RISK MANAGEMENT STRATEGY & FRAMEWORK

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1 A NEW CONTEXT FOR RISK MANAGEMENT

1.1 Introduction

Risk Management is an important part of how Gedling Borough Council achieves its priorities. The Council proactively manages its risks, and this allows it to not only manage current priorities, but to also meet future challenges.

The purpose of this Strategy and Framework is to define how risks will be managed by the Council. It provides guidance on the processes, procedures, roles and responsibilities for risk, and it sets out the context on how risks are managed.

1.2 The Benefits of Risk Management

In addition to the regulatory requirement for risk management and the need to safeguard the Council's assets, an effective risk management framework has a number of benefits:

- Greater assurance to stakeholders by mapping the key challenges facing the Council, and the corresponding mitigating controls and action plans;
- Better decision making by providing Members and managers with a better understanding of the impact of the decisions they make;
- Better use of resources by prioritising them towards greatest opportunity and/or risk, as well as investing in controls that will have the greatest impact, and discontinuing those where the impact is low; and
- Improved innovation by articulating the opportunities and risks in relation to new projects, and thus allow staff to take measured risk.

1.3 The Need for a Risk Management Strategy

In the current economic climate, with severe pressures on funding for services and the need for greater efficiencies whilst improving services, means that sound corporate governance and good decision-making are paramount. Risk Management is an integral part of corporate governance and can be used as a tool which can assist the Council in meeting its key priorities.

2 THE COUNCIL APPROACH

2.1 Council Risk Management Philosophy

Gedling Borough Council recognises that it is a feature of successful organisations that they progress through innovation and the willingness to change. While mindful of the tight financial constraints upon the public purse, it is the intention of the Council to continuously improve and to deliver better value for money.

This requires the adoption of new ways of working and the development of a culture in which both officers and Members are risk aware, and officers are enabled to take measured risks in the context of wider commercialisation objectives. The Council looks to engender a corporate readiness to take measured risks but only when justified and with a detailed knowledge and understanding of their possible impact upon the Council, its reputation, its assets, its stakeholders and the community it serves. It will apply this philosophy both to the services it delivers directly, and to those delivered in partnership with others.

2.2 Essential Principles of Successful Risk Management:

Successful risk management:

- Creates and protects value;
- Is integral to organisational processes;
- Is a key part of decision making;
- Explicitly addresses uncertainty leading to improved resilience;
- Is systematic, structured and timely;
- Is based on best available information;
- Is tailored rather than prescriptive;
- Takes account of human and cultural factors;
- Is transparent and inclusive;
- Is dynamic, iterative and responsive to change;
- Facilitates continued improvement of the organisation.

2.3 Risk Policy Statement

The Council promotes continuous improvement and strives to be efficient and effective in all areas of service delivery. This requires the adoption of new ways of working and a willingness to change which sometimes has risks associated with it.

The Council needs to ensure that such risks are only taken when justified, and with a detailed knowledge and understanding of the possible impact upon the Council, its reputation, its assets, its stakeholders and the community. Through this culture of risk awareness and progressive improvement, risk management will increase the success of the Council in delivering best outcomes for the people of Gedling.

The Council strives for the highest standards of corporate governance and recognises risk management as a key component of its governance and assurance framework. It is a requirement of the Council that its key proposals and objectives are examined to consider the potential risks to their achievement. This will involve systematic risk identification and analysis of both strategic and operational risks, as well as any risks arising from the delivery of Council objectives through partnership working.

The Council accepts its legal and moral duties in taking informed decisions about how best to control

and minimise the downside of risk, whilst still maximising opportunity and benefiting from positive risks. The Council will ensure that Members and Officers understand their responsibility to identify risks and their possible consequences.

2.4 Purpose of Risk Management Strategy

The purpose of the Strategy is to embed risk management in the Council by establishing a risk management framework that provides:

- An efficient control environment;
- The overt allocation of accountability for risk management throughout the organisation;
- A well-established risk assessment process;
- Performance monitoring of risk management activity;
- Communications process to support risk management.

2.5 Definition and Scope of Risk Management

The Council has adopted the Audit Commission's definition of risk and risk management as contained in its paper *"Worth the risk: improving risk management in local government":*

"Risk is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and successfully execute its strategies. Risk management is the process by which risks are identified, evaluated and controlled. It is a key element of the framework of governance together with community focus, structures and processes, standards of conduct, and service delivery arrangements."

The overall process of managing risk can be divided into:

- Risk assessment, which includes the identification, estimation and evaluation of the risks;
- Risk management that encompasses the planning, monitoring and controlling activities based on the information derived from risk assessment.

2.6 Objectives of Strategic Risk Management

The objectives of Risk Management across the Council are as follows:

- To anticipate barriers to Council progress;
- To enable and ensure analysis of issues, and to provide a response to future uncertainty;
- To facilitate shared understanding of vulnerabilities, opportunities and risks;
- To strengthen the basis of decision making across the Council;
- To provide a means of prioritising Council risks for action;
- To provide a means of escalating key risks to the appropriate level for action;
- To make explicit the ownership of risks, control measures and actions needed;
- To provide mechanisms for regular updating and monitoring of risks, controls and actions;
- To ensure that all strategic and operational risks and opportunities are identified and appropriately quantified;
- To identify appropriate and economic strategies and actions to mitigate risks;
- To integrate risk management into the culture of the Council;
- To raise awareness of the need for risk management by all those connected with the Council's delivery of services.

The Council's approach to risk management, which underpins the Strategy, and provides a vision of what the Council is aiming for, is summarised below:

Risk management is not simply a compliance issue, but rather a way of viewing our operations

with a significant impact on long-term viability. It is critical to success, and is a focal point for senior management and Members. It helps the Council to demonstrate openness, integrity, and accountability in all of its dealings.

The emphasis is on sound decision making – being risk aware rather than risk averse, and on taking advantage of opportunities.

2.7 Links to the Governance Agenda and the Constitution of the Council

Risk management is noted as one of the key pillars of good decision making and therefore a crucial element of good governance. It is a specific responsibility within the role of the Section 151 Officer and is a formal requirement for partnership working.

Risk management and the monitoring of its development and operation are included in the terms of reference for the Audit Committee, and the implications of risk are considered when reporting to the decision-making bodies of the Council.

3 RISK METHODOLOGY

3.1 Introduction to Risk Methodology

Successful delivery of Risk Management across the Council requires a number of elements. One of these is a professional and consistent approach to the identification and examination of risks – the ***Risk Assessment Cycle***.

A second is a cycle of activity which will ensure systematic review of the actions needed and the actions taken in respect of these risks, as well as the identification of new and emerging risks – the ***Risk Management Cycle***. This includes requirements for the monitoring and communication of risks to elected Members of the Council. The focus and intention behind both systems is to change behaviour and ensure action is taken to maintain and strengthen control measures.

There is also a third dimension to this methodology which falls at the level of strategic governance. This is the overall review cycle of the entire framework for Risk Management in the context of assurance and governance.

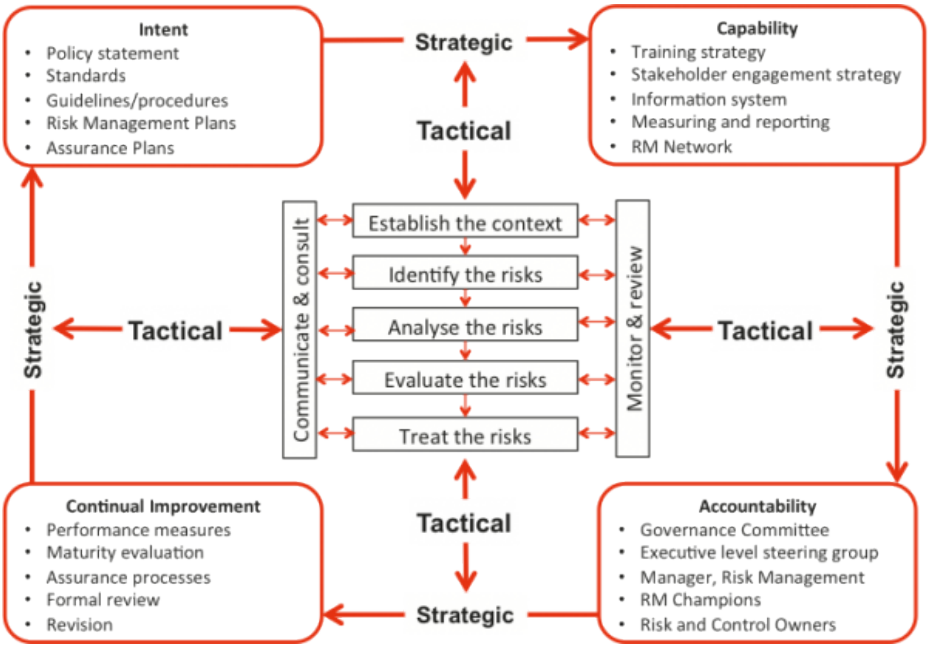
3.2 The Risk Assessment Cycle

The system of risk assessment, which the Council has used previously, is still recognised as best practice and remains the Council's preferred approach.

The main stages of this methodology are:

- Establish the risk context;
- Risk identification;
- Risk analysis;
- Risk scoring (evaluation and prioritisation);
- Risk treatment.

They are considered in more detail in Appendix 3 but are also shown in the diagram which follows and are referred to below.



3.3 Sources of Risk and Risk Identification

Risks derive from all areas of activity and are integral to business planning. They are often linked to uncertainty and can relate as much to potential opportunity as to downside risk. Among the key sources for identification of new and emerging risks are:

- The Gedling Plan;
- Partnerships Register;
- Service risks as identified in service plans;
- Project risks;
- Audit and other inspection reports;
- The Council's Assurance Framework and Annual Governance Statement

These areas will reveal strategic and operational risks. Some specific areas have separate and dedicated arrangements for risk assessment e.g. health and safety risk assessments.

It is important to ensure that risk review is a regular part of assurance mechanisms in any partnership, especially where partners are responsible for delivery, but the Council remains the accountable body. The Partnership Register is an integral part of this approach, and responsible managers must ensure that up-to date listings and assessments of risk to the Council from these partnerships are maintained. In addition when entering a partnership it is critical that the partners fully articulate who is responsible for each risk identified.

All major projects will need to carry their own risk registers. Any risks which are identified as carrying a 'red' priority risk to the Council must also be recorded in the Council's Corporate Risk Register.

3.4 Analysis, Evaluation and Action

While Risk Management is not a science, its methods are designed to introduce consistency of approach and to enable comparison of risks in different parts of the Council. This is achieved by evaluating all risks against defined criteria in respect of their impact on the Council. They are also evaluated for the likelihood of their happening. These two dimensions must each be given a score.

A preliminary review of risks should be undertaken to decide whether a more structured assessment is needed. For significant risks, an analysis should be made of the risk at each of three stages. Firstly, if no controls were in place (***Raw Risk***), secondly for the current position (***Current Risk***), and finally for the future, when all intended actions have been successfully completed (***Target Risk***). The scoring for the current or target risk will demonstrate the importance of the risk to the Council, and this is reflected by a score on the risk matrix. This priority score (A1 to E5) is the key to the next steps mentioned below. (See Appendix 4).

3.5 Council Appetite for Risk

Different groups of decision makers will have differing risk attitudes. Indeed the same group may be more or less risk averse on different occasions. The three bands of priority adopted by the Council (red, amber, and green) are designed to overcome this and to make strategic risk analysis more objective. This also means that all levels of risk receive some level of attention. This contrasts with other models which define a threshold for action but fail to monitor those below, though they may show threatening characteristics.

3.6 Priority, Action and Escalation

A purpose of risk management is to inform decision making and future action. The risk assessment system provides a means of filtering and prioritising risks according to their current importance to the Council. Paragraphs 3.4 and 3.5 refer to the classification of risk status with a priority score of A1 to E5 being placed into a scoring band of red, amber, or green. The action grid below should be used to determine at what level of management the risk should be driven.

All corporate risks are detailed in Appendix 6 and these are to be managed by a member of the Senior Leadership Team. For directorate risks, this action grid provides a mechanism for escalation whereby any 'red' and 'amber' risks are to be discussed at each Directorate Management Team meeting, and in some circumstances will be considered worthy of being brought to the attention of the Corporate Risk Management Group.

PRIORITY	ACTION LEVEL
Red	Senior Leadership Team priority monitored by the Corporate Risk Management Group.
Amber	Director/Service Manager Team priority with certain risks being monitored by the Corporate Risk Management Group.
Green	Service Manager risk requiring action, monitoring, and review.

3.7 Action That Needs to be Taken

The action that needs to be taken is as follows:

- **Members** – Cabinet Members to be aware of the key risks within their portfolio services, and within any projects and/or partnership working they represent the Council's interest on. Requesting sight of risk registers as appropriate, and challenging the robustness of risk assessments in reports. Audit Committee Members should review and challenge progress with addressing risks recorded on the Corporate Risk Register.

- **Corporate Risk Management Group** to receive the updated corporate risk register, and review the effectiveness of actions put in place by Directors and Service Managers to manage corporate risks on a quarterly basis. To nominate new risks, amendments and deletions to the corporate risk register as appropriate. The Corporate Risk Management Group will be made up of the Senior Leadership Team and the Service Manager - Financial Services, with specific invites to others as and when required.

- **Directors and Service Managers** to:

  - Embed risk management throughout the directorate. This includes the process of reporting or nominating risks and opportunities arising from business transformation activities and those identified by services in the service/directorate risk register;
  - Ensure that risk management has been explicitly considered in framing Service Plans;
  - Review and update their service/directorate risk registers at least quarterly. Directorate risk registers are to include the corporate risks, where appropriate;
  - Feed new key risks identified and opportunities, such as from projects, partnership working and business transformation to the Corporate Risk Management Group;
  - Delete risks that are no longer relevant or are adequately controlled;
  - Comply with any additional requirements as set out in the Financial Regulations.

- **Team Managers/ Team Leaders** to monitor the effectiveness of risk management actions in place. To provide assurance that systems and controls are consistently applied and are

operating effectively to mitigate risk and assist in the achievement of service outcomes using control risk self-assessment. To report on progress to Directors / Service Managers as relevant, at least quarterly.

3.8 Risk Treatment

The most important part of the risk process is the resulting decisions and actions, and this will become an increasing focus of the Council. The risk analysis will identify actions required as well as target deadlines. However, overall responsibility for progress falls to the risk owner.

At all levels, risks may be addressed by a variety of means. These include:

- Terminate – risk avoidance by doing something different and eliminating the risk;
- Transfer – risk sharing either totally or in part;
- Tolerate – accept the risk as it is, perhaps because of the cost of remedy;
- Treat – risk control or reduction.

In some circumstances, a risk may mature at a lower level than was envisaged, in which case an opportunity may arise. There are four basic ways of treating an opportunity risk, which are:

- Enhance – seek to increase the likelihood and/or the impact of the opportunity in order to maximise the benefit;
- Ignore – minor opportunities can be ignored by adopting a reactive approach without taking any explicit actions;
- Share – seek a partner/stakeholder able to manage the opportunity, which can maximise the likelihood of it happening and increase the potential benefits;
- Exploit – seek to make the opportunity definitely happen by adopting aggressive measures to ensure the benefits from the opportunity are realised.

Where risk control or reduction is required, focus should be given to both the impact and the likelihood of the risk. All actions should be taken within the context of the likely cost of the actions required to reduce the risk. The anticipated level of risk the Council is prepared to accept taking into account the implementation of the actions identified is shown as the ***Target Risk***. This Target Risk will vary depending upon the risk appetite.

4 THE RISK MANAGEMENT CYCLE

4.1 The Council Risk Register

The Council will maintain an electronic risk register that is accessible by all Directors and Service Managers. It is important that the risk register is kept relevant and accurately reflects the current risks faced by the Council in achieving its objectives. It is used for reporting and monitoring of risks at a variety of levels, aligned to the directorate structure of the Council. It is overseen by the Audit Committee, who will also maintain evaluations of Council-wide and confidential risks.

A similar electronic Directorate Risk Register will be created for each directorate to update as necessary, but can be viewed by all to maintain a consistent approach.

4.2 The Risk Management Cycle

The risk management cycle is the flow of risks both up and down the organisation in the following steps:

- Service Manager;
- Director/Service Manager Team;
- Senior Leadership Team.

There is a requirement for an on-going review of the risk register by key decision makers, and risks will be reviewed over a three monthly cycle.

The following officers/ officer groups will be involved in the process:

- Service Managers;
- Project Managers;
- Internal Audit;
- Senior Leadership Team;
- Corporate Risk Management Group;
- The Monitoring Officer and the Section 151 Officer acting in their statutory capacity.

Elected members will be involved in the process through:

- Liaison between Officers and Portfolio Holders;
- Portfolio briefings with Directors and Service Managers;
- Leader briefings with the Chief Executive;
- Audit Committee;
- Specific briefings from the Monitoring Officer and the Section 151 Officer.

4.3 Risk in Formal Reports (Including Business Cases)

Risk assessment is to be undertaken and included within formal reports to ensure that relevant Members are made aware of key risks before decisions are made.

5 RESPONSIBILITIES

Risk Management is part of mainstream line management. It is a duty of all managers to identify risks within their areas of responsibility and to follow the procedures of Risk Management identified in this document. Responsibilities of individual Members and officers, and for groups within the Council will differ depending upon their role. These responsibilities are summarised in Appendix 2.

In summary individuals and groups are responsible for one or more of the following areas:

- Formulating the Risk Management Framework;
- Ensuring delivery and monitoring of the framework (including training);
- Identification, analysis and evaluation of risk;
- Implementation of actions;
- Review and progress monitoring.

6 NEXT STEPS

6.1 Implementation of the Framework

Key areas of focus for Risk Management over the coming months will include:

- Full integration of risk processes within Council structures;
- Improved partnership risk protocols;
- More systematic involvement of Risk Management;
- The identification of opportunity risk to prioritise and manage projects.

6.2 Training and Development

As a complementary exercise to the priorities above, there will be a need to provide training and development on risk. Changing structures and personnel will require risk training sessions for line managers, particularly for those with key parts to play in the Risk Management Framework and for Elected Members i.e. Portfolio-holders and Audit Committee Members. The precise nature and timing of the training will be dependent upon the needs of individual staff groups and the availability of resources.

6.3 Review of the Risk Management Strategy and Framework

The sections above refer to the arrangements in place for the assessment of Council risks and the means by which they will be considered and monitored. These have been referred to as the Risk Assessment Cycle and the Risk Management Cycle.

There is also a need for monitoring and review of the entire system taking account of the governance and assurance framework, and the continuing evolution of the Council. This will be undertaken on a three yearly cycle and will be prepared by the Section 151 Officer for the consideration of senior officers and the Audit Committee. It will be referred to Cabinet for approval.

APPENDIX 1

DEFINITION OF TERMS

Risk Management is defined as “co-ordinated activities to direct and control an organisation with regard to risk”.

A **Risk** is the effect of uncertainty on objectives, and provides for both positive and negative consequences of risk.

A **Risk Owner** is a person with the accountability and authority to manage a risk.

Risk Attitude is the manner of the organisation’s approach to assess and eventually pursue, retain, take or turn away from risk.

Risk Appetite refers to the amount and type of risk that an organisation is prepared to pursue, retain or take.

Risk Management Policy is the statement of the overall intentions and direction of an organisation related to risk management.

Opportunity Risk is the risk that a better opportunity may present itself after an irreversible decision has been made.

Corporate risks are associated with the achievement of corporate objectives. They will include new initiatives, as well as the development of current services.

Operational risks are associated with ongoing procedures and systems. This includes systems such as creditor payments, human resources and information management.

Project risks are associated with the successful completion of a project in order to deliver its strategic and operational objectives. Project risk may occur with the delivery of a new service, the introduction of new systems, or significant changes to new systems. They will be short term in comparison to strategic and operational risks, with the strategic and operational risk elements moving into the appropriate risk areas on project completion.

APPENDIX 2

RISK MANAGEMENT ROLES AND RESPONSIBILITIES

Role	Responsibilities in relation to Risk Management	Formulating the Risk Management Framework	Ensuring Delivery and Monitoring of the Framework	Identification, Analysis and Evaluation of Risk	Implementation of Actions	Review and Progress Monitoring
Team Managers/ Team Leaders	Identify and monitor implementation of key risks within their individual services. Ensure issues are included in the risk register and that there is appropriate escalation of serious risks. Maintain a live and up to date risk register.			*	*	
Project Managers	Identify and monitor implementation of key risks within their individual projects. Ensure issues are included in the risk register and that there is appropriate escalation of serious risks. Maintain a live and up to date risk register.			*	*	
Internal Audit	Delivery of risk based audit plan and identification of key risks through audit assignments.		*	*		*
Insurance	Identify and implement appropriate and economic insurance arrangements to minimise insurable risk exposure.			*	*	*
Service Managers	Deliver risk management framework and identify and monitor implementation of key risks within their own service area.		*	*	*	*
Directors	Deliver risk management framework and identify and monitor implementation of key risks within their own directorate. Scans for new risks to the Council, and give a view of the medium and long-term risks.	*	*	*	*	*
Corporate Risk Management Group	Formulate the risk management framework, identify and monitor implementation of key risks, embed risk management principles into their own directorate operations.	*	*	*	*	*
Monitoring Officer and Section 151 Officer	Ensure appropriate risk management activity is undertaken within the Council.	*	*			*
Chief Executive	Leads on the wider corporate governance agenda of which risk management is a part. Ensure appropriate risk management activity is undertaken within the Council.	*	*			*
Portfolio Holders	Understanding and enabling informed risk within their portfolio areas.	*	*			*
Audit Committee	Provide independent assurance to the Council with regard to the effectiveness of the risk management framework and the associated control environment. Monitoring the framework and implementation of actions.	*	*			*
Leader of the Council	Demonstrate the Council's commitment to risk management by being the Member Risk Champion.	*	*			

APPENDIX 3

RISK MANAGEMENT METHODOLOGY

Purpose and Format

This corporate risk assessment methodology is designed to ensure consistent methods of risk identification and analysis across the Council, and to ensure that risks in one part of the organisation are measured consistently with those in another. It requires a level of analysis which ensures that the underlying risk is properly understood and any reliance on control measures is documented.

The Council maintains an electronic risk register that is administered and managed by Financial Services.

Risk Identification

Risks will be considered under the major type headings of 'Strategic', 'Operational', 'Partnership' and 'Project' and within those under the broad categories:

- Financial
- People
- Assets
- Legal
- Customer & Reputation
- External Environment

Risks must be carefully described to ensure they cannot be confused with others. They should be identified in respect of the risk rather than the issue, and where possible the dimensions of the risk in terms of the value of impact of the Lead Risk. Timescale impact and service implications should also be described. Strategic Risks in particular should specify the impact upon the community associated with the risk. The name of the risk owner/assessor must also be included.

Risk Analysis

Good risk management is about the identification of key strategic risks that the organisation may face, and the effective management of those risks by taken action to mitigate or lessen the impact of those risks should they occur. This approach seeks to map the flow of information from the initial identification of risks, and to assess the suitability of controls that already exist, through to the development of an action plan to further mitigate those risks to the Council.

The Corporate Risk Register has two key sections: Part 1 is the Summary of all risks, and Part 2 is the detailed analysis of each individual risk. Explanations of the various facets of the Corporate Risk Register are explained below:

Risk Summary:

- Risk Number – this is a unique number attached to each risk. This will remain in the system even if it is managed down to acceptable levels. This is because some risks may be volatile and may move between each level over time.

- Risk Description – this describes the identified risk.

- Commentary and Rationale – this explains what the trigger is for that risk, what the vulnerability is i.e. why it was initially considered a risk.

- Key Risk Driver – this describes the type of risk, and what the value of that potential risk is perceived to be. These are further explained with examples in Appendix 5.

- Raw Risk – this is the 'worst case scenario' if the Council just let things happen without any intervention.

- Current Risk – this is the officers' current assessment of the risk having considered the controls that the Council already has in place to mitigate that risk. It is Members' responsibility to accept or challenge this position at the meeting.

- Target Risk – this is the residual risk i.e. the best position the Council can get to once all prevention measures are put in place. These cannot always be reduced to a 'green' level.

- Corporate Risk Owner – this is the name of the Manager who is ultimately responsible for managing the identified risk. It is most likely that below this level some responsibilities for further actions will be delegated to other officers, but it is still the Corporate Risk Owner's responsibility to ensure that all actions are delivered on time.

Detailed Risk:

- Controls in Place – these are the officers' opinion of control measures that are already in place and active within the Council, which will assist with the prevention of these risks occurring, or at the very least will reduce their potential impact.

- Further Action – this is a list of further measures that could be taken to reduce the perceived risk (however it should be noted that some measures could be so costly that it is better to accept the risk).

- Progress with Action – this is where completed actions will be recorded before registering them under 'Controls in Place'.

- Completion Responsibility – the delegated officer who has responsibility for implementing the identified action.

- Completion Target Date – the date that it is envisaged that the action will be implemented.

- Completion Revised Date – to be used to identify slippage in the completion date. This should be monitored accordingly by the Audit Committee.

Risk Scoring

The purpose of risk scoring is to provide a means of consistent comparison between risks in different parts of the Council. This will assist in monitoring the progress of risk management and

will inform decision making and the allocation of resources. In order for this to be effective it is important to remember when scoring risks that it is the ***risk to the authority*** which should be scored. Some project and partnerships may maintain their own risk log, indicating risks to the project. This does not replace the need for assessment of the corporate risk attached to the project or partnership.

There are two dimensions to consider at each stage of risk assessment: the impact or the potential for harm, and the likelihood or probability of the risk occurring. The "Risk Scoring Assessment Matrix" is attached at Appendix 5 and sets down the Council wide criteria to be applied. The highest score in any column must be utilised as the impact score.

Risk Action Levels - Risk Appetite

Mapping the impact against the likelihood of a risk can be used to demonstrate the progression of risk from Raw to Current to Target Risk. It can also be used to indicate the overall position of an issue by charting all of the current residual risks for a project or partnership. The Council's "Risk Management Scoring Matrix" is attached at Appendix 4.

The readiness to accept risk – or risk appetite – varies between individuals and groups. For purposes of consistency the Council determines action levels according to their priority level, represented by the 25 priority scores that range from A1 to E5 on the Risk Management Scoring Matrix.

Risk Register

Significant risks requiring action must be entered into the Corporate Risk Register and updated at the Corporate Risk Management Group meetings not less frequently than quarterly. Each risk will require an identified owner. The register will be an active document but the position after each quarterly meeting will be retained.

Risk Treatment

It will fall to line managers to manage risks in accordance with their strategic and operational responsibilities in the normal way. The options for risk treatment are referred to above under the Risk Management Framework.

APPENDIX 4

RISK MANAGEMENT SCORING MATRIX

LIKELIHOOD							
	Very High	**E**	GREEN	AMBER	RED	RED	RED
	High	**D**	GREEN	AMBER	RED	RED	RED
	Significant	**C**	GREEN	AMBER	AMBER	RED	RED
	Low	**B**	GREEN	GREEN	AMBER	AMBER	AMBER
	Very Low	**A**	GREEN	GREEN	GREEN	GREEN	GREEN
			1	**2**	**3**	**4**	**5**
			Negligible	**Minor**	**Serious**	**Major**	**Critical**
			IMPACT				

Council Ownership of Current Risk:

Red	Senior Leadership Team
Amber	Director/Service Manager Team
Green	Service Manager

APPENDIX 5

RISK SCORING ASSESSMENT MATRIX

The definitions below provide guidance as to what is meant by both likelihood and impact. Using this table will aid consistency.

	IMPACT				
	Negligible	**Minor**	**Serious**	**Major**	**Critical**
Financial Impact	£0 - £10k	£10k - £50k	£50k - £500k	£500k - £1M	£1M+
Service Provision	No effect	Slightly reduced	Significant elements of a service suspended/ reduced	Service suspended short term / reduced	Service suspended long term, statutory duties not delivered
Health & Safety	Sticking plaster/ first aider	Broken bones/ illness	Multiple injuries / illness	Loss of life / major illness	Major loss of life / large scale major illness
Objectives		Objectives of one section not met	Service objectives not met	Directorate objectives not met	Corporate objectives not met
Morale		Some hostile relationship and minor non co-operation	Major non co-operation	Industrial action	Mass staff leaving / unable to attract staff
Reputation	No media attention/ minor letters	Adverse local media	Adverse regional publicity	Adverse national publicity	Remembered for years!!
Government relations		Poor assessment	More than one poor assessment	Service taken over temporarily	Service taken over permanently

	LIKELIHOOD				
	Very Low	**Low**	**Significant**	**High**	**Very High**
Probability	< 10%	10% to 35%	35% to 65%	65% to 90%	> 90%
Timing	Next ten years	Next year to five years	Next 12 months	Next 6 months	Next week / this month

APPENDIX 6

RISK CATEGORIES

Risk Category	Corporate Risk	Definition	Examples
FINANCIAL	Failure to prevent budget overheating once the budget has been set	Shorter term implications of overspending budgets or not collecting as much income as forecasted. This can cause adverse impact on Council balances.	Identified via budget monitoring and can be caused by inaccurate forecasting, incorrect assumptions on inflation, interest rates etc.
FINANCIAL	Failure to maintain financial integrity	Affecting the ability of the Council to meet its financial commitments in the longer term.	Not meeting budget reduction targets, additional cuts in central government grants, council tax increases, and incorrect assumptions.
PEOPLE	Failure to protect staff, including health & safety issues	Ineffective systems, processes and equipment that can present danger to individuals or groups of employees.	Outdated or dangerous equipment, protective clothing, use and storage of chemicals, lack of training, risk assessments.
PEOPLE	Failure to recruit and retain staff, and maintaining internal capacity	Associated with the particular nature of each profession, internal protocols, managerial abilities, and sickness levels.	Staff restructures, key personalities, pay and grading systems, sickness profiles, stress levels, turnover, age profile and succession planning.
ASSETS	Failure to properly utilise existing ICT, react to technology changes, and prevent data loss	The capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. Challenges over the security, storage and retention of both electronic and manual records, and data.	E-Government agenda, IT infrastructure, Service needs, security standards, cyber-attacks, data protection.
ASSETS	Failure to protect & utilise physical assets	Buildings that are fit for purpose, safe, secure, and meet legislative requirements for fire, asbestos, and water-testing. Land, buildings and other assets to be recorded on a database.	Systems, processes and records to identify issues, regular fire and water-testing, asset registers, condition surveys, accommodation and asset management strategies.
LEGAL	Failure to react to changes in legislation	Associated with current or potential changes in national or European law which can lead to possible breaches of legislation. Assessing the wider implications of new legislation on both the Council and its residents.	Incorrect actions leading to legal challenge. Human rights and equality issues, TUPE etc.

LEGAL	Failure of contractors or partnership arrangements - contractual breaches	Associated with the failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification.	Downturns in the economy place additional pressures on partners, suppliers and contractors. This can lead to business closure or defaults. Relates to critical suppliers of fuel, ICT and energy, adequate contingency plans, business continuity plans. 3rd sector partners are also facing financial difficulties and may no longer be able to provide services on behalf of the council.
LEGAL	Inability to defend one-off challenges to a council decision or new compensation trend emerges	Councils are increasingly vulnerable to judicial reviews and new compensation claims.	Decisions around planning, land charges, insurance claims etc.
CUSTOMER & REPUTATION	Failure to maintain service standards, customer satisfaction, and/or meet customer expectations	Related to channel shift to more digital on-line services but retaining the availability of face-to-face services. Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value.	Fail to win quality accreditations, recognition, consultation, and market competitiveness for trading services.
CUSTOMER & REPUTATION	Failure to prevent damage to the Council's reputation	Related to the Council's reaction to a specific event or issue, or generally a downturn in quality of service.	Council's response to a high profile event, failure to deliver on local policy or political manifesto commitment.
EXTERNAL ENVIRONMENT	Failure to react to an environmental incident or malicious act	Council reaction to a natural occurrence e.g. widespread flooding, or other events such as fire and explosions.	Emergency planning, coordination with partners, financial assistance.
EXTERNAL ENVIRONMENT	Failure to react to socio-economic trends	Relating to the effects of changes in demographic, residential, or socio-economic trends on the Council's ability to meet its objectives.	Ageing population, employment opportunities, poverty indicators, and health and wellbeing services.