Risk Management Toolkit - Overview

Risk Management Framework

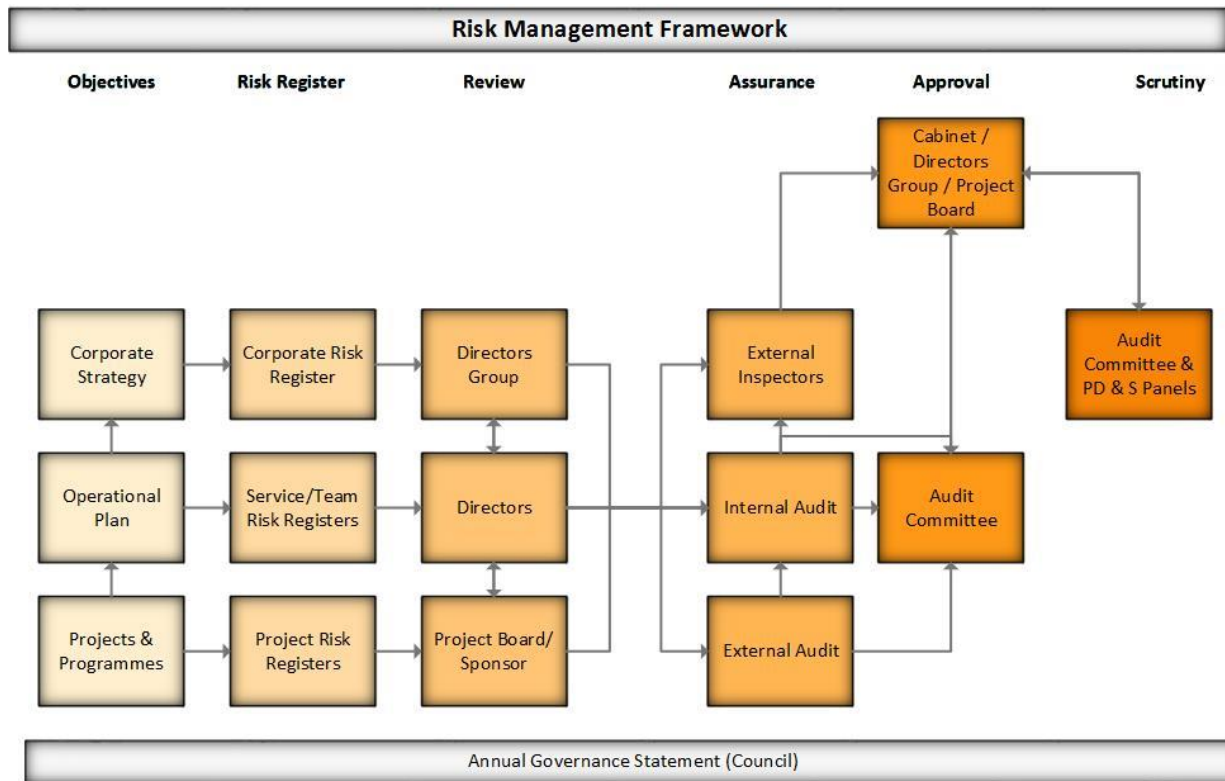| Objectives | Risk Register | Review | Assurance | Approval | Scrutiny |

The Risk Management Framework sets out the approach for implementing the Risk Management Strategy and integrating risk management into the culture and working practices of the organisation and its partners.

To work effectively the risk management framework requires: -

- Commitment from the Cabinet (Council), Corporate Audit Committee, Directors & Management Teams.
- Assignment, acceptance and adoption of roles & responsibilities
- Allocation of appropriate resources for providing support and advice.

Risk Registers

To assist the risk management process and to document the risk management cycle - risk registers are used / maintained. An important role of the register is to document the identification, assessment (analysis / evaluation), risk treatment and monitoring /view process. Two risk register templates using an Excel Spreadsheet format have been adopted.

- The first template is recommended for use by Services / Project Teams. This template uses three separate 'Worksheets' and enables more detailed actions to be recorded for monitoring purposes.
  - The first worksheet is used to document and assess the risks,
  - the second worksheet records actions (risk treatment), responsibilities and timescales, and removed text
  - the third worksheet is used to simply record all known 'Action Owners' which assists in the completion of the Action Plan.
- The second template is the Council's Risk Register 'Lite' version which enables a simplified approach but still requires risks to be documented and current status based on action implementation being recorded.

It is a requirement that those services or functions formally identified as Council 'critical' services for Business Continuity purposes adopt the more detailed risk register template.

Risk Management Process
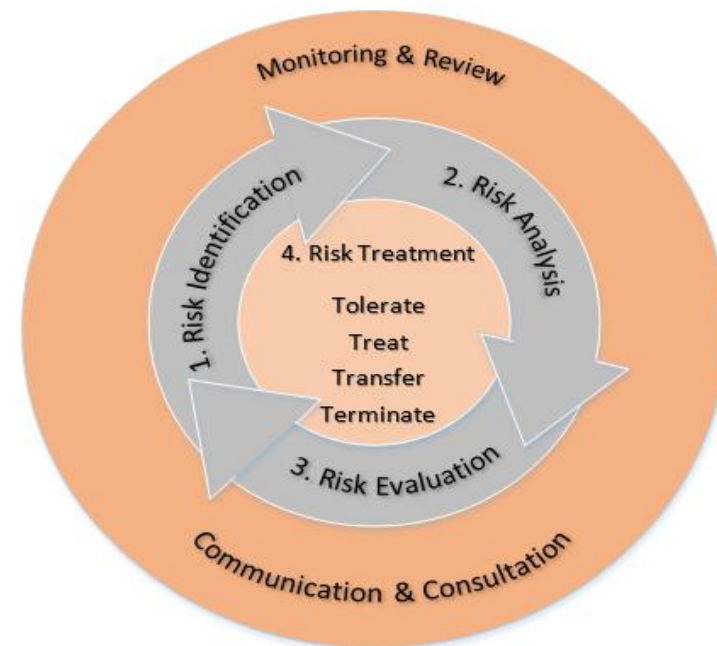
The risk management process is a constant process of identification, analysis & evaluation. On a regular basis (monthly / quarterly) teams should consider and review what might impact service delivery. Annually teams should review business plans, considering new initiatives / priorities and consider related risks.

Risk Identification

It is the responsibility of Officers and Members to ensure risks are identified ("everyone is a risk manager"). It is essential that risks are accurately described recording the key elements:

Cause	If/As a result	As a result of snowfall,
Event	Then/ There is a risk that	There is a risk that staff cannot get to work,
Implication	So/ Which will result in	Which will result in being unable to provide key services to residents.

Categories of risk

- Reputational Risks
- Political Risks
- Economic Risks
- Social Risks
- Customer/Citizen Risks
- Technological Risks
- Legal Risks
- Legislative/Regulatory Risks
- Environmental Risks
- Partnership/Contractual Risks
- Financial Risks
- Physical Risks

Risk Analysis & Evaluation

The measurement of risk is calculated by assessing:
- **IMPACT** – if the risk occurred
- **LIKELIHOOD** – of the risk occurring

Each defined risk will be scored by assessing the 'Impact' on a scale of one to five and multiplying this figure by the score for 'likelihood' (also gauged on a scale of one to five). This 5 x 5 scoring matrix has been adopted by the majority of public sector bodies and is consistent with the national model adopted within the Emergency Services. The product of this calculation of impact and likelihood is a "**Risk Score**", which can range from a minimum of 1 to a maximum of 25.

Assessment of Likelihood

1	Rare	0 – 5% chance of occurring
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3	Possible	21 – 50% chance of occurring
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Likelihood / Impact Matrix

Impact \ Likelihood	1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain
5 Critical	5	10	15	20	25
4 High	4	8	12	16	20
3 Medium	3	6	9	12	15
2 Low	2	4	6	8	10
1 Negligible	1	2	3	4	5

Risk Management

The aim of the risk management process is to **Actively Manage** risks down the risk matrix in terms of their potential impact on the organisation from "Red to Amber" & "Amber to Green". When risks have been initially assessed and ranked within their relevant zones, there are four strategy options that are available. These options are often referred to as the 4 T's:

Treat - Take direct action, reduce the level of risk to an acceptable level.

Tolerate – Decision taken not to implement any additional controls

Transfer – Transfer the risk to another organisation by way of contractual agreement.

Terminate – Serious risk that the addition of controls or modifications does not reduce risk to acceptable level. At this stage withdrawal from the activity should be considered.

Risk Monitoring & Review

Monitoring & review of risks and related actions plans will be carried out using the established forums (Performance Development Review meetings, 1:1 Performance Meetings, Team Meetings, and Management Meetings). It will be for Directors and Managers to agree the best way to communicate and consult on the maintenance of the risk management process. The Council's Internal Audit function will review risk management and the maintenance of internal control frameworks through their work.

Assessment of Impact

|		Service/Operational	Assets	Legal Obligations	Project	Duty of Care – Clients & Staff
1	Negligible	Minimal disruption not impacting on an important service which can be resolved in less than a day	Up to 1% of budget	Litigation, claims or fines, Services up to £10k, Corporate £25k	Minimal impact to project / slight delay less than 1 week	Minimal or no impact on the Services Safeguarding or Duty of Care requirements.
2	Low	Brief disruption of important service area Service disruption 1 day	1% to 5% of budget	Litigation, claims or fines, Services up to £25k, Corporate £50k	Minimal impact to project / slight delay less than 2 weeks	Consideration needs to be given to Safeguarding or Duty of Care requirements but unlikely to have an adverse impact on meeting overall requirements.
3	Medium	Major effect to an important service area Service Disruption 2-3 Days	6% to 15% of budget	Litigation, claims or fines, Services up to £50k, Corporate £100k	Adverse effect on project / significant slippage 3 weeks – 2 months	There are Safeguarding or Duty of Care issues that may have an impact on meeting overall requirements.
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5	Critical	Major loss of service, Service Disruption 5+ Days	More than 25% of budget	Litigation, claims or fines, Services up to £250k, Corporate £500k	Complete failure of project / extreme delay 3 months or more	Not meeting legal responsibilities, placing individuals at risk.

What is a Risk?

A Risk is an event or series of events which will adversely affect the ability to meet objectives – in part or in full. A risk can also be the failure to take advantage of opportunities to optimise the achievement of objectives.

Effective Risk Management forms a key aspect of assurance and governance for an organisation. Risk Management is widely recognised as one of the '2nd Lines of Defence' alongside; Financial Control; Security; Quality/Performance Management; Inspection; & Compliance. Organisations which can demonstrate and operate under a structured and active risk management approach are far more likely to be able to focus upon their key priorities and outcomes and, in doing so, take informed and robust decisions.

An effective risk management strategy and toolkit will therefore help to successfully achieve the four Council priorities of:

1) Strong economy and growth
2) A focus on prevention
3) Customers and communities
4) Efficient business

Risk management is an important component of delivering 'Good Governance'.
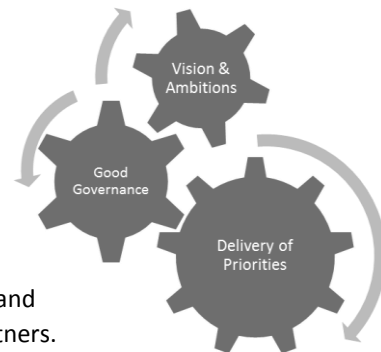
The toolkit aims to improve and maintain the integration of risk management into the culture and working practices of the organisation and its partners. It sits alongside the Risk Management Strategy which sets out the Council's risk management objectives and how these will be achieved and the milestones to be met when embedding risk management. The strategy is subject to an annual review to ensure that it remains up to date and continues to reflect the Councils approach to risk management.

The objective of the toolkit is to explain the approach to risk management and outlines the risk management framework by which the organisation can view, manage and respond to risk, both threats and opportunities, in a robust, systematic and documented way.

The benefits gained in managing risk and opportunity are improved strategic, operational and financial management, continuity of knowledge and information management processes, improved statutory compliance, meeting best practice and ultimately improving the services we deliver.

The Risk Management Framework sets out the approach for implementing the Risk Management Strategy and integrating risk management into the culture and working practices of the organisation and its partners.

To work effectively the risk management framework requires: -

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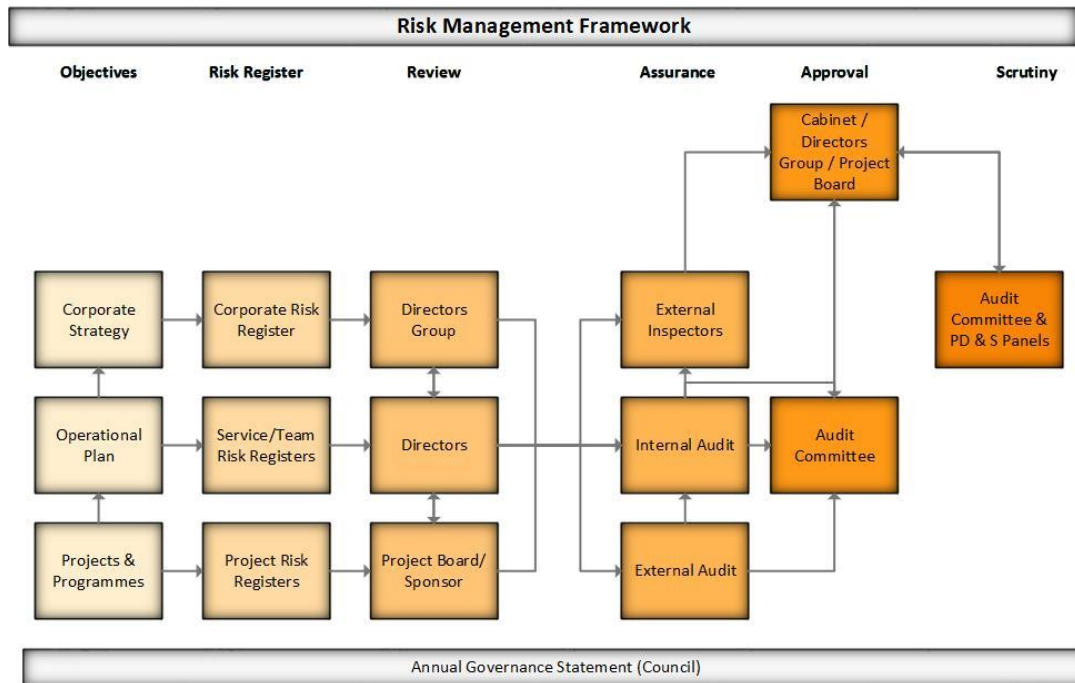
Roles & Responsibilities

Cabinet & Elected Members

- Oversee the effective management of risk throughout the Council and its partnerships, and gain an understanding of its benefits, ensuring officers develop and implement an all-encompassing approach to risk management.

Corporate Audit Committee

- Provide independent assurance of the risk management framework and associated control environment, independent scrutiny of the Council and partners financial and non-financial performance, and oversee the financial reporting process.

Directorate Management Teams

- Gain an understanding and promote the risk management process and its benefits, oversee the implementation of the risk management strategy and agree any inputs and resources required supporting the work corporately.

Directors

- Ensure that the risk management process is promoted, managed and implemented effectively in their service areas within the organisation. Liaising with external agencies to identify and manage risk. Disseminating relevant information to service managers and officers.

Service Managers

- Raise awareness, manage and implement the risk management process effectively in their service areas, recommending any necessary training for employees on risk management. Incorporating risk ownership through the appraisal scheme with employees and share relevant information with colleagues in other service areas.
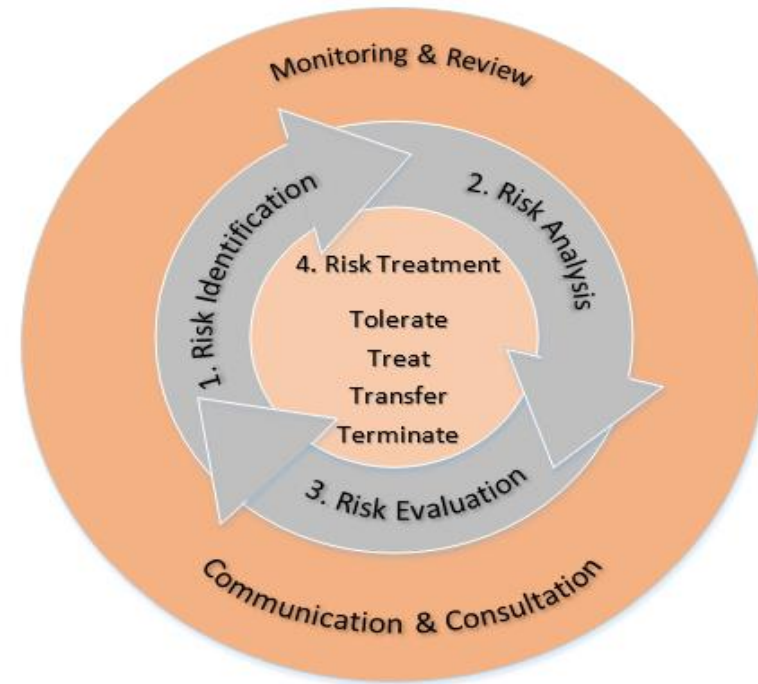
Officers

- Manage risk effectively in their jobs, liaising with their line manager to assess areas of risk in their job. Identify new or changing risks in their job and feed these back to their line manager.

Internal Audit

- Challenge the risk management process, including the identification and evaluation of risk and provide assurance to offices and members on the effectiveness of controls.

Risk Management Process

The risk management process is a planned and systematic approach. The stages of the process are shown below.

1. Risk Identification	2. Risk Analysis
Describing the risks and recording them in risk registers.	*Estimating the likelihood and impact of risks*
3. Risk Evaluation	**4. Risk Treatment**
Ascertain whether the risks are within the organisations "Risk Appetite"	*Actions to reduce the likelihood or impact of the risks to a level which is acceptable*

Risk Management Toolkit – Risk Registers

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Below is an example of a completed line of a risk register, further explanations on how to complete each section can be found on page 2 of this document. The risk is recorded with a Cause, Event & Implication.

Nr	Description	Sort in Nr. Order	Sort in Risk Rating Order		Date Entered on Register	Likelihood 1	2	3	4	5	Impact 1	2	3	4	5	This Period	Periods Ago 1	2	3	Current Status of Actions	Commentary on Current Status of Action Plans
						L	M	H			L	M	H								
R01	Due to an event / incident, e.g. significant snowfall, staff cannot get to their normal place of work potentially resulting in an inability to provide services to residents / clients / visitors.				01-Jan-19			3						4		12				On Target	As Business Critical Service - Discussions with the councils BC lead and meeting booked in to develop service plans.

The risk is then also copied to the action plan, to detail the status of each of the risks.

Unique ref no	Nr	Risk Description (Copy from 'Risk Register' Worksheet)	Action	Management Action	Action Owner	Implement By?	Implementation Status
R01.1	R01	Due to an event / incident, e.g. significant snowfall, staff cannot get to their normal place of work potentially resulting in an inability to provide services to residents / clients / visitors.	01	Informal or formal Service / Team Business Continuity Plan (formal BCP for specified critical services) to include mitigations for such an event / incident	J Bloggs	01-Apr-19	On Target
			02				

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Number	SERVICE / TEAM RISK DESCRIPTION (Description of 'event' & 'implication')	RISK OWNER	Likelihood 1	2	3	4	5	Impact 1	2	3	4	5	CURRENT RISK STATUS	PERIODS AGO 1	2	3	COMMENTARY ON ACTION PLAN (e.g. actions implemented /outstanding; implementation of actions to timescales)
			Score					Score									
1	Due to an event / incident, e.g. significant snowfall, staff cannot get to their normal place of work potentially resulting in an inability to provide services to residents / clients / visitors.	J Bloggs			3						4		High				Informal or formal Service / Team Business Continuity Plan (formal BCP for specified critical services) to include mitigations for such an event / incident

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Risk Management Toolkit - Decision-Making Process

Why is Risk Management Important in Decision Making?

Corporate governance requires that risk management be integral to policy, planning and operational management. Applying risk management processes will help strategic decision makers make informed decisions about of policy decisions and service delivery options.

Decision makers need to be satisfied that the risks and opportunities related to proposals are fully considered. It is important that all those involved in the decision-making process have consciously analysed the proposal.

In addition to the decision maker obtaining a level of assurance that proposals requiring a decision has been subject to a robust risk assessment, it is an important principle of good governance that the decision making process can be subjected to effective scrutiny (Accountability). Decision makers can be held accountable for decisions internally by for example: - Full Council, Statutory Officers, Overview & Scrutiny Panels and externally by Government Inspections, the Local Government Ombudsman and members of the public & press (via Freedom of Information requests). They will want to see that the decision and the information used to make the decision are documented and accessible, i.e. the decision is 'informed' and 'transparent'.
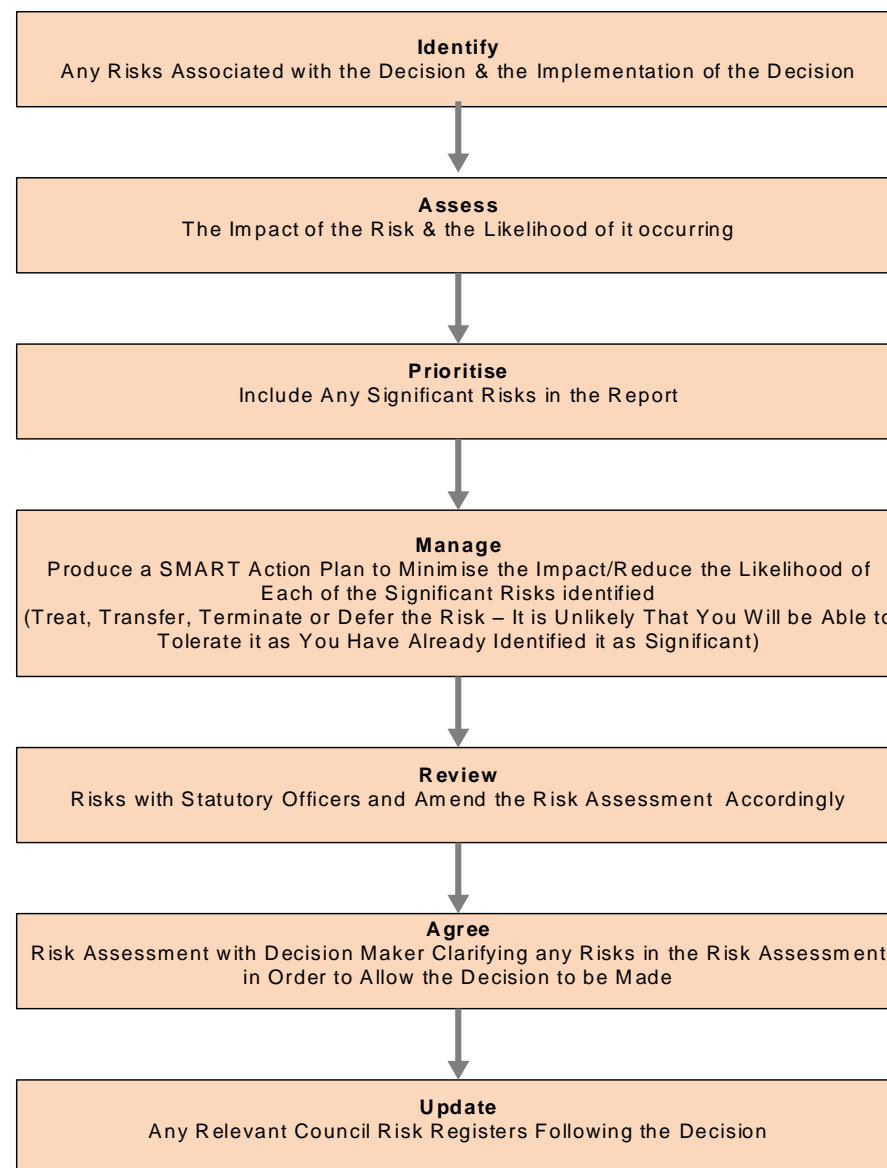
How is Risk Management Incorporated into the Council's Decision-Making Process?

The principles of risk management relating to decision making are the same as for any other risk management process. The diagram below outlines the process.

Cabinet and Committee report templates include a section 'Risk Management'. The section requires the report author to record 'significant' risks identified after carrying out a risk assessment. The risk assessment must record the risks related to taking the proposed actions / recommendation(s), i.e. the risks of implementation, and the risks of not taking the recommended action.

Any opportunities flowing from the proposal will be recorded in the 'Report' section of the report template.

How do you Assess Risks Related to a Decision?

Identify
Any Risks Associated with the Decision & the Implementation of the Decision

↓

Assess
The Impact of the Risk & the Likelihood of it occurring

↓

Prioritise
Include Any Significant Risks in the Report

↓

Manage
Produce a SMART Action Plan to Minimise the Impact/Reduce the Likelihood of Each of the Significant Risks identified
(Treat, Transfer, Terminate or Defer the Risk – It is Unlikely That You Will be Able to Tolerate it as You Have Already Identified it as Significant)

↓

Review
Risks with Statutory Officers and Amend the Risk Assessment Accordingly

↓

Agree
Risk Assessment with Decision Maker Clarifying any Risks in the Risk Assessment in Order to Allow the Decision to be Made

↓

Update
Any Relevant Council Risk Registers Following the Decision

What is the purpose of the risk assessment?

The risk assessment:

- Demonstrate that all significant risks related to the decision have been considered.
- Provides evidence that the decision maker has been provided with sufficient information about risks in terms of probability and impact
- Explain how the risks will be managed.

What will the risk assessment record?

The risk assessment should record:

- Risks that may arise if the decision is **not** taken.
- Risks that may arise if the decision **is** taken.
- Actions that will be taken to manage each risk documented if the decision is taken.

Who needs to be involved in compiling the risk assessment?

- Report Author
- Head of Paid Service (Chief Executive)
- S151 Officer (Chief Financial Officer)
- Monitoring Officer (Head of Legal & Democratic Services)
- Cabinet Member (including Leader)
- Director

Who needs to be involved in compiling the risk assessment?

The report author will take the lead in compiling the risk assessment using a template.

The report author in consultation with the appropriate Director(s) should review the report and the risk assessment.

The report and risk assessment will be made available to the Statutory Officers: -

- Head of Paid Service
- The Chief Finance Officer/ Section 151 Officer
- The Monitoring Officer

Statutory Officers Responsibilities

Statutory Officers or their nominated deputies will amend the risk assessment and identify risks that should be considered 'significant' and be recorded in the 'Risk Management' section of the report.

Cabinet Member Responsibilities

The Cabinet Member responsible for the decision should review the risk assessment and ask the following questions:

- Are there other risks related to the decision which have not been identified and assessed?
- Do they agree with the assessment of the risks that have been documented?
- Do they agree that the recorded actions to manage the documented risks are adequate?

Does every report require a Risk Assessment?

It is the responsibility of the report author to ensure that the risk assessment is sufficient for its purpose.

Do all risks in relation to the proposal have to be recorded?

The risk assessment should be proportionate to the decision being made. The report author and others involved in the risk assessment process should consider the impact of the risk when deciding whether it should be recorded or not. If the impact is negligible or low then it is reasonable that the risk is not recorded.

Will the Risk Assessment be available to the public?

The risk assessments will be held centrally and will not be automatically accessible to the public. However, risk assessments will be subject to the normal rules of disclosure under the Freedom of Information Act 2000 and other relevant legislation.

Risk Management Toolkit – Service / Business Planning, Budget Setting & Business Continuity

Service / Business Planning & Budget Setting

One of the keys to successfully embedding risk management is ensuring that it is explicitly linked to business planning. In a properly embedded process, remedial action should take place to mitigate those risks which managers believe are insufficiently controlled, i.e. where the residual risk exceeds the target risk.

Effective management of risks can only be achieved through the effective management of resources. Where control weaknesses are identified which create an unacceptable exposure to risk, resources should be allocated to 'plugging the gap'. This can take a variety of forms, depending upon the nature of the risk, the existing controls, and magnitude of the exposure.

Currently on an annual basis each Directorate will undertake a robustness of estimates and adequacy of resources review. This process feeds into the s151 Report to the Council on the robustness of estimates and the adequacy of reserves. As part of the process key risks are considered and actions documented.

Those controls currently in place may require strengthening, or new ones may need introducing. For example, it could be that an ICT solution is required to improve efficiency or enable additional monitoring; or possibly the feasibility of the service being provided by a partner instead of directly by the Council. These examples have a cost, some of which may be financial, some of which may have an opportunity cost. As a result, it is important that managers retain flexibility in their service and financial planning to enable developing risks to be managed. The converse may also apply; the risk process could identify risks which are over-controlled. Savings may be achieved by reducing the control environment, saving money and / or enabling the re-direction of staff to other areas to improve service delivery.

The relevant Service / Team/ Project risk register should be used to record business planning risks and actions planned / taken possibly including a description of the source of funding to strengthen controls . The result will be a concise analysis of the nature of the risk exposure, the response to the problem and the financing of the solution. Where budget variances occur as a result of the additional expenditure, the risk management documents can provide a concise and robust explanation to support this.

Business plans should be updated based on the results of risk assessments undertaken. Risk management should not be viewed in isolation, but should be used as an important tool to inform the business planning process. What we learn now should help us identify what we will do in the future, how we will achieve it, and the problems we may encounter. This will ensure that the risks and mitigations identified are considered and included in subsequent plans. The benefit will be that business plans are as relevant and accurate as possible, and contribute effectively to the achievement of objectives and the delivery of the outcomes required.

Business Continuity

Good Business continuity management within the Council involves detailed planning to help maintain the most critical services provided in the event of an interruption until it returns to "Business as Usual".

Within any risk register there will be many risks that could have a major impact on service delivery. It is, however, not always possible to mitigate these risks, therefore it is important that the service examines these risks in detail in advance, and develops a Business Continuity plan, which can be used to enable services to continue should an incident occur. An example of this could be where staff are unable to access offices due to an event such as adverse weather, fire or a flood.

Those services assigned 'Critical' status will need to operate to an agreed minimum acceptable level until business as usual has resumed. A plan needs to be developed to enable a plan of action to be implemented with minimum delay.

The business continuity plan needs to be developed in advance of an incident, because often with a little forethought many of the more serious consequences of an incident can be mitigated. This plan will be generic in so far as the basic information that it contains can be used to cover many different risk eventualities. As a service provider, continuity of service is vital for our customers and clients.

The Council has appropriate business interruption insurance in place to cover the cost associated with a major incident