**Report of the Strategic Director of Environment and Corporate Services
Lead Member: Councillor Smidowicz**

Part A

ITEM 11   <u>STRATEGIC RISK REGISTER AND RISK MANAGEMENT
FRAMEWORK</u>

<u>Purpose of Report</u>

The report proposes an updated Strategic Risk Register for approval. In addition, the Risk Management Framework has been refreshed and is also presented for approval.

<u>Recommendations</u>

1.   That the draft Strategic Risk Register for 2022/23 as set out in the Appendix to this report is adopted, and that the Audit Committee monitor progress against those risks on the register by receiving quarterly monitoring reports.

2.   That the Risk Management Framework as set out in the Appendix to this report is adopted.

3.   That authority is delegated to the Strategic Director of Environment and Corporate Services to make amendments to the risk register where required, in consultation with the relevant risk owner and Lead Member.

<u>Reasons</u>

1.   To ensure that the most significant risks to the Council achieving its objectives are identified and actively managed.

2.   To outline the Council's corporate approach to Risk Management.

2.   To ensure that the Strategic Risk Register is kept up to date and relevant

<u>Policy Justification and Previous Decisions</u>

An internal audit was undertaken in August 2021 and the report was finalised in September 2021. In order to address the recommendations of the report it was agreed to review the Strategic Risk Register and associated Risk Management Framework.

Sound risk management arrangements that are embedded and applied consistently throughout the Council will support the achievement of Corporate Strategy objectives by ensuring that resources and activity are concentrated on the areas of greatest risk.

The maintaining and monitoring of the Strategic Risk Register will support the delivery of the Council's corporate goals in ensuring that the identified risks are appropriately managed.

<u>Implementation Timetable including Future Decisions and Scrutiny</u>

If approved the Strategic Risk Register will come into effect for the financial year 2022/23.

Cabinet will continue to receive an annual risk management report which will include the proposed Strategic Risk Register for the forthcoming year, and the risk register will be monitored on a quarterly basis by the Audit Committee.

<u>Report Implications</u>

The following implications have been identified for this report.

Financial Implications
There are no financial implications associated with these decisions.

Risk Management
The risks associated with the decision Cabinet is asked to make and proposed actions to mitigate those risks are set out in the table below.

Risk Identified	Likelihood	Impact	Overall Risk	Risk Management Actions Planned
A significant Strategic Risk has not been identified and therefore may not be appropriately managed.	Unlikely (2)	Serious (3)	Moderate (6)	The register has been reviewed following an internal audit of Corporate Risk
Risks may have been wrongly assessed resulting in insufficient risk management actions being taken.	Unlikely (2)	Serious (3)	Moderate (6)	The risk register will be reviewed, and updated if necessary, on a quarterly basis. The risks will also be added to the software system Pentana

Key Decision: No

Background Papers: Audit Committee Report, 15th February 2022

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Part B

<u>Background</u>

1. An audit of Corporate Risk Management was undertaken by the Internal Audit Partnership in August 2021, with the report published in September 2021. The audit covered the periods from July 2020 to June 2021.

2. The audit put forward a number of recommendations to improve the effectiveness of the process and improve the internal control of risk management.

3. In order to address the recommendations of the report it was agreed to review the Strategic Risk Register and associated Risk Management Framework.

4. Each risk has been reviewed and the description updated to meet the guidance outlined in the Risk Management Framework.

5. In addition 5 new Strategic Risks have been identified following a benchmarkng exercise with other local authorities and through considering best practice.

6. There are now 10 proposed Strategic Risks which will be presented to Cabinet for approval on 10 March 2022. The Risks are included in detail at Appendix A but are summarised below;

SR1	Business Continuity
SR2	Emergency Planning for Civil Contingencies
SR3	Finance
SR4	Staffing and workforce
SR5	Governance
SR6	Partnerships
SR7	Data sharing and security
SR8	Communication
SR9	Climate Change
SR10	Legislation and External Factors

7. The new risks are SR4, SR5, SR6 and SR9. SR10 has been expanded to reflect all legislative changes.

8. In reviewing the risk register it should be noted that the inherent risk shown in the first risk matrix is the risk that the Council would bear if *no* actions were taken to mitigate the risk. In the vast majority of cases the Council is able to operate risk mitigation processes which results in the residual risk shown in the second risk matrix. It is this latter score which represents the current assessment of strategic risks faced by the Council.

9. The register will continue to be monitored and reviewed by the Risk Management Group which includes all members of the Senior and Corporate Leadership Teams and meets quarterly.

Appendices

1.	Strategic Risk Register
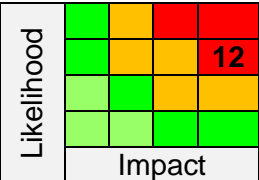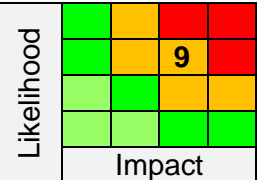
2.	Risk Management Framework

Strategic Risk Register
OVERVIEW

RISK		OWNER	INHERENT RISK			RESIDUAL RISK		
			Likelihood	Impact	Total	Likelihood	Impact	Total
SR1	Risk that there is a lack of adequate business continuity and recovery arrangements, leading to major internal and/or external disruption to services in the event of an incident (i.e. major ICT fail, fire etc), resulting in injury and/or loss of life and/or reputation	Strategic Director of Environment and Corporate Services	3	4	12	3	3	9
SR2	Risk that there is a lack of robust civil contingency arrangements established leading to a failure to respond appropriately to a major incident (e.g. flooding, terrorism etc) resulting in injury and/or loss of life	Chief Executive	4	4	16	3	3	9
SR3	Risk that there is a lack of external funding and/or income generated leading to a reduction in the financial resources available for service provision and/or to fund corporate objectives resulting in not being able to delivery services or being financially solvent	Strategic Director of Environment and Corporate Services	2	3	6	2	2	4
SR4	Risk that the Council does not attract suitable or capable staff or resources or there is a high sickness level or there are capacity issues from contractors and suppliers leading to a high number of vacancies or staff available resulting in poor service provision	Chief Executive	3	3	9	3	2	6
SR5	Risk that the Council does not follow its own governance procedures leading to failure to deliver services and/or value for money and/or it can be challenged through a legal	Chief Executive	2	3	6	2	2	4

Strategic Risk Register

	RISK	OWNER	INHERENT RISK			RESIDUAL RISK		
			Likelihood	Impact	Total	Likelihood	Impact	Total
	process leading to service delivery issues and/or reputation damage and/or criminal charges							
SR6	Risk that partnerships with key stakeholders are not developed or maintained leading to a failure to deliver shared outcomes and a lack of delivery to the public resulting in service delivery issues and/or reputational damage	Chief Executive	2	2	4	1	2	2
SR7	Risk that adequate data sharing and data security arrangements are not implemented leading to an increase in cyber-attacks resulting in service disruption or data loss or damage	Strategic Director of Environment and Corporate Services	3	4	12	2	3	6
SR8	Risk that the Council does not establish effective strategic communication arrangements leading in the public not being informed about Council activity resulting in reputational damage	Chief Executive	3	3	9	2	3	6
SR9	Risk that the Council does not lead by example and manage the ongoing impact of climate change leading to a lower than anticipated reduction in carbon output	Chief Executive	2	3	6	2	2	4
SR10	Risk that new legislation or external factors cause negative financial or reputational impact on the Council leading to a reduction in service provision (i.e., Environment Bill) resulting in service delivery issues and/or reputational damage	Chief Executive	3	4	12	3	3	9
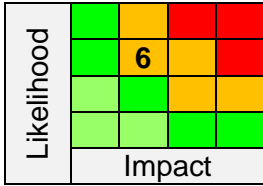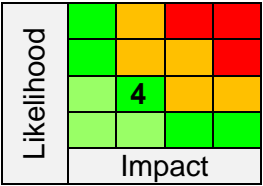
Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR1 Risk that there is a lack of adequate business continuity and recovery arrangements, leading to major internal and/or external disruption to services in the event of an incident (i.e. major ICT fail, fire etc), resulting in injury and/or loss of life and/or reputation	Strategic	• Inability to deliver key/critical services e.g.benefits, refuse collection, homelessness applications, emergency repairs. • Reduction in access channels available to residents / customers i.e. contact centre, customer services, telephony	Likelihood / Impact — **12**	Likelihood / Impact — **9**	Baseline

Current Treatments and Controls	• Business Continuity Planning • IT Disaster Recovery Plan • Website hosted externally • Off-site data back-up arrangements • Stand-by generator for ICS building • Cloud based telephony infrastructure • Contingency planning for failure of major contractor		
Risk Owner	Strategic Director of Environment and Corporate Services		
Planned Future Actions and Responsible Officer(s).	Description: Link to work regarding concurrent incidents Link to workforce mental health	Responsible Officer: Head of Strategic Support	Target Date: Ongoing

Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR2 Risk that there is a lack of robust civil contingency arrangements established leading to a failure to respond appropriately to a major incident (e.g. flooding, terrorism etc) resulting in injury and/or loss of life	Strategic	• Inability to respond to affected peoples' basic needs (food, shelter etc) • Adverse effect on the local economy • Major reputational damage and loss of public confidence • Extending the recovery phase longer than necessary • Dealing with the COVID pandemic will have a negative effect on the management of concurrent incidents	Likelihood / Impact — **16**	Likelihood / Impact — **9**	Baseline

Current Treatments and Controls	• Participation in the Local Resilience Partnership and Forum (LRP and LRF) – and awareness of guidance regarding concurrent incident with COVID • Appropriate emergency and incident planning in place • Regular testing and exercising of emergency plans • Training and awareness for relevant staff • 24/7 call-out arrangements for senior managers (SLT / CLT) • Participation in county-wide Events Safety Group (SAG) • Reviews periodically undertaken within current Treatments and Controls

Risk Owner	Chief Executive

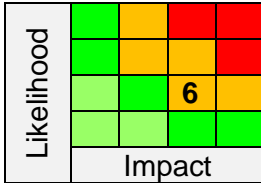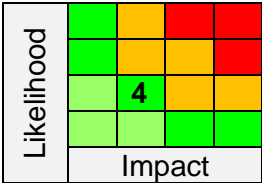| **Planned Future Actions and Responsible Officer(s).**	Description: Taking the lead from the LRF regarding COVID response	Responsible Officer: Chier Executive	Target Date: End March 2022

Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR3 Risk that there is a lack of external funding and/or income generated leading to a reduction in the financial resources available for service provision and/or to fund corporate objectives resulting in not being able to delivery services or being financially solvent	Strategic	• Inability to meet demand for services • Inability to meet statutory duties • Ceasing or reducing some services	Likelihood / Impact **6**	Likelihood / Impact **4**	Baseline

Current Treatments and Controls	• Annual production and monitoring of Medium Term Financial Strategy (MTFS) • Treasury Management Strategy • Budget and revenue monitoring processes • Production and monitoring of efficiency plan • Maintenance of reserves at specified required levels • Monitor, consider and respond to government proposals affecting budgets and/or income • Monitor the implications of the COVID pandemic on the financial situation
Risk Owner	Strategic Director of Environment and Corporate Services

Planned Future Actions and Responsible Officer(s).	Description:	Responsible Officer:	Target Date:

Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR4 Risk that the Council does not attract suitable or capable staff or resources or there is a high sickness level or there are capacity issues from contractors and suppliers leading to a high number of vacancies or staff available resulting in poor service provision	Strategic	• Inability to meet demand for services • Inability to meet statutory duties • Ceasing or reducing some services	Likelihood / Impact — **9**	Likelihood / Impact — **6**	Baseline

Current Treatments and Controls	• Benchmarking with other Districts • Seeking guidance from established organisations such as Jobs Go Public, East Midlands Councils, District Councils Network and Logal Government Association – especially relating to services which are hard to recruit to • Marketing the Council / Local Authority

Risk Owner	Chief Executive

Planned Future Actions and Responsible Officer(s).	Description: Internal review of Recruitment	Responsible Officer: Organisational Development Manager	Target Date: August 2022

Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR5 – Risk that the Council does not follow its own governance procedures leading to failure to deliver services and/or value for money and/or it can be challenged through a legal process leading to service delivery issues and/or reputation damage and/or criminal charges	Strategic	• Financial damage • Reputational damage • Not complying with legislation	Likelihood / Impact — **6**	Likelihood / Impact — **4**	Baseline

Current Treatments and Controls	• Annual review of the constitution • Ensure that the Council's processes address the governance requirements • Established governance arrangements for Risk Management, Performance Management, Projects and Programme Management

Risk Owner	Chief Executive

Planned Future Actions and Responsible Officer(s).	Description:	Responsible Officer:	Target Date:

Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR6 – Risk that partnerships with key stakeholders are not developed or maintained leading to a failure to deliver shared outcomes and a lack of delivery to the public resulting in service delivery issues and/or reputational damage	Strategic	• Reputational Damage • Lack of joined up working • Damage to relationships with partners			Baseline

Current Treatments and Controls	• Joint working with key organisations with clearly identified terms of reference and joint outcomes • Up to date contact details within partner organisations

Risk Owner	Chief Executive

Planned Future Actions and Responsible Officer(s).	Description:	Responsible Officer:	Target Date:

Strategic Risk Register

Charnwood

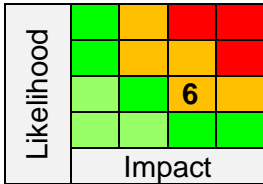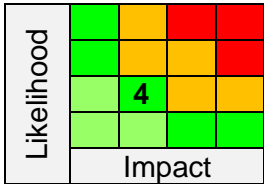| Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR7 – Risk that adequate data sharing and data security arrangements are not implemented leading to an increase in cyber-attacks resulting in service disruption or data loss or damage	Strategic	• Ineffective processes for sharing data with other agencies / authorities leading to data breaches • Reputational damage and loss of public confidence • Potentially significant fines • Increased risk due to the operating processes and people possibly taking documents home	**12**	**6**	Baseline
Current Treatments and Controls	• Information sharing agreements in place with key agencies and authorities • Annual IT health checks including penetration testing • Data Protection Officer in post and data protection training and awareness for staff and councillors • Data Protection Impact Assessment form developed and circulated • IT security policies in place • Protective marking of emails • Policies are reviewed on a regular basis • Information Security Group established with CLT • Checking the location of data storage post Brexit – EU / UK • Cyber Security insurance procured				
Risk Owner	Strategic Director for Environment and Corporate Services				
Planned Future Actions and Responsible Officer(s).	Description:		Responsible Officer:		Target Date:

Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR8 – Risk that the Council does not establish effective strategic communication arrangements leading in the public not being informed about Council activity resulting in reputational damage	Strategic	• Reputational damage • Adverse media coverage • Damage to relationships with partners • Damage to staff morale • Competing demands due to the COVID pandemic	Likelihood / Impact — **9**	Likelihood / Impact — **6**	Baseline

Current Treatments and Controls	• Adequately staffed and experienced corporate communications team • Communications Strategy and Plan in place • Regular monitoring of all media sources • Continue to expand social media use and reach • 'Horizon scanning' for potential communication issues at each Corporate Leadership Team meeting and as part of the Corporate Delivery Plan setting • Joint working with LCC Comms • Montitor the effectiveness of communications channels and posts

Risk Owner	Chief Executive

Planned Future Actions and Responsible Officer(s).	Description: Completion of the actions within the Communications Plan	Responsible Officer: Communications Manager	Target Date: End 2022/23

Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR9 – Risk that the Council does not lead by example and manage the ongoing impact of climate change leading to a lower than anticipated reduction in carbon output	Strategic	• Reputational damage • Environmental damage	**6** (Likelihood / Impact)	**4** (Likelihood / Impact)	Baseline

Current Treatments and Controls	• Cabinet pledge regarding climate change • Climate Change Action Plan • Caring for the Environment as a Corporate Strategy Theme and associated actions
Risk Owner	Chief Executive

Planned Future Actions and Responsible Officer(s).	Description: Completion of the Climate Change Action Plan	Responsible Officer: Strategic Director - Commercial Development, Asset and Leisure	Target Date: End 2022/23

Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR10 – Risk that new legislation or external factors cause negative financial or reputational impact on the Council leading to a reduction in service provision (i.e., Environment Bill) resulting in service delivery issues and/or reputational damage	Strategic	• Financial damage • Reputational damage • Not complying with legislation	Likelihood / Impact — **12**	Likelihood / Impact — **9**	Baseline

Current Treatments and Controls	• Monitoring legislation through Parliament • Liaise with other Districts • Reviewing and understand the financial implications • Brief Cabinet
Risk Owner	Chief Executive

Planned Future Actions and Responsible Officer(s).	Description: Monitor the Environment Bill through the various stages of parliament	Responsible Officer: Head of Cleansing and Open Spaces	Target Date: Ongoing

Risk Management Framework

November 2021

Owner	Organisational Development Manager
Status	Draft V0.1
Date Approved	TBD
Review Date	November 2023

Contents

1. Introduction

1.1 Policy Statement

Charnwood Borough Council is committed to effective risk management and assurance and sees it as an essential tool from a compliance, good practice and delivery perspective and is integral to how we run our services.

An effective risk and assurance process provides a mechanism to inform the Annual Governance Statement and is part of the overall management of performance and delivery of required outputs.

To ensure risk management is effectively implemented, all Members and Officers should understand the approach to risk management and regard it as part of their responsibilities.

The management of risk should be firmly embedded in everyone's thinking, behaviours and actions.

1.2 Governance Framework

The purpose of the risk management framework is to define how risks and opportunities will be handled within Charnwood Borough Council.

The framework sets the context for the management of risks and defines how they will be identified, assessed, managed and reviewed. The frameworks also provides information on roles and responsibilities, processes and procedures.

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 consider the management of those risks as part of their everyday activities.

The Council has developed a Strategic Risk Register which is reviewed by the Risk Management Group on a quarterly basis – this group comprises SLT and CLT. The Terms of Reference for this group can be found at **APPENDIX A**.

In addition, operational risks are included in the annual Service Delivery Plans as completed by CLT members.

Risk management is also embedded into the project management process and within the Councils procurement.

In addition a standard template exists for reports submitted to Cabinet, Committees and Full Council, this ensures that risks to the Council have been considered.

1.3 Definitions

Risk can be defined as the effect of uncertainty on objectives. An effect may be positive, negative or a deviation from the expected. Risk is often described by an event, a change in circumstances or a consequence.

Risk Management is a process which aims to help organisations understand, evaluate and take action on all their risks with a view to increasing the probability of success and reducing the likelihood of failure.

Controls are systematic measures implemented to mitigate risks and help an organisation achieve its objectives. Preventive controls are mechanisms established to discourage errors or irregularities from occurring while detective controls are designed to identify errors or irregularities that may have occurred.

Assurance is the means by which management and stakeholders gain confidence that the operation of controls within an organisation is both efficient and effective.

Risk Appetite is the amount of risk an organisation is prepared to accept, tolerate or be exposed to in order to achieve its objectives. This is factored into planning, decision making and delivery.

It is important for the risk appetite to be understood within the organisation so that the appropriate response is made to identified risks.

The Council's appetite for managing risk will be continually reviewed by SLT and CLT and reported through to the Audit Committee.

1.4 Approach

The Council will meet risk and assurance management objectives by undertaking the following actions:

- Providing and using a robust and systematic framework for identifying, managing and responding to strategic and operational risks.
- Providing and using a robust and systematic framework for identifying sources of assurance at different levels within and outside the organisation and the level of confidence that provides to management about the effectiveness of controls.
- Establishing clear roles, responsibilities and reporting lines for risk management and assurance.
- Demonstrating a commitment to risk management and assurance through the actions and behaviours of the CLT and in their decision making.
- Understanding our risk appetite and the level of risk we are prepared to accept in different activities and service areas.
- Reinforcing the value of risk management by integrating it within the Councils project management, performance management and procurement processes.
- Increasing the understanding and expertise in risk management through periodic training and sharing of good practice.

2. Risk Management Process

The Council has a four-step process for identifying, assessing, managing ad controlling risk. This is a continuous process.
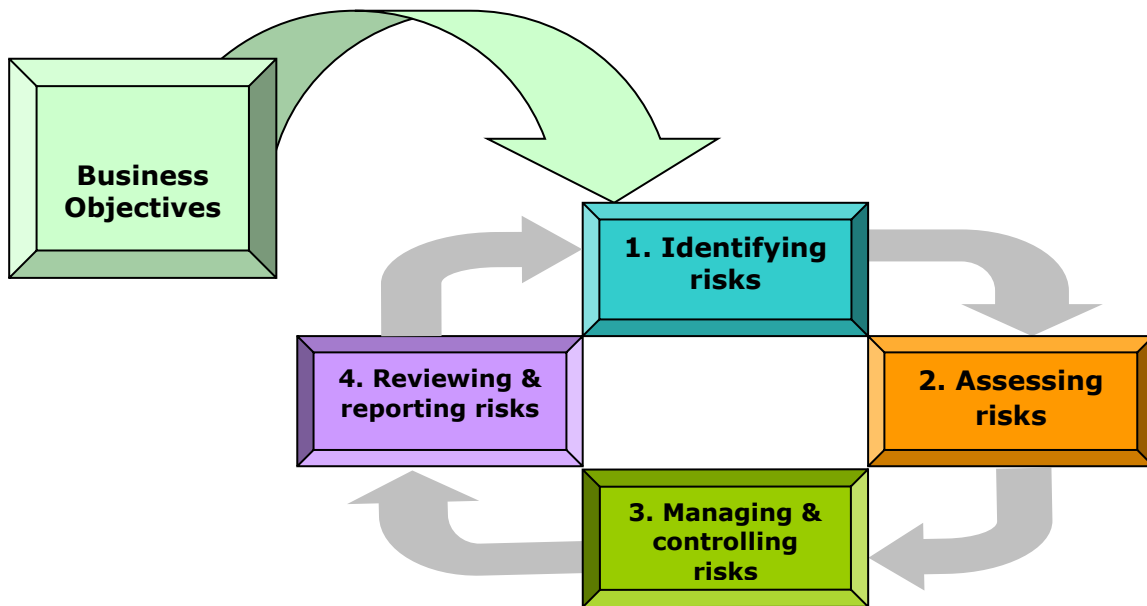
Figure 1: The four steps of the risk management cycle

2.1   Step 1: Identifying Risks

Our working definition of risk is

> *"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 the Council to assess the level of influence it 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 a strategic level, the focus is on identifying the key risks to successful achievements of the Council's overall objectives.

Operational risks are the risks 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.

In the risk identification stage The council is 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 consider **'what could happen if we don't?'** This will help the council become more confident with risk taking. 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;

The sources of risk are identified at **APPENDIX B.**

The Council expresses it's risks in a statement which outlines the **Event, Consequence and Impact.** Further guidance is provided at **APPENDIX C.**

2.2   Step 2: Assessing 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 the council an **inherent risk** score that will help it to identify the most serious risks **before any controls have been applied**. Using that information the council can make decisions about the significance of those risks and how or whether it 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.

The council then considers each of the identified risks and, using the criteria in the tables below, assesses the risk in terms of the **likelihood** that it will occur and **impact** on the Council if it should occur.

Details of the risk criteria can be found at **APPENDIX D.**

When the council has assessed both the risk likelihood and impact it then multiplies the likelihood score by the impact score which gives the **Inherent** risk score. This is the score the council uses to identify which risks are the most serious, allowing it to make decisions about the significance of those risks and how or whether they should be addressed.

Once the inherent risk score has been calculated, the risks need to be plotted on to a risk prioritisation matrix to show the level of the risk and to make decisions about the significance of those risks to the Council, and how they will be managed (see figure 2 below). The risk matrix that the Council uses is a 4 x 4 matrix.

	Minor (1)	Significant (2)	Serious (3)	Major (4)
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

Impact

OVERALL RISK RATING	
High 12-16	These are significant risks which may have a serious impact on the Councils and its objectives if not managed
Moderate 6-9	These are risks which have the capability to cause some disruption to the council
Low 3-4	These risks need to be monitored to ensure that there are no changes in circumstances which would lead to the risk score changing
Very Low 1-2	

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.

The risk appetite 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. Further details outlining the Council's Risk Appetite can be found at **APPENDIX E.**

2.3   Step 3: Managing & Controlling Risks

Once the risks 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 which apply 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
- Treating the Risk
- Terminating the Risk
- Transferring the Risk

These are explained in more detail below.

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). It could be recognised that 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 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 a <u>fifth</u> option can be used:

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.

Officers are encouraged to try to establish the cost of their planned actions. Some measures may be relatively easy to address, others might have to be implemented in phases. If a risk treatment has been identified outside the immediate area of influence of an officer, this should be referred to the Risk Management Group so that they can help to co-ordinate control measures between services.

2.4   Step 4: Recording & Reviewing Risks

Risks should be recorded on a risk register. The risk register template is appended at **APPENDIX F** 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.

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.

3. Roles & Responsibilities

The following representatives have responsibility for risk management

The Cabinet
• To approve the Council's Risk Management Strategy and Framework and Strategic Risk Register • To consider risk management implications when making decisions • To agree an appropriate response to the Council's highest risks • To receive an annual report on risk management

Audit Committee
• 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 (Organisational Development Manager)
• To be responsible for the oversight of the risk management activities of the Council • To provide the Cabinet and Audit Committee with assurance that the Council's corporate business risks are being actively and appropriately managed.

Senior Leadership 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 Leadership 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

- 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

Organisational Development 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

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

APPENDIX A
RISK MANAGEMENT GROUP TERMS OF REFERENCE

CHARNWOOD BOROUGH COUNCIL

RISK MANAGEMENT GROUP

TERMS OF REFERENCE

Purpose
The Risk Management Group (RMG) oversees the management of risk across the organisation and has responsibility for ensuring that adequate sources of assurance are in place.

The RMG will meet on a quarterly basis and instigate actions, allocate resources and communicate important messages to service areas as necessary.

Objectives
The key objectives of the RMG are;

- Coordinating risk management throughout the authority
- Keeping the strategic risk register and risk management framework under review
- Identifying strategic and operational practices that present significant risk to the authority
- Identifying emerging risks
- Making proposals for reducing the likelihood and / or impact of risks
- Coordinating and prioritising risk control measures
- Advising on the use of the risk management reserve to support funding necessary for initiatives that will reduce risk (e.g. vandalism, arson, theft, damage to property, personal injury to employees, visitors and persons under the care of the authority)
- Promoting good risk management practice by liaising with employees and identifying training needs
- Ensuring effective business continuity arrangements are in place, including those of critical suppliers
- Ensuring effective emergency planning arrangements are in place
- Participating in the work of the Local Resilience Forum (LRF) and working closely with other organisations as appropriate
- Monitoring the number and type of insurance claims being received by the authority

Membership
Members of the RMG will include:

Name	Position	Role on Capital Projects Board
Rob Mitchell	Chief Executive	Chair
Eileen Mallon	Strategic Director - Community, Planning and Housing	Member
Simon Jackson	Strategic Director – Environment and Corporate Services	Member
Justin Henry	Strategic Director – Commercial Development, Asset and Leisure	Member
Sylvia Wright	Head of Leisure and Culture	Member
Lesley Tansey	Head of Finance	Member

Name	Position	Role on Capital Projects Board
Karey Barnshaw	Head of Customer Experience	Member
Matt Bradford	Head of Environmental Services	Member
Adrian Ward	Head of Strategic Support	Member
Peter Oliver	Head of Landlord Services	Member
Richard Bennett	Head of Planning and Regeneration	Member
Alison Simmons	Head of Strategic and Private Sector Housing	Member
Alan Twells	Head of Regulatory Services	Member
Julie Robinson	Head of Neighbourhood Services	Member

Governance
The RMG will meet quarterly as part of the regular CLT sessions.

The Group has a standard agenda covering Strategic Risk Register, Health and Safety and Insurance

Where appropriate reports on progress will be submitted to the Senior Leadership Team and Corporate Leadership Team on a regular basis.

The RMG is supported by Helen Gretton, Organisational Development Manager, Tony O'Brien, Health and Safety Manager and Sue Leather, Insurance Officer.

APPENDIX B
SOURCES OF RISK

	Sources of Risk	Risk Considerations
STRATEGIC RISKS	Political	Changes in Government policy National or local political pressures
	Economic	Economic downturn – prosperity of local businesses/ local communities Ability to deliver value for money
	Social	Demographic changes Crime and disorder, health inequalities, safeguarding issues
	Technology	Ability to respond to changing demands Obsolescence of existing technology
	Legislation	Changes in UK or EU legislation Legal challenges or judicial reviews
	Environment	Climate change Recycling, green issues, energy efficiency, land use and green belt issues

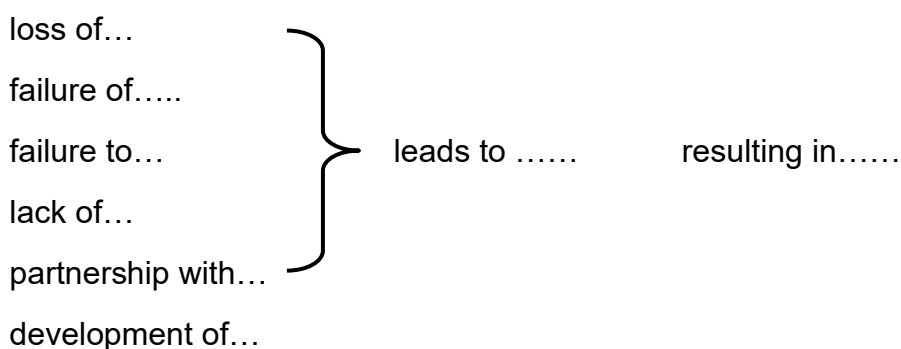|	Sources of Risk	Risk Considerations
CORPROATE RISKS	Finance	Budgetary pressures System/ procedure weaknesses
	People	Loss of key staff, recruitment, retention & development issues Communication and consultation during transformation
	Partnerships and contracts	Delivery of services to agreed cost and specification Clarity of roles and relationships
	Physical assets	Safety and security of land, buildings and equipment Control of IT hardware
	Process	Poor quality/ reduced service delivery Confidentiality, integrity and availability of information
	Resilience	Emergency preparedness/ business continuity

APPENDIX C
HOW TO WRITE RISKS

Expressing 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…

failure of…..

failure to…   leads to ……   resulting in……

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.*

APPENDIX D
RISK CRITERIA

Table 1: LIKELIHOOD - Description and definitions

Rating	Score	Indicative Guidelines	
		Threat	**Opportunity**
Very Likely	4	• Regular occurrence • Circumstances frequently encountered	Favourable outcome is likely to be achieved in short term (within 1 year)
Likely	3	• 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	• 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	• 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	• Major loss of service for more than 5 days. • 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.	• Major improvement in service delivery. • Income generation/savings >£1,000,000 • Positive national press, national award or recognition. • Noticeable widespread environmental improvements.

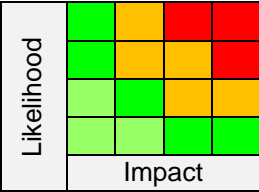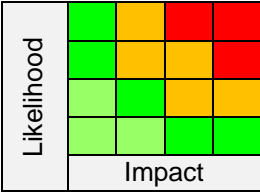| Rating	Score	Indicative Guidelines	
		Threat	Opportunity
Serious	3	- Loss of service for 3 to 5 days. - Serious disruption, ability to service customers affected across several service areas of the Council. - Serious financial loss £100,000 - £999,999 - Extensive/multiple injuries, intervention by HSE - Local adverse news item/professional press item - Likely judicial review or legal challenge of service specific decision. - Serious damage to local environmental.	- 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	- 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	- 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	- 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.	- No noticeable improvement to service delivery or internal business processes. - Income generation/savings up to £10,000 - No press coverage

Rating	Score	Indicative Guidelines	
		Threat	**Opportunity**
		• Affects single team only. • Minor/no damage to local environment.	• Insignificant/no environmental improvements

APPENDIX E
RISK APPETITE

Risk Type & Definition	Risk Factors	Risk Appetite
Strategic – Achievement of strategic priorities.	**External Factors** • Political • Economic • Social • Partners **Strategy** • Digital Strategy • Local Plan • Communications Strategy • Commercial Strategy **Governance** • Council Structure • Council Performance • Risk Appetite **Reputational Damage** • Media coverage	**Moderate** - to reflect the Council's approach in developing the local economy and creating attractive and safe environment. 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.
Delivery – day to day operation of Council services	**Corporate Plan** • Delivery of objectives • Delivery of business plan objectives. **Service Delivery** • Delivery of service/ team objectives. **Project Management** • Delivery of project objectives **Staff** • Recruitment & Retention • Training • Key Personnel **IT** • Network Infrastructure • Business Applications • IT Security	**Moderate** - to reflect the Council's approach in developing the local economy and creating an attractive and safe environment. In meeting the objectives in the Corporate Plan, it is important to consider innovative service delivery and hence some risk is acceptable.

Risk Type & Definition	Risk Factors	Risk Appetite
	Resilience • Business Continuity Planning • Emergency Planning **External** 3rd party performance **Reputational Damage** • Media coverage • Complaints	
Financial - financial impact or loss	**Revenues** • Collection Rates • Debt Recovery • Commercial income generation **Treasury Management** • Debt Management • Investment Strategy **Finance** • Statutory Accounts • Budget Monitoring • Income Generation • Grants and Funding • Capital Spending	**Low** –long term financial stability is an important factor to the Council in continuing to provide services and meeting Corporate Plan objectives. Some judiciously managed risk will be accepted, but the long term future of the authority will not be jeopardised.
Compliance – breaches to law or regulation.	• Data Protection • Health & Safety • Public Health • Government Regulations • Constitution • Regulatory Bodies • Planning Inspectorate • Procurement • Housing	**Very Low –** as a Local Authority we lead by example and should demonstrate a high level of compliance.

APPENDIX F
RISK REGISTER TEMPLATE

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