



Risk Management Framework
November 2018

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1. Introduction

The purpose of the risk management framework is to define how risks and opportunities will be handled within Charnwood District Council. The framework provides information on roles and responsibilities, processes and procedures. It sets the context for the management of risks and defines how they will be identified, assessed, managed and reviewed.

The Council has a clear framework and process for identifying, assessing, managing / controlling, reviewing and reporting of its risks. The leadership, roles and responsibilities are defined for managing those risks. Some groups or individuals will have a specific leadership role or responsibility for risk management and this detail is set out in Section 2.

The Council expects all of its employees, officers and Councillors to have a level of understanding of how risks and opportunities could affect the performance of the Council and to regard the management of those risks / opportunities as part of their everyday activities. This could be the management of strategic risks (those risks that need to be taken into account when making judgements about medium and long-term goals), or operational risks that managers and staff will encounter in the daily course of their work.

The Council has a four-step process for identifying, assessing, managing and controlling and reviewing risk (See Figure 1, page 5). This is a continuous process and integrates with performance management. The Council has agreed criteria by which to judge the likelihood and impact of risks, effectiveness of control measures and required levels of management of residual risks.

2. Leadership, roles & responsibilities

- | | |
|--|---|
| The Cabinet | <ul style="list-style-type: none">• Approve the Council's Risk Management Strategy and Framework and Strategic Risk Register• Consider risk management implications when making decisions• Agree an appropriate response to the Council's highest risks• Receive an annual report on risk management |
| Audit Committee | <ul style="list-style-type: none">• To maintain an independent oversight of risk management issues• To undertake reviews of specific areas of risk management activity or initiatives where required• To consider the effectiveness of the implementation of the risk management strategy• To review and approve the Council's Annual Governance Statement |
| The Officer Risk Champion (Head | <ul style="list-style-type: none">• To be responsible for the oversight of the risk management activities of the Council |

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of Strategic Support)

- To provide the Cabinet and Audit Committee with assurance that the Council's corporate business risks are being actively and appropriately managed.

Senior Management Team

- To oversee the corporate approach to risk management
- To identify, assess and capture improved performance and value for money through risk and opportunity management
- To ensure that a robust framework is in place to identify, monitor and manage the Council's strategic risks and opportunities
- To demonstrate commitment to the embedding of risk management across the organisation

Risk Management Group (Corporate Management Team)

- To raise the awareness of risk management issues and promote a risk management culture across the organisation
- To create a forum for discussion and a focal point for risk management
- To assess strategic risks and opportunities identified by the Authority
- To review and keep up to date the strategic risk register
- To ensure that the most appropriate and cost effective measures are adopted to avoid, minimise and control those risks in accordance with 'Best Value' principles
- To develop good risk management practices within the Council
- To encourage the development of contingency plans

Heads of Service

- To identify and assess new risks and opportunities
- To include Risk Management as an Agenda item at team meetings
- To maintain the Council's operational risk registers in relation to their areas of responsibility, identifying and reporting upwards any significant risk management issues affecting their service area
- To ensure compliance with corporate and service risk management standards
- To ensure that all service deliverers (employees, volunteers, contractors and partners) are made aware of their responsibility for risk management and the mechanisms for feeding concerns into the Council's risk management process
- To ensure that an effective framework is in place to manage risks faced by the service
- To identify and analyse risks for impact and likelihood and introduce risk control measures
- To identify initiatives that could reduce the impact and/or likelihood of risks occurring
- To identify initiatives that could increase the likelihood of an opportunity being realised

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- To ensure that risk register entries and controls are accurate and up to date
- To monitor the progress of planned actions on a quarterly basis to ensure that aims are achieved
- To report quarterly to their Director on the progress of risk management action plans and any new risks identified
- To communicate the risk process to all staff and ensure they are aware of their responsibilities

Team Risk Owners (if other than Head of Service)

- To have responsibility for the management of risk within their area, including the implementation of action plans
- To include Risk Management as an Agenda item at team meetings
- To review each risk at least quarterly and report to the Head of Service and/or Director, identifying any changes in circumstances or factors around the risk
- To communicate the risk process to staff in their section and to ensure that they are aware of their responsibilities

Audit & Risk Manager and Insurance Officer

- To provide facilitation, training and support to promote an embedded proactive risk management culture throughout the Council
- To provide facilitation, training and support to Members
- To assist services in identifying, analysing and controlling the risks that they encounter
- To ensure that risk management records and procedures are properly maintained and that clear audit trails exist in order to ensure openness and accountability
- To provide risk management advice & support to Strategic Directors, Heads of Service, risk owners and service teams
- To develop means of best practice in risk management by reference to risk management standards and comparisons with peer authorities
- To address internal audit recommendations
- To keep SMT and the Head of Strategic Support fully briefed on the Council's top risks and any other risk issues as appropriate
- To liaise with internal and external audit / Insurers / Health & Safety / Emergency Planning
- To liaise with external consultants and risk management organisations to promote and maintain best practice within the Council
- To ensure the timely purchase of adequate insurance for the transfer of risk

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All Employees

- Within their given area of responsibility and work, to have an understanding of risks and regard their management as part of their everyday activities, including the identification and reporting of risks and opportunities which could affect the Council
- To carry out or assist with risk assessments for their areas of work
- To maintain an awareness of risk and feed this into the formal management and reporting processes
- To support and participate in risk management activities

Internal Audit

- To independently assess the Council's risk management arrangements
- To review the content and scope of the risk registers
- To review the adequacy of procedures by departments to assess, review and respond to risks
- To review the effectiveness of the Council's system of internal control
- To consider the content of the risk registers when preparing the Annual Audit Plan

3. Risk Management Process

The following four step process is fundamental to good risk management. Figure 1 below shows the four steps and the link to business objectives.

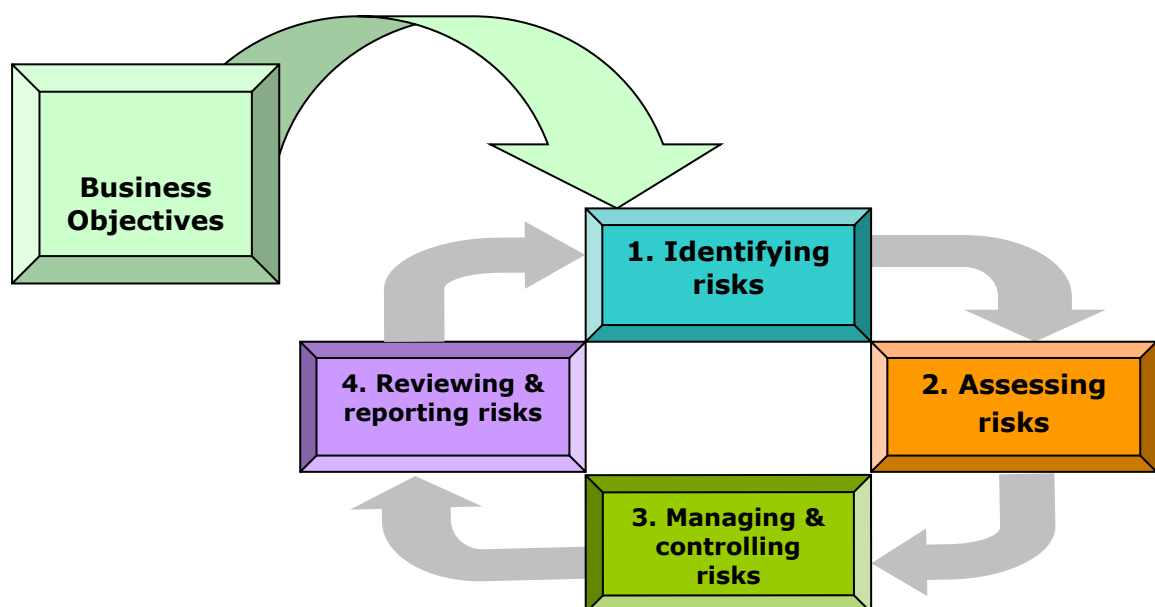


Figure 1: The four steps of the risk management cycle

Step 1: Identifying Risks

Our working definition of risk is:

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“Risk is something that may have an impact on the achievement of our objectives. This could be an opportunity as well as a threat.

Drivers of risk

The Council faces risks from both internal and external factors. Understanding this helps us to assess the level of influence we may have over the risk.

There are three parts to a risk – an **event** that has a **consequence** that leads to an **impact** on our objectives - and it can be measured by estimating the **likelihood** of the event happening and the **impact** it may have on our objectives if it does.

It also helps to think of risk being driven by two basic categories, **Strategic** and **Operational**. At strategic levels, the focus is on identifying the key risks to successful achievements of the Council’s overall objectives. Operational risks are the risks (or opportunities) that are most likely to affect the performance and delivery of business services.

Strategic and operational risks are not mutually exclusive and a risk may escalate from one to another. They can all be driven by either external or internal factors, or a combination of both.

Identifying risk

- We need to be clear what the business objectives are;
- In the risk identification stage we are concerned with identifying events that can impact on the business objectives – **‘what could happen?’** We need to look at both the positive and the negative effect and so should also ask ourselves **‘what could happen if we don’t?’** This will help us become more confident with risk taking and exploiting opportunities. Insignificant risks can be ignored, significant risks can be planned for and the costs of taking action can be compared with the price to be paid if the adverse event occurs;
- It will help to use prompts to identify the areas of risk. Common areas are:
 - **Strategic:** doing the wrong things as an organization, missing opportunities
 - **Finance:** losing monetary resources or incurring unacceptable liabilities
 - **Reputation:** the Council’s image, loss of public confidence
 - **Political:** political embarrassment, not delivering local or national policies
 - **Partnerships:** the risks/opportunities the Council is exposed to as part of a partnership
 - **Legal / Regulatory:** claims against the Council, non-compliance
 - **Operational:** doing the right things in the wrong way (service delivery failure, targets missed). Missing business opportunities
 - **Information:** loss or inaccuracy of data, systems or reported information

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- **Customer/ citizens:** understanding their needs; delivery of services
 - **Environmental:** things outside of our control; environmental impact
 - **People:** risks associated with employees, management and Councillors.
- Using the categories above, consider the things that could prevent or hinder your team from achieving its business objectives. Try not to get too bogged down with the categories, or what risk fits under which category – they are just a general guide to aid your thinking.
 - The thoughts and ideas gathered then need to be grouped into common themes and developed into the actual risk.

Risks and issues:

Very often issues will be raised and you will need to get to the root cause i.e. what is the risk that the issue poses? An issue is a concern that cannot be avoided or maybe ongoing, whereas a risk may not actually materialise.

Risks can become issues, but issues cannot become risks.

Expressing the risks as a statement is often harder than it first seems. It may require re-thinking some basic assumptions about a situation and re-evaluating the elements that are most important. For example “lack of staff” is an issue and is not in itself a complete description. Try to externalise the issue and develop it into a risk that expresses how the issue will impact upon achievement of the Council’s strategic objectives.

Try to include those three parts to your risk **Event – Consequence – Impact.**
This will ensure that focus, and therefore action is placed on the event.

Typical risk phrasing could be

loss of...	}	leads to resulting in.....
failure of.....		
failure to...		
lack of...		
partnership with...		
development of...		

For example, Environmental Services may identify the failure of the waste collection service, e.g. due to bad weather conditions, as a risk. They develop this around **event, consequence, impact** to:

“Failure of the waste collection service due to inclement weather (the event) could lead to unacceptable delays in collecting refuse (the consequence), resulting in public health issues and loss of reputation.

Step 2: Assessing Risks

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You will now have a list of risks. The next step is to assess those risks in terms of the likelihood that they will occur and the impact if they do. This will give us an **inherent risk** score that will help us identify the most serious risks **before any controls have been applied**. Using that information we can make decisions about the significance of those risks and how or whether we should address them.

The Council has agreed criteria for the levels of likelihood and impact for risks and criteria for opportunities, shown in tables 1 and 2 below.

Consider each of the identified risks and using the criteria in the tables below, assess the risk in terms of the **likelihood** that it will occur and **impact** on the Council if it should occur.

- **Focus on the description** when assessing the level of likelihood and impact. Use the number rating to summarise the descriptive information.
- When you have assessed both the risk likelihood and impact, multiply the likelihood score by the impact score – this will give the **Inherent** risk score. This is the score we use to identify which risks are the most serious, allowing us to make decisions about the significance of those risks to the Council and how, or whether, we should address them.

Table 1: LIKELIHOOD - Description and definitions

Rating	Score	Indicative Guidelines	
		Threat	Opportunity
Very Likely	4	<ul style="list-style-type: none"> • Regular occurrence • Circumstances frequently encountered 	Favourable outcome is likely to be achieved in short term (within 1 year)
Likely	3	<ul style="list-style-type: none"> • Likely to happen at some point in the next 3 years • Circumstances occasionally encountered. 	Reasonable prospects of favourable outcome in short term (within 1 year)
Unlikely	2	<ul style="list-style-type: none"> • Only likely to happen once every 3 or more years • Circumstances rarely encountered 	Some chance of favourable outcome in medium term (up to 3 years)
Remote	1	<ul style="list-style-type: none"> • Has never happened before • Circumstance never encountered. 	Little chance of a favourable outcome in short or medium term (up to 3 years).

Table 2: IMPACT - Description and definitions

Rating	Score	Indicative Guidelines	
		Threat	Opportunity
Major	4	<ul style="list-style-type: none"> • Major loss of service for more than 5 days. 	<ul style="list-style-type: none"> • Major improvement in service delivery.

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Rating	Score	Indicative Guidelines	
		Threat	Opportunity
		<ul style="list-style-type: none"> • Severe disruption to the Council and its customers affecting the whole council. • Major financial loss > £1,000,000 • Loss of life, intervention by HSE. • National news coverage • Likely successful judicial review or legal challenge of Council decision. • Major environmental damage. 	<ul style="list-style-type: none"> • Income generation/savings >£1,000,000 • Positive national press, national award or recognition. • Noticeable widespread environmental improvements.
Serious	3	<ul style="list-style-type: none"> • Loss of service for 3 to 5 days. • Serious disruption, ability to service customers affected across several service areas of the Council. • Serious financial loss £100,000 - £999,999 • Extensive/multiple injuries, intervention by HSE • Local adverse news item/professional press item • Likely judicial review or legal challenge of service specific decision. • Serious damage to local environmental. 	<ul style="list-style-type: none"> • Noticeable improvement to customers in service delivery, quality and cost. • Income generation/savings > £100,000. • Sustained positive recognition and support from local press. • Noticeable improvement to local environment.
Significant	2	<ul style="list-style-type: none"> • Loss of service for 1 – 3 days • Noticeable disruption, some customers would be affected across a service area of the Council • High financial loss £10,000 - £100,000 • Severe injury to an individual/ several people • Local news/minor professional press item • Moderate damage to local environment 	<ul style="list-style-type: none"> • Slight improvement in internal business processes. No noticeable change in service delivery or customer service. • Income generation/savings> £10,000 • Positive support from local press • Minor improvement to local environment
Minor	1	<ul style="list-style-type: none"> • Brief disruption to service less than 1 day – minor or no loss of customer service. • Low financial loss > £10,000 • Minor/no injuries. • Minimal news/press impact. • Affects single team only. 	<ul style="list-style-type: none"> • No noticeable improvement to service delivery or internal business processes. • Income generation/savings up to £10,000 • No press coverage

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Rating	Score	Indicative Guidelines	
		Threat	Opportunity
		• Minor/no damage to local environment.	• Insignificant/no environmental improvements

- Now that the inherent risk score has been calculated, we need to plot the risks on a risk prioritisation matrix to show the level of the risks and so make decisions about the significance of those risks to the Council, and how they will be managed (see figure 2 below). This is our **risk profile**.

Likelihood	Very Likely (4)	4	8	12	16
	Likely (3)	3	6	9	12
	Unlikely (2)	2	4	6	8
	Remote (1)	1	2	3	4
		Minor (1)	Significant (2)	Serious (3)	Major (4)
OVERALL RISK RATING					
12 - 16	HIGH				
6 - 9	MODERATE				
3 - 4	LOW				
1 - 2	VERY LOW				

Figure 2: Risk Prioritisation Matrix & Risk Rating

- Risks need to be managed within the Council's risk appetite. Where the inherent risk score exceeds the Council's risk appetite for the type of risk, mitigating controls and actions need to be applied to manage the risk down to an acceptable level.
- Table 3 below sets out the level of risk deemed to be acceptable for the different risk types and the risk factors to consider for each risk type. Risks identified will often have risk factors that fall within more than one risk type, in these cases the risk type deemed to present the highest level of risk should be designated as the Primary Risk Type and this used to ascertain the risk appetite for the risk.

Table 3: Risk Appetite

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Risk Type & Definition	Risk Factors	Risk Appetite
<p>Strategic – Achievement of strategic priorities.</p>	<p>External Factors</p> <ul style="list-style-type: none"> • Political • Economic • Social • Partners <p>Strategy</p> <ul style="list-style-type: none"> • Digital Strategy • Local Plan • Communications Strategy • Commercial Strategy <p>Governance</p> <ul style="list-style-type: none"> • Council Structure • Council Performance • Risk Appetite <p>Reputational Damage</p> <ul style="list-style-type: none"> • Media coverage 	<p>Moderate - to reflect the Council's approach in developing the local economy and creating attractive and safe environment.</p> <p>In meeting the objectives relating to these elements of the Corporate Plan it is important to consider innovative service delivery and hence some risk is acceptable.</p>
<p>Delivery – day to day operation of Council services</p>	<p>Corporate Plan</p> <ul style="list-style-type: none"> • Delivery of objectives • Delivery of business plan objectives. <p>Service Delivery</p> <ul style="list-style-type: none"> • Delivery of service/ team objectives. <p>Project Management</p> <ul style="list-style-type: none"> • Delivery of project objectives <p>Staff</p> <ul style="list-style-type: none"> • Recruitment & Retention • Training • Key Personnel <p>IT</p> <ul style="list-style-type: none"> • Network Infrastructure • Business Applications • IT Security 	<p>Moderate - to reflect the Council's approach in developing the local economy and creating an attractive and safe environment.</p> <p>In meeting the objectives in the Corporate Plan it is important to consider innovative service delivery and hence some risk is acceptable.</p>

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Risk Type & Definition	Risk Factors	Risk Appetite
	<p>Resilience</p> <ul style="list-style-type: none"> • Business Continuity Planning • Emergency Planning <p>External 3rd party performance</p> <p>Reputational Damage</p> <ul style="list-style-type: none"> • Media coverage • Complaints 	
Financial - financial impact or loss	<p>Revenues</p> <ul style="list-style-type: none"> • Collection Rates • Debt Recovery • Commercial income generation <p>Treasury Management</p> <ul style="list-style-type: none"> • Debt Management • Investment Strategy <p>Finance</p> <ul style="list-style-type: none"> • Statutory Accounts • Budget Monitoring • Income Generation • Grants and Funding • Capital Spending 	<p>Low –long term financial stability is an important factor to the Council in continuing to provide services and meeting Corporate Plan objectives.</p> <p>Some judiciously managed risk will be accepted, but the long term future of the authority will not be jeopardised.</p>
Compliance – breaches to law or regulation.	<ul style="list-style-type: none"> • Data Protection • Health & Safety • Public Health • Government Regulations • Constitution • Regulatory Bodies • Planning Inspectorate • Procurement • Housing 	<p>Very Low – as a Local Authority we lead by example and should demonstrate a high level of compliance.</p>

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Step 3: Managing & Controlling Risks

- Now that the risks and opportunities have been identified and assessed for likelihood and impact and the risk appetite determined, there needs to be agreement on **who** will own the risk (and/or manage it) and **how** the risk/opportunity will be managed, controlled or exploited.

There are three questions that will help here:

1. Can we reduce the likelihood of occurrence?
2. Can we reduce the impact?
3. Can we change the consequences of the risk?

There are four common approaches to treating risk: **'the four T's'**

- **TOLERATING** the risk. An organisation that recognises the value of risk management may accept that it might be appropriate to continue with an 'at risk' activity because it will open up greater opportunities for the future (but not before documenting the full reasoning behind that decision). Or perhaps nothing can be done to mitigate a risk at a reasonable cost in terms of potential benefit, or the ability to do anything about a risk may be very limited.

Where the Council decides to set these levels of acceptance is known as its **risk appetite**, e.g. the Council may tolerate a risk where:

- The inherent risk score is within the risk appetite for the risk type
- The risk is effectively mitigated by internal controls, even if it is a high risk
- The risk cannot be mitigated cost effectively
- The risk opens up greater benefits

These risks must be monitored and contingency plans should be put in place in case the risks occur.

- **TREATING** the risk. This is the most widely used approach. The purpose of treating a risk is to continue with the activity which gives rise to the risk, but to bring the risk to an acceptable level by taking action to control it in some way through either
 - **containment** actions (these lessen the likelihood or consequences of a risk and are applied before the risk materialises) or
 - **contingency** actions (these are put into action after the risk has happened, thus reducing the impact. These **must** be pre-planned)
- **TERMINATING** the risk – doing things differently and therefore removing the risk. This is particularly important in terms of project risk, but is often severely limited in terms of the strategic risks of an organisation.
- **TRANSFERRING** some aspects of the risk to a third party, e.g. via insurance, or by paying a third party to take the risk in another way. This option is particularly good for mitigating financial risks, or risks to assets, e.g. transferring

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a risk may be considered to reduce the exposure of the Council, or because another organisation is more capable of effectively managing the risk. However it is a limited option – very few strategic risks are insurable and only around 15-20% of operational risks can be insured against.

When risk management is embedded, we become more confident risk takers and a fifth option is open to us:

- **TAKING THE OPPORTUNITY:** This is not an alternative to any of the above, rather it is an option to be considered whenever tolerating, treating, or transferring a risk. There are two aspects to this:
 - The first is whether or not at the same time as mitigating a threat an opportunity arises where a positive impact can be exploited. For example, if a large sum of capital funding is to be put at risk in a major project, are the relevant controls judged to be good enough to justify increasing the sum of money at stake to gain even greater advantages?
 - The second is whether or not circumstances arise which, whilst not generating threats, offer positive opportunities, e.g. lowering the cost of providing goods or services may free up resources that can be re-deployed.
- Try to establish the cost of your planned actions. Remember, the cost of management and control of the risk should be proportionate to the risk that is being addressed. Some measures may be relatively easy to address, others might have to be implemented in phases. If you have identified risk treatment that falls outside your immediate area of influence, this should be referred to the Risk Management Group so that they can help to co-ordinate control measures between services.
- Identify existing controls / action plans. Develop new controls / action plans where none exist. Refer to the Risk Management Group where assistance is required with co-ordination of controls outside of your own immediate area. When drawing up control measures, it is good practice to consider whether you can identify any early warning signs or triggers that will tell you it is time to put contingency plans in place. (Looking at your performance measures might help).
- Identify and agree who will own the risk and who will manage it (this may be the same person). The risk owner should have delegated authority to implement and manage the controls.
- Using the guidelines in the risk prioritisation matrix, agree how the risk will be managed (i.e. which of the 4 T's?).
- When the existing controls and action plans have been identified, the risk can be re-assessed for likelihood and impact. The new score is the **residual risk**, i.e. that which exists after controls have been applied and so the **real** level of risk to the Council. The residual risk score must be within the Council's **risk appetite** for the primary risk type relative to the risk.

Step 4: Recording & Reviewing Risks

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Recording Risks

Risks should be recorded on a risk register. The risk register template is appended at Appendix A to this framework.

The Council maintains two levels of risk register i.e. the Strategic Risk Register and Operational Risk Registers.

The Strategic risk Register is monitored by the Risk Management Group and quarterly updates provided to the Audit Committee.

Operational Risk Registers are maintained and monitored at service level.

Reviewing Risks

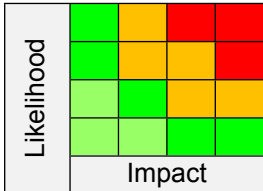
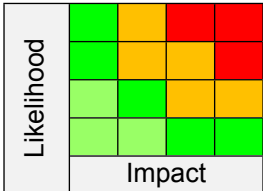
Circumstances and business priorities can, and do, change, and therefore risks, opportunities and their circumstances need to be regularly reviewed. Some risks will move down the priority rating, some may leave, and new risks will be identified.

As part of the Council's risk management framework, risk owners are required to review their risks at least quarterly. Any new very high risks, or the escalation of existing risks, should be reported to the Head of Service immediately.

Risk management should be included as an item on the agenda of all service management and team meetings.

The risk management framework (the four steps of risk management) is a continuous cycle designed not only to identify, assess, manage and review risks, assess but also to support your business objectives. You should review the risk identification process when drawing up your annual team service plan so that the risks and opportunities link directly to your business objectives. That way, risks and opportunities are directly linked to the achievement of the business objectives, which can then be prioritised using that information.

Risk Management Framework - Risk Register Template

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
	<i>Strategic/ Delivery/ Financial/ Compliance</i>				MAINTAIN AS CURRENT
Current Treatments and Controls					
Planned Future Actions and Responsible Officer(s).	<u>Description:</u>	<u>Responsible Officer:</u>	<u>Target Date:</u>		