in next 50 years	Will occur at some point in the next 25 years	Will occur at some point in the next 10 years	Will occur at some point in the next 5 years	Will occur at some point in the next year
<i>Probability</i>	10% or less	Between 10-30%	Between 30-50%	Between 50-85%	85% or more

Where the probability and timing score differently, a judgement should be made as to the correct likelihood score.

Impact

Strategic Risks

Impact score	1	2	3	4	5
Title	Minimal	Low	Medium	High	Critical
<i>Political risk</i>	Authority fails to effectively scrutinise its decisions	No scrutiny of decisions takes place	Scrutiny process publicly questioned or criticised	Resignation of Leader, Cabinet Member, Chief Executive or Director	Authority placed in special measures, DCLG appoints administrators
<i>Reputation risk</i>	Negative national press coverage for one day, ongoing negative local coverage	Negative national press coverage for more than one day,	Negative national press coverage for more than one week, public criticism from local partners	Public criticism from MP, LGA, DCLG, County Council or other national body	International negative press coverage
<i>Financial risk</i>	Up to 1% of authority budget	Up to 5% of authority budget	Up to 10% of authority budget	Up to 15% of authority budget	Over 15% of authority budget
<i>Legal risk</i>	Authorities' actions' legality repeatedly questioned in public	Council decisions overturned	Damages or similar claim sought against authority	Multiple damages claims sought against authority	Authority in breach of law, criminal charges brought
<i>Disruption risk</i>	Total service outage for one day or less	Total service outage for several days	Total service outage for more than a week	Total service outage for more than three weeks	Multiple services unable to operate
<i>Environmental risk</i>	Short term damage in an isolated area requiring partners assistance	Long term damage in an isolated area requiring partners assistance	Damage requiring special budget provision to rectify	Major or widespread damage requiring central government assistance	Permanent environmental damage with significant impact
<i>Contractual risk</i>	Major contract renegotiation required	Service reduction dictated by contractor's ability to operate	Service provision significantly altered or sanction clauses invoked	Contracted service failure and/or termination of contract	Abrupt contracted service failure without contingency
<i>Asset & Infrastructure risk</i>	Isolated network issues, multiple pieces of equipment needing replacement	Widespread network issues, key vehicle damaged	Council facilities inaccessible, key vehicle needs replacing	Council facilities damaged, multiple vehicles need replacing, key infrastructure outage	Council facilities destroyed, key infrastructure destroyed
<i>Health and Safety risk</i>	Individual receives minor injuries	Multiple people receive minor injuries	Individual serious injury	Multiple people seriously injured, individual loss of life or criminal assault	Multiple losses of life, widespread criminal assault

Project risk impacts

Impact score	1	2	3	4	5
Title	Minimal	Low	Medium	High	Critical
<i>Political risk</i>	Residents unaware of authority's actions	Residents' access to oppose actions limited	Residents' access to oppose actions process blocked	Authority fails to effectively scrutinise its actions	No scrutiny of actions takes place
<i>Reputation risk</i>	Increased complaints for less than one week	Increased complaints for more than one week	Negative local press coverage for one day, increased complaints for more than one week	Negative national press coverage for one day, ongoing negative local coverage	Negative national press coverage over several days. Public criticism from MP, LGA, County Council or national service body
<i>Financial risk</i>	Up to 1% of project budget	Up to 5% of project budget	Up to 10% of project budget	Up to 15% of project budget	Over 15% of project budget
<i>Legal risk</i>	Delays due to legal clarifications being sought (<1 month)	Delays due to legal clarifications being sought (1-6 months)	Delays due to legal clarifications being sought (>6 months)	Project operations potentially subject to legal challenge, project on hold until resolved	Project operations potentially in breach of legislation, project terminated
<i>Disruption risk</i>	Individual members of staff having work disrupted	Multiple members of staff unable to work	Total service outage for one day or less	Total service outage for several days	Total service outage for more than a week
<i>Environmental risk</i>	Immediately remedied damage in an isolated area	Easily remedied damage in an isolated area	Short term damage in an isolated area requiring partners assistance	Damage requiring special budget provision to rectify	Major or widespread damage requiring central government assistance
<i>Contractual risk</i>	Negative impact on key partner relationship	Minor contract renegotiation required	Major contract renegotiation required	Project aims or goal significantly altered or sanction clauses invoked	Project failure and/or termination of contract
<i>Asset & Infrastructure risk</i>	Individual pieces of equipment damaged or needing replacement	Isolated network issues, multiple pieces of equipment needing replacement	Widespread network issues, vehicle damaged	Council properties inaccessible, vehicle need replacing	Council properties damaged, multiple vehicles need replacing, key infrastructure outage
<i>Health and Safety risk</i>	People engaging in hazardous activities without awareness	Individual receives minor injuries	Multiple people receive minor injuries	Individual serious injury	Multiple people seriously injured, individual loss of life

Partnership risk impacts

Impact score	1	2	3	4	5
Title	Minimal	Low	Medium	High	Critical
<i>Political risk</i>	Residents unaware of partnership actions	Residents' access to oppose actions limited	Residents' access to oppose actions process blocked	Partnership fails to effectively scrutinise its actions	No scrutiny of actions takes place
<i>Reputation risk</i>	Increased complaints for less than one week	Increased complaints for more than one week	Negative local press coverage for one day, increased complaints for more than one week	Negative national press coverage for one day, ongoing negative local coverage	Negative national press coverage over several days. Public criticism from partners
<i>Financial risk</i>	Council's contribution <£15,000	Council's contribution £15,000-£50,000	Council's contribution £50,000-£100,000	Council's contribution £100,000-£200,000	Council's contribution >£200,000
<i>Legal risk</i>	Lack of clarity in terms of liability <£15,000	Lack of clarity in terms of liability £15,000-£50,000	Lack of clarity in terms of liability £50,000-£100,000	Lack of clarity in terms of liability £100,000-£200,000	Lack of clarity in terms of liability >£200,000
<i>Disruption risk</i>	Partnership arrangements create minor delays	Partnership arrangements create minor delays	Partnership arrangements create significant delays	Partnership arrangements limit operational freedom	Partnership fails, key shared resources lost
<i>Environmental risk</i>	Immediately remedied damage in an isolated area	Easily remedied damage in an isolated area	Short term damage in an isolated area requiring partners assistance	Damage requiring special budget provision to rectify	Major or widespread damage requiring central government assistance
<i>Contractual risk</i>	Negative impact on partnership relationship	Minor contract renegotiation required	Major contract renegotiation required	Partnership purpose significantly altered or sanction clauses invoked	Partnership failure and/or termination of contract
<i>Asset & Infrastructure risk</i>	Individual pieces of equipment damaged or needing replacement	Isolated network issues, multiple pieces of equipment needing replacement	Widespread network issues, partnership connections unreliable	Partnership properties inaccessible, online resources compromised	Partnership properties damaged, key infrastructure outage
<i>Health and Safety risk</i>	People engaging in hazardous activities without awareness	Individual receives minor injuries	Multiple people receive minor injuries	Individual serious injury	Multiple people seriously injured, individual loss of life

Operational risk impacts

Impact score	1	2	3	4	5
Title	Minimal	Low	Medium	High	Critical
<i>Political risk</i>	Residents unaware of decision-making process	Residents' access to decision-making process limited	Residents' access to decision-making process blocked	Decisions not published	Authority fails to effectively scrutinise its decisions
<i>Reputation risk</i>	Increased complaints for less than one week	Increased complaints for more than one week	Increased complaints in for other services as problems cause a backlog	Complaints not being heeded, generating further complaints	Negative local press coverage for one day, increased complaints for more than one quarter
<i>Financial risk</i>	Up to 1% of service budget	Up to 5% of service budget	Up to 10% of service budget	Up to 15% of service budget	Over 15% of service budget
<i>Legal risk</i>	Authorities' actions' legality questioned in public	Authorities' actions' legality repeatedly questioned in public	Council decisions legally challenged	Council decisions overturned	Damages or similar claim sought against authority
<i>Disruption risk</i>	Individual members of staff having work disrupted	Multiple members of staff unable to work	Total service outage for one day or less	Total service outage for several days	Total service outage for more than a week
<i>Environmental risk</i>	Immediately remedied damage in an isolated area	Easily remedied damage in an isolated area	Short term damage in an isolated area requiring partners assistance	Long term damage in an isolated area requiring partners assistance	Damage requiring special budget provision to rectify
<i>Contractual risk</i>	Negative impact on supplier/client relationship	Minor contract renegotiation required	Major contract renegotiation required	Service reduction dictated by contractor's ability to operate	Service provision significantly altered or sanction clauses invoked
<i>Asset & Infrastructure risk</i>	Individual pieces of equipment damaged or needing replacement	Isolated network issues, multiple pieces of equipment needing replacement	Widespread network issues, vehicle damaged	Council properties inaccessible, vehicle need replacing	Council properties damaged, multiple vehicles need replacing, key infrastructure outage
<i>Health and Safety risk</i>	People engaging in hazardous activities without awareness	Individual receives minor injuries	Multiple people receive minor injuries	Individual serious injury	Multiple people seriously injured, individual loss of life

[Risk impacts do not need to match the descriptions above *exactly*, the category cells' descriptions provide examples of risks to give context to each score]