

Agenda Item 12

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Date	26 March 2019
Ward (s) affected	N/A

Subject	Risk Management Policy
<p>Recommendations</p> <p>Cabinet is asked to:</p> <ul style="list-style-type: none"> • Approve the updated Risk Management Policy • Approve the risk tolerance level 	
<p>Executive Summary</p> <p>This report:</p> <ul style="list-style-type: none"> • Updates the Risk Management Policy • Proposes the Councils risk tolerance level <p>There is one appendix:</p> <ul style="list-style-type: none"> • Appendix 1: Draft Risk Management Policy 	
<p>Corporate Priorities</p> <p>Effective risk management is fundamental to the Council delivering its Corporate Priorities.</p>	
<p>The Cabinet has the authority to determine the Recommendations</p>	

1.0 Background/Introduction

- 1.1 Executive approved the Risk Management Policy in March 2015. Minor changes have subsequently been made, including taking into account a 'mid-term' review of risk management in spring 2017 as reported to Audit Committee in March and June 2017. The current Policy includes a 4 year formal review and reapproval of the Policy. This is due in March 2019 and is the subject of this report.

- 1.2 Audit Committee is responsible for providing the Council with independent assurance of the adequacy of the risk management framework. An Annual Risk Management Report 2018/19 was presented to Audit Committee on 7 February 2019. This report included consideration of the updated Risk Management Policy for its consideration and recommendation to Cabinet for approval. Audit Committee agreed to recommend the updated Policy to Cabinet for approval. Any views that the Audit Committee may wish to make to Cabinet will be presented at the meeting.
- 1.3 This report therefore provides an updated Risk Management Policy to Cabinet for approval.

2.0 Risk Management Policy review

- 2.1 The Council's approach to risk management is set out in its Risk Management Policy. It includes a Policy Statement that confirms that the Council will:

'Adopt best practice in the identification, assessment and cost effective control and management of risks to ensure that they are eliminated or reduced to an acceptable level'.

- 2.2 The Policy also sets out the Council's risk management objectives as follows. They are to:

- i. Integrate risk management into the culture of the Council by engendering a positive attitude and understanding of risk throughout all service areas
- ii. Manage risks in accordance with best practice
- iii. Prevent injury, damage and financial loss to all those connected with the Council's delivery of services.

- 2.3 The Council's Risk Management Policy outlines the approach taken by the organisation to ensure the effective management of risks. The Policy is currently reviewed on a four yearly basis and brought to Cabinet for approval.

- 2.4 The Annual Risk Management Report 2018/19 to Audit Committee in February 2019 included a section on review of the Risk Management Policy. The following amendments were proposed:

- Policy Review: Arrangements for Policy Review have been updated to reflect the role of the Corporate Governance Board in keeping the policy under review. Any major changes proposed to the Policy would then be submitted to Cabinet for approval as required (rather than on a four yearly cycle irrespective of major change as currently stated). This will ensure that the Policy is continually kept up to date.

Following subsequent discussion with Cabinet Members, it has been agreed that the Policy will continue to be reported to Cabinet for approval on a four yearly basis. The Policy has been amended accordingly.

- Para 2.8: Reporting to Members – additional bullet point to reflect consideration of the Strategic Risk Register by Cabinet as part of the annual business and budget planning cycle.

In addition, it should be noted that Corporate Governance Board maintains an active watching brief on new and emerging issues in relation to potential strategic risks that may affect the organisation. For example, this includes keeping abreast of emerging issues in relation to Brexit. MVDC is actively engaging with Brexit reporting to MHCLG¹ for the South East. This is coordinated by Surrey County Council through the Surrey Local Resilience Forum.

- Appendix 1 of the Risk Management Policy, 'Risk Management arrangements – Roles and Responsibilities', has been updated to reflect the above. In addition, during 2018/19 there have been a number of changes made to strengthen MVDC governance arrangements. This includes the change from the previously named 'Statutory Responsibilities Network' to the establishment of a Corporate Governance Board (CGB) with new Terms of Reference. The CGB fulfils the role previously held by the Risk Management Group. This has strengthened senior management oversight and ownership of risk management arrangements across the organisation. Appendix 1 has therefore been updated to clarify the responsibilities of the Senior Leadership Team and the Corporate Governance Board in respect of roles and responsibilities in relation to risk management.
- Appendix 2 of the Risk Management Policy has been updated. The Terms of Reference of the Corporate Governance Board in relation to risk management is now included in Appendix 1. Appendix 2 provides details of the membership of CGB.
- Amendments have been made to reflect organisational changes and terminology, for example change of name from 'Senior Management Team' to 'Senior Leadership Team', 'Service Manager' to 'Business Manager'.

2.5 Following discussion at Audit Committee, a paragraph on risk appetite has been included in the updated Policy. Defining the risk appetite that the Council is willing to accept for each of the strategic risks will introduce a more tailored approach to mitigation.

2.6 A key element of the Policy is to confirm the Council's risk tolerance (Please refer to section 2.3 of the Policy). The risk tolerance level is the threshold above which the level of risk is not acceptable and requires further action to reduce the risk. This level was previously agreed by Executive in March 2015 to be any risk with a residual score of 15 or above. It is proposed that the level remains at 15.

3.0 Financial Implications

3.1 MVDCs risk management arrangements provide a focus on the assessment of financial risk, as well as services and reputational risk. All decisions taken by Members include an assessment of risk, which includes financial risk where appropriate.

4.0 Legal Implications

¹ Ministry of Housing, Communities and Local Government

4.1 MVDCs risk management arrangements are an integral element of our corporate governance structure. This structure is consistent with a number of professional codes, statutes and guidance, including the principles contained in the Delivering Good Governance in Local Government Framework (CIPFA/SOLACE 2016). Ensuring that effective risk management arrangements are in place support compliance with the Accounts and Audit (England) Regulations 2015.

5.0 Options

5.1 The Cabinet has two options for consideration:

Option One – that Cabinet approve the updated Risk Management Policy including the risk tolerance level.

Option Two – that Cabinet asks for further work to be undertaken

5.2 The risks and opportunities associated with each option are set out in the risk implications section below.

Corporate Implications

Monitoring Officer commentary

The Monitoring Officer confirms that all relevant legal implications have been taken into account.

S151 Officer commentary

The s151 Officer confirms that all relevant legal implications have been taken into account.

Risk Implications

Option 1: The approval of the amendments to the risk management policy will drive a more effective risk management process across the Council.

Option 2: this could lead to lack of clarity of risk management arrangements across the organisation.

Equalities Implications

There are no equalities implications arising as a direct consequence of this report.

Employment Issues

There are no employment issues arising as a direct consequence of this report.

Sustainability Issues

There are no sustainability issues arising as a direct consequence of this report.

Consultation

Audit Committee have been consulted as part of their consideration of the Annual Risk Management report 2018/19 (February 2019).

Communication

The updated policy will be posted on the performance page of the MVDC website.

Background Papers

None.

Risk Management Policy

Document history

Date	Key Changes Made	Approved by
March 2015	Full Policy Review	Executive
January 2018	Risk Matrix Role of Executive Members Partnership risk	Deputy Chief Executive in consultation with Cabinet Member for Finance, Performance and Risk
March 2019	Full Policy Review [Risk appetite Risk Management arrangements – Roles and Responsibilities]	

Responsible Officer	Risk Management and Performance Manager
Last updated	March 2019
Approval of changes	Minor changes - Senior Management Lead with responsibility for risk management in consultation with Cabinet Member for Finance, Performance and Risk Major changes – Cabinet Full Policy Review - Cabinet

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1. Risk Management Policy

1.1 Introduction

Effective risk management is part of a well-run organisation, delivering effective and efficient services and achieving value for money. Mole Valley District Council recognises its responsibility to manage risk as a key component of good governance.

The Council is committed to integrating and embedding risk management into policy, planning and operational management and into the culture of the organisation.

The focus of risk management is the identification and treatment of risks. It increases the probability of success and reduces the likelihood of failure and the uncertainty of achieving objectives. Risk management should be a continuous and evolving process, which runs throughout the Council's strategies and service delivery.

A pro-active corporate approach is important if risks are to be identified and managed systematically and consistently across the organisation. In order to create an integrated risk management culture that is embedded into medium-term planning, a collaborative approach to risk is undertaken. Business plans, budgets and risk registers are developed simultaneously, and these are regularly reviewed.

Applying the risk management process - identifying, assessing, controlling and reviewing risk – helps strategic decision makers and managers make informed decisions about the appropriateness of adopting policy or service delivery options and helps in improving the performance of services.

There are four levels of risk register linked to the achievement of the corporate priorities:

- (i) **Business Risk Register** – owned by individual Business Managers
- (ii) **Service Risk Register** – owned by individual Senior Managers - comprising the business risk registers that fall within their area of responsibility
- (iii) **Significant Risk Register** - owned by individual Senior Managers. Risks on the significant risk register are those risks that remain red after mitigation
- (iv) **Strategic Risk Register** – owned by the Chief Executive

In addition there are risk registers for specific projects, contracts and partnership arrangements (known as alternative delivery models). See Sections 3 and 4 for more information.

1.2 Policy Statement

Mole Valley District Council will:

Adopt best practice in the identification, assessment and cost effective control and management of risks to ensure that they are eliminated or reduced to an acceptable level.

The Council is aware that some risks will always exist and will not be totally eliminated. It understands the importance of managing these risks effectively.

All employees must understand the nature of risk and accept responsibility for risks associated with their area of authority. The necessary support, assistance and commitment of Senior Management will be provided.

1.3 Risk Management Objectives

The risk management objectives of the Council are to:

1. Integrate risk management into the culture of the Council by engendering a positive attitude and understanding of risk throughout all service areas
2. Manage risks in accordance with best practice
3. Prevent injury, damage and financial loss to all those connected with the Council's delivery of services

These objectives will be achieved by having in place:

1. Clear roles and responsibilities
2. Full incorporation of risk management considerations into the Council's performance management system (including project management, financial and service planning)
3. Documented risk assessment and control procedures
4. Appropriate resource allocation
5. Appropriate training and shared learning opportunities on effective risk management for employees and members
6. Contingency plans where risk assessment shows these to be necessary
7. Monitoring and review arrangements

1.4 Policy Review

The Risk Management Policy will be kept under review by the Corporate Governance Board and submitted to Cabinet for approval every four years.

Approval of minor changes is delegated to the Senior Management lead with responsibility for risk in consultation with the Corporate Governance Board and the relevant Cabinet Member.

2. Risk Management Framework

2.1 Introduction

The Council has arrangements in place to ensure the effective management of risk throughout the organisation.

There are four main elements to the effective management of risk. The Council adopts this approach to ensure risks are properly managed and reduced to an acceptable level.

- **Identification** – what could happen that could prevent the Council from achieving its corporate priorities
- **Evaluation/assessment** – what is the impact in terms of cost, reputation, service delivery, and what is the likelihood of the risk occurring
- **Management/control** – the techniques applied to manage the risk e.g. tolerate, treat, transfer, terminate
- **Review** – continual review of risk management to ensure that it is effective and making improvements where necessary

This process applies to existing service activities. It also applies when the Council is entering new partnerships, when embarking on a new project or when a new contract is being procured.

The roles and responsibilities of all employees, managers and members are set out in Appendix 1.

2.2 Identification of Risks

Business Risks

A business risk is defined as an event or action that will affect an organisation's ability to achieve its business objectives and execute its service strategies successfully. These risks can be both negative and positive. They can also be a potential opportunity that enhances and accelerates the achievement of service objectives.

Service Risks

Service risks are the risks to a service area for which individual Senior Managers are responsible. These are made up of the individual Business Risk Registers that fall with their areas of responsibility.

Significant Risks

Significant risks are defined as those risks contained in the Service Risk Register that remain high (red) after mitigation.

Strategic Risks

A strategic risk is defined as an event or action that will affect the organisation's overall ability to achieve its corporate objectives and execute its strategies successfully. By their nature, strategic risks are generally not service or objective specific; they are areas of risk that cut across service and objective boundaries. These risks can be both negative and positive. They include risks associated with projects or procurement, and risks associated with partnership arrangements. They can also be a potential opportunity that enhances and accelerates the achievement of corporate objectives.

For information on project, procurement, contract and partnership risk see Sections 3 and 4.

2.3 Assessment of Risk

Once risks have been identified, each one is assessed according to the impact on the service if it happened and on the probability that it will happen.

Risks are prioritised using a scoring system as set out in the risk assessment matrix below. Each risk is scored for inherent risk (i.e. with no controls in place) and for residual risk (i.e. with controls in place).

IMPACT	Catastrophic 5	5	10	15	20	25
	Major 4	4	8	12	16	20
	Moderate 3	3	6	9	12	15
	Minor 2	2	4	6	8	10
	Insignificant 1	1	2	3	4	5
		Remote 1	Possible 2	Likely 3	Probable 4	Highly probable 5
PROBABILITY						

See Appendix 4 (Risk Assessment Criteria) for further details for assessing each category.

Risk Tolerance

The risk tolerance of the Council is the threshold above which the level of risk is not acceptable and requires further action to reduce the risk. The level has been agreed by the Cabinet to be any risk with a residual score of 15 or above (red risks). The tolerance level will remain in place for the duration of the policy. If a change is proposed, it will be reported to the Cabinet for approval.

Risk Appetite

Risk appetite can be summarised as “the amount of risk an organisation is willing to accept”. Whilst strategic risks with a residual score between 8 and 12 (amber risks) are deemed to be tolerable, each will be subject to further assessment to agree the appropriate risk appetite for

that risk. Further actions are then identified and monitored as part of the risk management assurance framework.

2.4 Management/ Control of Risks

Senior Managers have overall responsibility for managing risks in their service area. This may include refusal to take the risk, controlling the risk as far as reasonably possible or transferring (via contract etc.) the risk to another party e.g. insurance.

To ensure that this is done in the most effective manner, ownership and control of the risk may be delegated to the person (risk owner) directly responsible for managing the business activity specific to the risk - this will usually be a Business Manager.

Further actions may be identified that will improve resilience. Where this is the case, an action owner is identified together with a timeframe for this to be achieved.

2.5 Reviewing Risks

The risk registers are used to report on risk, to prioritise improvement action and to monitor results. They are reviewed at least quarterly, with new and amended assessments identified and recorded as and when necessary.

Business Managers are required to review and update their Service Risk Registers at least quarterly and at that point:

- Monitor to ensure controls are effective and do not require further planned actions
- Ensure identified risks are still relevant and have not changed over time
- Re-assess risks when change happens e.g. re-organisation, different systems, new equipment etc. or at the start of a new project/procurement
- Review key project, procurement, contract management and partnership risks and, where risks impact on services, escalate for inclusion in the relevant Service Risk Register
- Prevent loss and damage and reduce the cost of risk to all involved
- Use best practice to manage risk

The Strategic Risk Register is reviewed on a six weekly basis by the Corporate Governance Board.

To ensure the effectiveness of the risk management process and the achievement of set objectives, a review of the Strategic Risk Register is carried out by the Senior Leadership Team during the annual business and budget planning process. This ensures that identified risks are current and relevant to the planned activities for the coming year; controls put in place to mitigate risks are effective and adequate resources and budgets are allocated for the delivery of planned projects.

An Issues Log is maintained by the Strategic Leadership Team. This captures awareness of potential issues that may emerge as a risk in the future.

The Corporate Governance Board maintains oversight of significant risks and reviews them on a quarterly basis to ensure they are being appropriately managed.

2.6 Risk Registers

Four key risk registers are maintained across the organisation:

Business Risk Register

Each business manager is responsible for maintaining a risk register for their area of responsibility.

Service Risk Register

All identified business risks will be recorded in a Service Risk Register for each Senior Manager with controls and the assessment of their impact and probability before and after mitigation.

Significant Risk Register

Significant risks are defined as those risks contained in the Service Risk Register that remain above the risk tolerance level after mitigation.

The appropriate Senior Manager may escalate a significant risk to the Strategic Leadership Team (SLT) for consideration for inclusion on the Strategic Risk Register.

Strategic Risk Register

The Strategic Risk Register contains corporate risks and those significant risks that have been agreed for inclusion by Senior Managers. It is reviewed six-weekly by the Corporate Governance Board.

See Appendix 3 for information on categories of risk.

2.7 Risk Management Assurance Framework

The Council has a risk management assurance framework in place which ensures that controls put in place for mitigating risks are effective. The framework is applied to risks on the Strategic and Significant Risk Registers.

It aims to give the Council assurance that the controls defined for each of these risks are in place and operate effectively.

See Appendix 5 for further information.

2.8 Reporting Risks

Corporate Governance Board

Corporate Governance Board receives a risk management report on a six-weekly basis which includes an update of the Strategic Risk Register. An update on assurance evidence and service risk is received on at least a quarterly basis.

Members

The reporting of risk to Members occurs through a number of channels including:

- Following each Corporate Governance Board meeting, Senior Managers brief Cabinet Members on risks that fall within their portfolio
- Senior Managers provide written briefings to Cabinet Members which include risk. These are made available to all Members
- An annual Risk Management report is presented to Audit Committee
- Each Business Plan has a section on risk and these are made available to all Members
- Each Committee report has a section on risk (see 2.9)
- Cabinet receive the Strategic Risk Register on an annual basis as part of the annual business and budget planning cycle
- Updates to the Strategic Risk Register are included in Business and Budget reports to Cabinet

2.9 Incorporating Risk in Reports

Risk management is a fundamental part of the decision making process. It is therefore critical that risks are identified and included in Committee reports, to enable Members to make informed decisions. All recommendations in reports to Members are risk-assessed to ensure that the potential implications and their impact on the Council or community (both positive and negative) are taken into account. The Risk Management and Performance Team provides observation and challenge to this section of Committee reports.

3. Project/ Procurement/ Contract Risk

Project Management

In the context of a project, it is the project's objectives that are at risk. These will include completing the project to a number of targets, typically covering time, cost, quality, scope and benefits. Each project should have its own risk register containing information on all of the identified threats and opportunities relating to the project. In the context of a project a threat is an uncertain event that could have a negative impact on the project's objectives; an opportunity is an uncertain event that could have a favourable impact on the objectives. The MVDC Project Management Toolkit includes a Risk Register template.

Procurement Approach

In instances where there is a commercial relationship involved in the project (i.e. supply is contracted out to a third party) risk should be placed with the party best able to manage that risk. The procurement approach employed determines the way in which risk is managed. A well-defined, low risk project will suit traditional tendering and contracting approaches where transferred risk can be readily quantified and competitively priced by the market. At the other end of the spectrum, partnering contracts suit projects of higher risk and complexity that require collaboration under risk reward sharing arrangements.

Contract Management

Contracts where the risk of contract failure poses significant risk to the Council (for example, it provides a significant income stream, delivers a key service to residents, is integral to the Council's operations, would result in the Council itself being in breach of contract/statute and/or incurring significant reputational damage) are likely to require the most focus (high levels of reporting and pro-active monitoring), whilst a lighter touch approach with exception reporting may be acceptable for lower risk contracts.

The degree of contract management may need to be periodically re-assessed in light of the service provider performance, previous experience of delivering such contracts and the contract maturity. The MVDC Contract Management Checklist includes a Risk Register template and the following prompts for Contract Managers:

- How will you ensure that risks related to the contract are formally identified, appropriately mitigated and regularly reviewed, with 'obsolete' risks removed from consideration where appropriate? Is there clear identification of who is best placed to manage risk?
- What escalation and reporting routes are in place for risk governance?
- What contingency planning will the provider undertake, and what contingency planning are you putting in place? Consider both temporary and long-term failure/default, with arrangement proportional to the business impact or the difficulty in moving to a new service provider. Does the service provider's contingency plan integrate with the Council's own contingency plans?
- Have you diarised your tracking of the on-going financial health of the service provider, any guarantor and/or any key sub-contractors through Dun & Bradstreet, review of financial accounts or other routes?

4. Partnership Risk

Partnership working and joint arrangements are playing an increasingly important and practical role in helping local authorities, including Mole Valley District Council, to maintain service and financial resilience. In this context the term partnership working involves achieving objectives by co-operation.

Examples of partnership working include:

- Joint commissioning with other public bodies
- Joint management teams
- Joint provision with other local authorities
- Joint ventures with the public sector
- Partnerships and joint ventures with the private sector
- Local authority companies, social enterprises and trusts

Partnership working can bring many benefits, but can also carry significant risks. It is therefore imperative that, as part of the process of setting up partnerships, that relevant risks are identified, shared and a risk management plan agreed.

In Mole Valley partnerships are for the most part shared service arrangements (where there may be a contract in the form of an inter-authority agreement) where in reality rights aren't typically going to be enforced in a legal way, so having good governance arrangements is more important than in a commercial arrangement. Unlike commercial contracts, where consideration is given upfront as to how long the relationship will last, in a shared service environment, the duration of arrangements are more long-term, and so having a review function to make sure that the shared service is still fit for purpose and working for all partners is probably more important.

The key questions to consider are:

- What are our objectives?
- What will stop us from achieving them?
- What mitigating factors can we apply?

Clear reference should be made as to which partner has responsibility for each risk, control and improvement plan. In joint working (shared services), certain responsibilities are held by the lead authority. If it is not clear who the lead authority is (e.g. in a consortium) or where the lead may change depending on the activity (e.g. in a Community Safety Partnership) there should be a clear understanding between the partners of who is responsible for what and, ideally, that agreement should be recorded.

The Council's objective for being involved in the partnership can be identified by undertaking it as part of a strategic risk exercise. It should address how the terms of the partnership deal with risk allocation, seek assurance that the partners understand risk management and consider how robust the partnership is. Risk management may have a direct effect on resource requirements and all parties need to agree on the allocation of risk. The control of some risks will be in the hands of partners and the Council will need to have a means of assurance that the risk is being suitably managed. The choice of partner at the outset might be the Council's main control but monitoring and break clauses can provide ongoing assurance.

Members	<p>All Members</p> <ul style="list-style-type: none"> • Apply principles of risk management in all aspects of their functions/duties • Ensure that risks have been considered during all decision making 	<p>Cabinet</p> <ul style="list-style-type: none"> • Reviews and approves the Risk Management Policy and overall arrangements every four years • Sets the Council's risk tolerance for the life of the Risk Management Policy <p>Cabinet Members</p> <ul style="list-style-type: none"> • Oversee effective risk management across the Council and ensure that key risks are identified, managed and monitored • Ensure that key risks within their portfolio are effectively managed through discussions with Senior Managers • Are proactive in raising risks from the wider Mole Valley area and community 	<p>Audit Committee</p> <ul style="list-style-type: none"> • Regularly review the effectiveness of the Council's risk management policy and overall arrangements • Ensure an appropriate challenge is provided to risks identified.
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The Strategic Leadership Team (SLT)

- Annually carries out a strategic risk and issues assessment and review of the risk tolerance level
- Sets priorities for dealing with unacceptable risk and significant improvable risks
- Considers proposals for additional funding for risk control measures
- Ensures that regular and appropriate risk management briefings are made to Cabinet Members
- Ensures that risk is an integral element of decision making
- Ensures that an appropriate level of awareness and skills training is available to Officers and Members
- Identifies and manages risks at departmental level
- Monitors and manages strategic and significant risks, ensuring improvement plans are adequate and managed effectively
- Monitors the less significant risks and ensures they are being actively managed with appropriate controls in place and working effectively

Corporate Governance Board (CGB)

The CGB has responsibility for risk management. Specific terms of reference are to:

- Implement and drive policies on risk across the Council
- Ensure the Risk Management Policy is regularly reviewed
- Encourage a holistic approach to identifying and management of risks at departmental level
- Monitor and manage strategic and significant risks and ensure improvement plans are adequate and managed effectively
- Oversee service risks and ensure they are being actively managed with appropriate controls in place and working effectively
- Support a framework of corporate controls to manage risks across the Council
- Maintain an issues log of potential risks
- Regularly report and offer appropriate assurance on management of risks within the Council
- Prompt the Strategic Leadership Team annually to review strategic risk and issues and to review the Council's risk tolerance level

Business Management Team (BMT)

- Has responsibility for the identification, assessment, management and control of all risks arising out of the activities, assets and resources under their authority
- Documents risk assessment and controls i.e. maintain their Service Risk Register
- Ensures that risk, including project and procurement risk, is effectively managed within their departments and across service areas as a whole.
- Regularly reviews and reports on risks as part of the business review and monitoring process
- Identifies partnership and contract arrangements where the risk is shared and ensures that these are managed appropriately
- Provides information to the Insurance Officer on new assets liabilities, significant risks and other matters on request to enable the insurance programme to be put in place and maintained
- Provides information to the Insurance Officer on risk incidents, accidents and losses so that any insurance claim may be made and post-incident analysis carried out

Staff	<p>Project Managers</p> <ul style="list-style-type: none"> • Identify and assess risks arising from any new or proposed projects in line with the Council's Project Management Approach • Document all risks assessments and put controls in place to eliminate or reduce risks to a manageable level. • Identify partnership or contractual arrangements where the risk is shared and ensure that these are effectively managed • Escalate high project risks, where relevant, for inclusion in the Service Risk Register 	<p>Insurance</p> <p>Insurance will sometimes be an appropriate control for financial risks. The deputy Chief Executive, together with the Insurance Officer will:</p> <ul style="list-style-type: none"> • Consider how insurance should be funded • Manage the operation of any internal insurance fund • Review insurance policies and new exclusions and assess their impact on the internal insurance fund • Review the Council's insurance renewal strategy • Determine the most economic balance between self-retention and Insurance purchase 	<p>Risk Management and Performance Team</p> <ul style="list-style-type: none"> • Regularly review the risk management policy and present proposals or changes to the Corporate Governance Board • Co-ordinate and facilitate the implementation of the risk management process across the council • Consult regularly with SLT lead officers on risk management issues • Monitor risk management development and regularly report progress to the Corporate Governance Board • Monitor the Strategic and Service Risk Registers, reviewing significant risks and ensuring controls in place are adequate and effective
	<p>All Staff</p> <p>All staff have a responsibility for managing risks effectively within their own work and area of authority, and to report risks to management</p>		

Corporate Governance Board Membership

Chief Executive
Deputy Chief Executive
Executive Head of Service (Place & Environment)
Executive Head of Service (Prosperity)
Executive Head of Service (Resources)
Executive Head of Service (Community)
Executive Head of Service (People & Transformation)
Finance Manager
Customer Care Manager
Democratic and Electoral Services Manager
Strategic Lead for HR & OD
Transactional HR and System Development Manager
Risk Management and Performance Manager
Communications and Marketing Manager

Business Managers to be invited when their significant risks are being considered.

Frequency of meeting: Six-weekly.

The risk categories are neither prescriptive nor exhaustive; they however provide a framework for identifying and categorising a broad range of risks facing each service.

Strategic Risks

Strategic risks are risks to be taken into account in judgements about medium to long-term goals and objectives of the Council.

- **Political:** those associated with a failure to deliver either local or central government policy, or to meet the local administration's manifesto commitments
- **Economic:** those affecting the Council's ability to meet its financial commitments, including internal budgetary pressures, the failure to purchase adequate insurance, inadequate reserves or the consequence of investment decisions
- **Social:** those relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to deliver its objectives
- **Technological:** those associated with the Council's capacity to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the Council's ability to deliver its objectives
- **Legislative:** those associated with current or potential changes in national or European law (e.g. TUPE² Regulations, Health and Safety Regulations, Human Rights Act, Freedom of Information, Data Protection etc.)
- **Environmental:** those relating to the environmental consequences of progressing the Council's strategic objectives (e.g. energy efficiency, pollution, recycling, landfill requirements, biodiversity, emissions etc.)
- **Competitive:** those affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value
- **Customer/Citizen:** those associated with the failure to meet the current and changing needs and expectations of customers and citizens

Managing strategic risk is a core responsibility for Senior Managers in close liaison with elected Members. Strategic risk assessments should be undertaken as part of the corporate and service planning process, and as a key element of service reviews. Strategic risk assessment draws on techniques such as group assessment, brainstorming and SWOT³ or PESTLE⁴ analysis.

¹Audit commission – Worth the Risk: Improving Risk Management in Local Government

² Transfer of Undertakings (Protection of Employment) Regulations relating to the possible transfer of staff terms and conditions when in-house work is transferred to an external contractor.

³ SWOT – Strengths, Weaknesses, Opportunities and Threats

⁴ PESTLE – Political, Economic, Social, Technological, Legislative and Environmental.

Operational Risks

Operational risks are risks that managers and staff will encounter in the daily course of their work.

- **Professional:** those associated with the particular nature of each profession (e.g. social work service concerns over children at risk; housing service concerns as to the welfare of tenants)
- **Financial:** those associated with financial planning and control and the adequacy of insurance cover
- **Legal:** those related to possible breaches of legislation
- **Physical:** those related to fire, security, accident prevention and health and safety (for example, hazards/risks associated with buildings, vehicles, plant and equipment, etc.)
- **Contractual:** those associated with the failure of contractors to deliver services or products to the agreed cost and specification
- **Technological:** those relating to a reliance on operational equipment (for example, IT systems or equipment and machinery)
- **Environmental:** those relating to air, land and water pollution, noise, biodiversity (which includes the protection of habitats and wildlife), or the energy efficiency of ongoing service operations

Organisational Risks

Organisational risks relate to the reputation and tools of the Council such as people, information and corporate governance.

Risk assessment categorises risk according to impact and probability and results in a total risk score. Risks are assessed on both inherent risk level (no controls in place) and residual risk level (after controls).

Impact Criteria

Risk Level		Financial ⁵	Service	Reputation ⁶
5	Catastrophic	>£1m	Total service failure	National publicity more than 3 days. Resignation of leading Member or Chief Officer
4	Major	£500k - £1m	Serious disruption to service	National public or press interest
3	Moderate	£50-500k	Moderate disruption to service	Local public/press interest
2	Minor	£5k-£50k	Some minor impact on service	Contained within service
1	Insignificant	<£5k	Annoyance but does not disrupt service	Contained within business unit

N.B: The overall score should be weighted in favour of the highest score in either financial, service or reputational impact. This will include health and safety considerations under ‘reputation’.

Probability Criteria

Risk level		Description
5	Highly probable	Expected to occur in most circumstances (>80%)
4	Probable	Will probably occur in most circumstances (>50% to 80%)
3	Likely	Fairly likely to occur (>20%-50%)
2	Possible	Could occur at some time >(5%-20%)
1	Remote	May occur only in exceptional circumstances (0%-5%)

The scores are calculated as follows to make up the total risk score:

Total risk score = Impact x probability

⁵ Includes costs of litigation, claims or fines

⁶ Include consideration of fatality/injury to persons linked to the Council’s activities. For example, 5=fatality, 4=major injury/permanent disablement, 3=severe injury, 4=minor injury to several people, 5=minor injury to individual

The Risk Management Assurance Framework aims to give the Council assurances that controls defined for all significant risks and for those risks included in the Strategic Risk Register are in place and operate effectively.

A risk appetite is defined for each strategic risk. Controls will be assessed for their effectiveness by the Risk Management and Performance Team during the quarterly review of risk registers.

A gap in assurance will be deemed to exist where there is no evidence that there are controls in place, or that they are effective. Whenever a gap in assurance is identified, an action must immediately be put in place and allocated to an owner.

Where controls exist, levels of assurance will be attributed to them during the review process. Levels of assurance to be applied are:

Assurance Level	Details
Level 1: None	There is no evidence to support the effectiveness of the control and/or based on evidence the control is completely ineffective
Level 2: Limited	The control is appropriately designed, however it is not consistently applied resulting in it being ineffective and inefficient
Level 3: Adequate	The control is working effectively but there is scope for improvement to make it more efficient to reduce the cost of mitigation
Level 4: Substantial	The control is working effectively and efficiently

The Council aims to obtain an assurance level 3 in all cases, depending on the severity of the risk in terms of impact on the Council. A substantial level of assurance needs to be obtained for risks with higher impact, as determined by management.