

## RISK MANAGEMENT FRAMEWORK – September 2021

### DEFINITIONS

1. Risk is the potential of an action or event to impact on the Council's achievement of objectives and the execution of its strategies. Risks are things that might happen and are therefore different to issues (things that are happening or are certain to happen in the future). Risks may be positive opportunities or negative threats.
2. Risk Management is a process that allows individual risk events and overall risk to be identified, evaluated and managed proactively, optimising success by minimising negative likelihood and impact, and maximising opportunities. Risk Management is a key element of the framework of governance.
3. The best formulation for describing a risk is: cause – event – effect:

Cause	Unplanned event	Effect on objective
Adverse weather may cause ...	... staff to arrive late for work...	...which may have the effect of reducing customer service standards.

### RISK APPETITE

4. Risk Appetite is defined as the level of risk the Council is prepared to accept to fulfil its mission and achieve its objectives. Levels of reward and costs of managing risks will determine the Council's Risk Appetite. Risks outside the Council's Risk Appetite will not be tolerated and must be managed (reduced, transferred, mitigated etc.).
5. The overall risk appetite of the Council is defined as MODERATE, with varying appetite across different objectives and Council activities.
6. The Council's level of exposure to risk at any time is expressed in risk registers by the scoring of risks and the difference between current and target risk score (in line with Risk Appetite).
7. Management and understanding of exposure will be achieved by considering and reviewing risks and by deploying mitigation controls that treat, tolerate, transfer, terminate risks or take opportunities.
8. Reports from the Strategic Risk Management Group to the Executive Leadership Team quarterly will show the level of exposure to corporate risks at the time of reporting and the degree of difference between exposure and appetite.

## FRAMEWORK

9. The risk management framework consists of four areas, which are subject to regular scrutiny and review: **policy** which is implemented by **processes** which are carried out by **stakeholders** using **methods**, which leads to a review of policy to ensure continuous self-improvement. The Strategic Risk Management Group oversees this entire framework and regulates it as necessary, and the Executive Head of Governance (as Chair of SRMG) provides guidance and assistance to Councillors and staff.

## POLICY

10. The Council is committed to carrying out effective risk management at all levels and throughout all of its activities including operational, tactical and strategic processes, activities carried out in partnership with other organisations and functions carried out by the Council. Evaluation will ensure that corporate objectives are successfully met and that the Council delivers the best possible services taking advantage of properly assessed opportunities for the benefit of its stakeholders.
11. The Council's risk management process shall:
  - ensure integration of risk management as a core part of business planning
  - include an effective risk identification, monitoring and review process at service, project, programme and corporate level
  - contribute towards sustainable improvements in service performance
  - reduce the number and cost of insurance claims made by and against the Council
  - improve the Council's ability to defend claims against it
  - fully document major risks and their mitigation.
12. The risk profile that the Council faces includes:
  - Strategic risks: threats to the achievement of corporate and strategic objectives, unwillingness or inability to adapt to changes in the Council's business environment
  - Operational risks: potential lapse of performance standards, threats to achievement of operational objectives
  - Financial risks: risks to achieving a balanced budget, controlling costs (including borrowing costs) and achieving projected income levels
  - Reputational risks: Possible adverse perception of the Council by stakeholders
  - Failure to deliver statutory functions and meet legal requirements; incidences of fraud or corruption (Compliance risks)
13. The Council will ensure that organisational infrastructure exists to ensure effective implementation of risk management processes and to ensure effective risk control by use of reporting mechanisms including Risk Registers.

14. Potential threats to good risk management include:
- Insufficient officer time available to drive risk initiatives
  - A lack of training for staff and Councillors
  - A lack of coordination of parts of the risk management framework
  - Insufficient management oversight of risk and risk processes
  - Lack of integration of risk management in business planning.
15. Therefore, to be effective, this policy must meet the following objectives:
- Risk management must be integrated in the culture of the Council's Councillors and staff across all activities
  - Risk management must embody best practice, regular training and continuous self-improvement
  - Risks must be managed systematically, with Cabinet, Corporate Leadership Board, Executive Leadership Team, the Strategic Risk Management Group and the Audit and Resources Committee taking responsibility for the risk framework.

## **PROCESS**

16. The key risk management process undertaken across the Council is the maintenance of the Operational risk register, owned and reviewed by services. The Strategic Risk Management Group conducts reviews of specific areas of the Operational Risk Register in conjunction with the Corporate Risk Register where necessary. Each of the Council's service areas and programmes will be reviewed by the SRMG at least once annually. The Operational Risk Register has been designed to provide complete records of risk including cause, ownership, existing controls, mitigation plans, resources required and mitigation timetables.
17. The Corporate Risk Register is drafted, owned and reviewed by the Corporate Leadership Board as part of the Executive Team and reviewed by the Strategic Risk Management Group which may make recommendations (to add, remove or amend risks on the register) to the Corporate Leadership Board.
18. SRMG may implement risk training for staff and Councillors to assist stakeholders in implementing the Risk Framework.

## **STAKEHOLDER RESPONSIBILITIES**

19. Stakeholders in the context of risk management comprise the following groups:

Stakeholder Group	Responsibilities
Cabinet	Overseeing the effective management of risk through adoption of policy.
Audit and Resources Committee (ARC)	Overseeing the effective management of risk through assurance that policy is being implemented.
Ward Councillors	Considering risks in all decisions via the business of committees and panels
Corporate Leadership Board (with input from Executive Heads)	Producing the Corporate Risk Register and forwarding to SRMG; ensuring the implementation of policy; integrating risk management into the culture (routines, processes, values, behaviours) of the organisation.
Strategic Risk Management Group (SRMG)	Monitoring and assuring the implementation of the Risk Framework; reporting to Audit and Resources Committee, Corporate Management Team and Cabinet. See details below.
Service Heads	Maintaining the Operational Risk Register for their service as part of business planning and reviewing and updating the register monthly as part of service performance review.
Service Teams	Understanding operational risks including service level health and safety issues.
Programme Boards and Project Teams	Drafting Programme and Project Risk Registers and forwarding to SRMG.
Internal audit	Comprehensive independent monitoring and reviewing of the Framework and risk controls. Risk Registers are used to inform the Annual Internal Audit Plan.

## METHODS

20. The following methods and resources are available to enable risk management:
- **Operational Risk Register:** service level register is compiled by Service Managers and reviewed as part of performance and business management routines. Registers are made available to the Executive Head of Governance and SRMG, who review them and may recommend to ELT that risks of a higher level be escalated to the Corporate Risk Register in accordance with criteria agreed by the SRMG:
    - Very high levels of risk outside risk appetite / target risk score
    - Risks requiring ELT mitigation action
    - Risks of corporate significance.

- **Programme and Project Risk Registers:** drafted and owned by Programme and Project Managers, reviewed by Programme and Project Boards and the SRMG as for the Operational Risk Register.
- **Corporate Risk Register:** drafted and owned by Corporate Leadership Board and reviewed by the SRMG. The Corporate Risk Register is a confidential document. If the Member representing Audit and Resources Committee on the SRMG feels that a risk contained on the Corporate Risk Register should be referred to other Members of the Audit and Resources Committee, the Member should raise and discuss the matter during a confidential session of the ARC meeting agenda.
- **Internal Audit:** provide independent assurance on control issues by the use of a comprehensive and fluid Internal Audit Strategic Plan, driven in part by the Operational and the Corporate Risk Registers. The frequency of review is determined by the use of a well-developed risk index. Following such reviews management are alerted to risks and asked to record such risks in their risk register. This allows such risks to be addressed and monitored.
- **Insurance Management Consultancy:** the Council pays for the services of a team of local government risk management consultants on occasions when external advice is required.