RISK

MANAGEMENT

FRAMEWORK

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1.   Introduction

The fundamental principles adopted by the Council on Risk Management are described in the policy statement and procedure as set out in this document. Adopting and implementing the framework detailed will achieve compliance with the policy.

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 reputation. Risk for this purpose is defined as "the possibility of an event occurring that will have an impact on the achievement of objectives, reputation, or service delivery".

Good risk management is a key tool in assisting a 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 the 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 should be taken to reduce the potential risks with consequent savings of premiums and disruption of work.

<u>Policy Statement</u>

3.   Definition

We define risk as the possibility of an event occurring that will have an impact on the achievement of objectives, reputation, or service delivery.

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.

It is the responsibility of every officer and elected member to take an active role in the identification and appropriate management of risk across the Council.

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.

4.   Organisation

This risk management strategy will be subject to endorsement by the Governance and Audit Committee.

The Director of Strategy and Governance is responsible for risk management. The Corporate Improvement and Performance Team (CIP) 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.

All officers and elected members in Breckland are responsible for risk management and the breakdown of responsibilities are detailed further in Appendix One. Some of those responsibilities include:

- All officers must be aware of their roles and responsibilities in risk management.

- All Senior Manager will implement risk management within their service.

- Risk assessments will be carried out as a routine part of service planning and management activities.

- The Corporate Improvement and Performance Team are to be notified of any significant changes or if a risk materialises to enable them to ensure that appropriate and adequate mitigations are in place and recorded.

- The Director of Strategy and Governance and the Director of Growth and Commercialisation are to be informed if financing measures are required to be put in place.

- A risk culture will be built across the department that does not inhibit the Council in continuing 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 to be considered for inclusion in the Strategic Risk Register.

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.

The process seeks to 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.

The Institute of Internal Auditors and the Institute of Directors endorse the 'Three Lines of Defence' model as a way of explaining the relationship between Council functions and as a guide to how responsibilities should be divided:

- the first line of defence – functions that own and manage risk

- the second line of defence – functions that oversee or specialise in risk management, compliance

- the third line of defence – functions that provide independent assurance, above all internal audit.
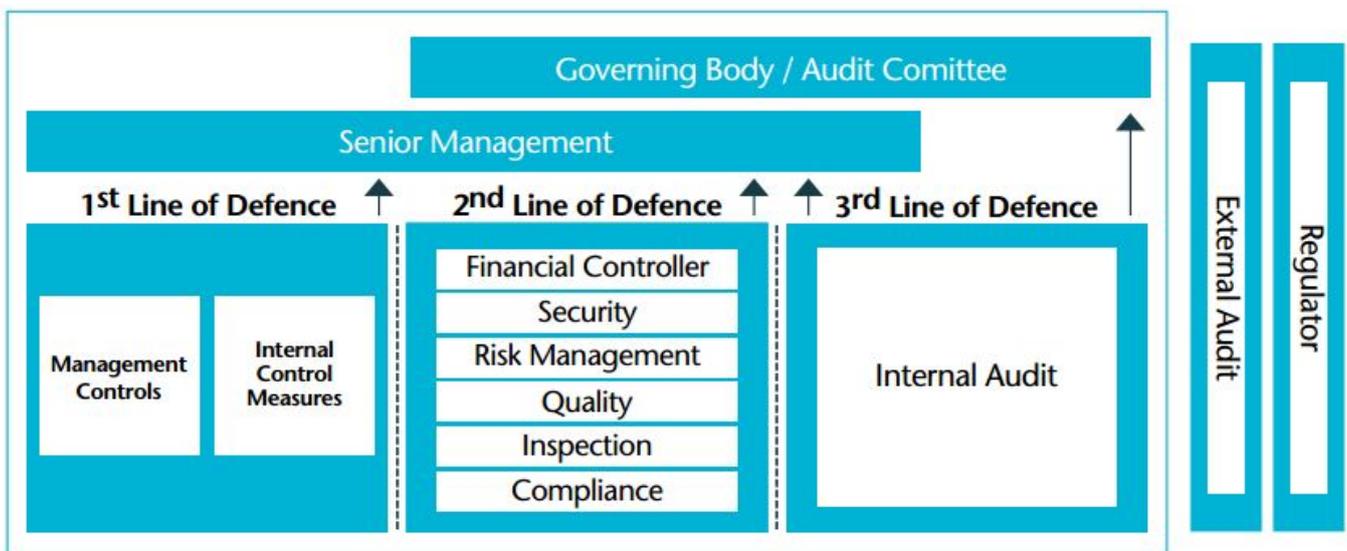
5.   Arrangements

Reports to Committees will include an appraisal of all associated risks and their implications.

Corporate risks will be identified and:
- assessed for likelihood and impact
- mitigating controls identified and recorded
- allocated a responsible officer for the mitigating controls
- cost implications of controls considered

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.

Every partnership, project team or change management team will appraise strategic and operational risks and make provision for dealing with those risks appropriately. This will be done in a way that does not prevent innovation or opportunity, such as income generation. An example of this would be ensuring that the purchase of commercial property is not inhibited due to any perceived aversion to risk.

Procedure

6.   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
* act as a second line of defence in the Council's three lines of defence assurance model
* embed the concept of risk management in the Council and ensure that accurate and relevant statements are made in the Annual Governance Statement

7.   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 every officer and elected member 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.

8.   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 more formal training. External providers will be identified to deliver specific training and, where appropriate, in house training will be used.

9.   Resourcing Risk Management

Risk management is not a new issue and 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.

At Executive Management Team level, the Director of Strategy and Governance is the designated risk champion.

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

10.   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 Strategic Risk Register will be provided to the Executive Management Team and the Governance and Audit Committee.

11.   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 Strategic Risk Register are reported quarterly at Governance and Audit Committee meetings.

12.   Risk Identification

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

All officers 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 strategic risk.

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

The 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. Currently reported strategic risks which are identified as needing to be changed to operational or no longer a risk as fully mitigated, will be removed from the strategic register following the report to the Governance and Audit Committee that advises of the decision to demote or remove.

13.   Involvement of Other Related Groups

The Council's Internal Audit function, as the third line of defence, also contribute 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.

14.   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.

15.   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.

16.   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 are set out in Appendix 2.

The 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	Likeli-hood	Trend (last quarter)	Latest Note	Latest Update Date	Target Impact	Target Likeli-hood

The table below sets out an explanation of each of the fields contained within the Corporate Risk register: -

Title	Title of Risk
Description	Description of the risk before mitigation
Original score	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 2)
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)

17.   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.

18.   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:

Strategic Risk Register	Executive Management Team
↑	
Service/Operational Risk Register	Service Manager adds via CIP
↑	
Evaluate and decide action	Service Manager
↑	
Risk identified	All Officers & Elected Members

19.   Reviews

The Framework will be reviewed by the Governance and Audit Committee on an 18 month basis and published on the Breckland intranet and internet. The Strategic Risk Register will be reviewed by the Executive Management Team on a quarterly basis and the Governance and Audit Committee a minimum of every three 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 identified at present are:

GOVERNANCE AND AUDIT COMMITTEE

Responsibilities include:

- Approving the Risk Management Framework which includes the Risk Management Policy and Strategy.

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

- Receiving progress reports on the Strategic Risk Register at least quarterly.

- Monitoring that an adequate risk management framework and associated control environment is in place.

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

CHIEF EXECUTIVE OFFICER

Responsibilities include:

- Promoting Risk Management and its benefits throughout the Council.

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

- Appointing a Director to take responsibility for risk management.

EXECUTIVE MANAGEMENT TEAM (EMT)

Responsibilities include:

- Considering risks attached to proposals for new / changing policies and service delivery arrangements.

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

- Receiving progress reports on the risk reduction programme and propose revisions to the Strategic Risk Register.

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

DIRECTOR OF STRATEGY AND GOVERNANCE

Responsibilities include:

- Assessing risks likely to have a significant impact on the achievement of the Council's objectives.

- Coordinating the Council's approach to risk management.

EXECUTIVE DIRECTORS

Responsibilities include:

- Implementing risk management within their services.
- Identifying, recording and managing key risks to service objectives, project, partnership and change management processes under their control are identified.
- Ensuring their managers carry out risk assessments as a routine part of service planning and management activities.
- Ensuring any risks that have a corporate impact are reported for consideration for inclusion in Strategic Risk Register.
- Building a risk aware culture across the department, through all officers.

CORPORATE IMPROVEMENT AND PERFORMANCE TEAM

Responsibilities include:

- Monitoring the implementation and effectiveness of this risk management strategy and for reviewing compliance with controls introduced to manage risks.
- Coordinating risk management activity across the Council.

- Reporting on risk management activity to EMT and members.

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

- Providing risk management training for officers and elected members, appropriate to their needs and responsibilities.

- Providing advice and assistance as required.

- Reviewing the Risk Management Framework on an 18 month basis.

SENIOR MANAGERS

Responsibilities include:

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

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

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

ALL OFFICERS

Responsibilities include:

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

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

INTERNAL AUDIT

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

EXTERNAL AUDIT

External Audit reports to Senior Management on the Council's performance on risk management.

ELLECTED MEMBERS

Elected members are responsible for identifying the risks they become aware of in the course of the activities as members, and ensuring such risks are appropriately recorded.

APPENDIX TWO

RISK SCORING CRITERIA AND MATRIX

Likelihood:

Likelihood score	1	2	3	4	5
Definition	Rare	Unlikely	Possible	Likely	Almost certain
Description	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
Timeframe	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
Probability	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
Political risk	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
Reputation risk	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
Financial risk	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
Legal risk	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
Disruption risk	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
Environmental risk	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
Contractual risk	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
Asset & Infrastructure risk	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
Health and Safety risk	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
Political risk	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
Reputation risk	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
Financial risk	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
Legal risk	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
Disruption risk	Individual officers having work disrupted	Multiple officers 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
Environmental risk	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
Contractual risk	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
Asset & Infrastructure risk	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
Health and Safety risk	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
Political risk	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
Reputation risk	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
Financial risk	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
Legal risk	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
Disruption risk	Partnership arrangements create delays	Partnership arrangements create minor delays	Partnership arrangements create significant delays	Partnership arrangements limit operational freedom	Partnership fails, key shared resources lost
Environmental risk	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
Contractual risk	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
Asset & Infrastructure risk	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
Health and Safety risk	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
Political risk	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
Reputation risk	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
Financial risk	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
Legal risk	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
Disruption risk	Individual officers having work disrupted	Multiple officers 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
Environmental risk	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
Contractual risk	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
Asset & Infrastructure risk	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
Health and Safety risk	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]