



COTSWOLD
DISTRICT COUNCIL



Forest of Dean
— DISTRICT COUNCIL —



WEST OXFORDSHIRE
DISTRICT COUNCIL

RISK MANAGEMENT POLICY

| Revision date | Version | Description |
|---------------|-------------|-------------------------|
| 04/04/2018 | Version 1.0 | Initial strategy |
| 06/06/2018 | Version 1.1 | Consultation with staff |
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1. Introduction

- 1.1 All organisations are exposed to risk. The Council recognises that it has a responsibility to manage those risks, both internal and external, and is therefore committed to the implementation and maintenance of practices and processes to protect the Council from avoidable losses.
- 1.2 This Policy places a responsibility on all Members and officers, including employees who are not directly employed by the Council, to have regard for risk in carrying out their duties. Its purpose is to ensure a consistent approach and to enable the Council to manage its risks through anticipation and control.
- 1.3 It is good business practice that risk management processes should be supportive rather than restrictive, with risk management embedded in the culture of an organisation and embraced by all staff.

2. Aims

- 2.1 The Council's aims with respect to risk management are:
 - To minimise loss, injury, and damage that might arise out of risk;
 - To ensure appropriate actions are taken to address identified risks, including preventative measures to avoid loss and disruption to services;
 - To ensure appropriate actions are taken to identify and pursue opportunities;
 - To ensure that risks are monitored and that an appropriate reporting mechanism exists to support the annual assurance statement on the effectiveness of the Council's system of internal control;
 - To integrate risk management into its culture, including enabling staff at all levels to consider risk in their working lives and to empower them to take appropriate action to mitigate or escalate risk(s) to management for action;
 - To raise awareness of the scope of risk management including the different types of risk, the identification of opportunities as well as threats and to ensure that the process supports innovation;
 - To manage risk in accordance with best practice including having an appropriate escalation and reporting mechanism.

2.2 These aims will be achieved through the framework set out below which details the roles, responsibilities and actions necessary for its successful implementation, ensuring both a consistent approach and independent oversight.

2.3 The co-operation of all Members and Officers is essential to ensure the Council's resources and service provision are not adversely affected by uncontrolled risk, and to ensure that both risks and opportunities are considered.

3. Objectives

3.1 The objectives of this policy are:

- to clearly identify roles and responsibilities for managing risk;
- to follow a structured framework for the identification, assessment and evaluation of risks;
- to ensure a corporate approach is adopted which facilitates the prioritisation of risks and avoids duplication of mitigating action;
- to ensure risk management principles are embedded in all systems and processes to help demonstrate openness, integrity and accountability in the Council's activities;
- to ensure the risk management process contributes to the development of a robust internal control framework, providing assurance to the Council's retained senior officers and Members that appropriate levels of control exist;
- to provide a framework for ensuring actions are proportionate to identified risks thereby efficiently and effectively utilising resources and maintaining a balance between risks and controls.

4. Definitions

4.1 A **Risk** is the possibility of an event or action occurring which will adversely affect the organisation's ability to achieve its objectives, project plans and processes and to successfully execute its strategies. Risk is measured in terms of impact and likelihood.

4.2 **Risk Management** is the "systematic application of principles, approach and processes to the identification, assessment and monitoring of risks".

4.3 Risk management is applied at all levels of service delivery and includes:

- **Corporate strategic risks** – Risks that could have an effect on the successful achievement of our long term core purpose, priorities and outcomes. These are:
 - risks that could potentially have a council wide impact and/or
 - risks that cannot be managed solely at a service level because a higher level of support or intervention is needed.
- **Service risks** – Risks at a service level that could have an effect on the successful achievement of the service outcomes and/or objectives. Potentially these risks could have a significant financial, reputational and/or service delivery impact on the service area.
- **Contract risks** - Risks that could have an effect on the successful achievement of a contract's outcomes and/or objectives in terms of delivery, outcomes and value for money. Contract risks are managed throughout the contracting process.

- **Programme/Project risks** – Risks that could have an effect on the successful achievement of the programme or project's outcomes and/or objectives in terms of service delivery, benefits realisation and engagement with key stakeholders.
- **Partnership risks** – Risks that could have an effect on the successful achievement of the partnership's outcomes and/or objectives including engagement with key stakeholders. These can be strategic and/or operational depending on the size and purpose of the partnership.

4.4 **Internal Controls** are measures (such as reviews, checks and balances, methods and procedures) taken to ensure the organisation's aims and objectives are achieved with the optimum use of resources, while deterring and detecting errors, fraud, and theft, ensuring accuracy and completeness of accounting data, producing reliable and timely financial and management information and ensuring adherence to policies and plans. Good internal controls balance environmental and quality considerations with the cost of controls, and enable the Council to exploit opportunities and minimise risk.

5. Risk Appetite

5.1 In considering its risk appetite, the Council recognises that, given the nature of the organisation, the risks it faces from time to time are wide and varied. The Council aims to take a proportionate approach to risk, recognising that opportunities can be associated with risks as well as threats and that a certain level of risk can be regarded as acceptable. Each risk, however, will be judged on its own merits. Risks are scored using the Risk Evaluation scheme at Appendix A; and any risk scoring 15 or more is regarded as a primary risk, requiring mitigating actions to be taken.

6. Categories of Risk

6.1 Risks can be split into Strategic and Operational as set out in Appendix B. In general, strategic risks are maintained in the Council's Corporate Risk Register, and operational risks are maintained in Service Risk Registers. Separate registers may be maintained for capital and programmes/projects. Any primary risks on Service, Capital or Programme/Project Risk Registers will be considered for inclusion in the Corporate Risk Register.

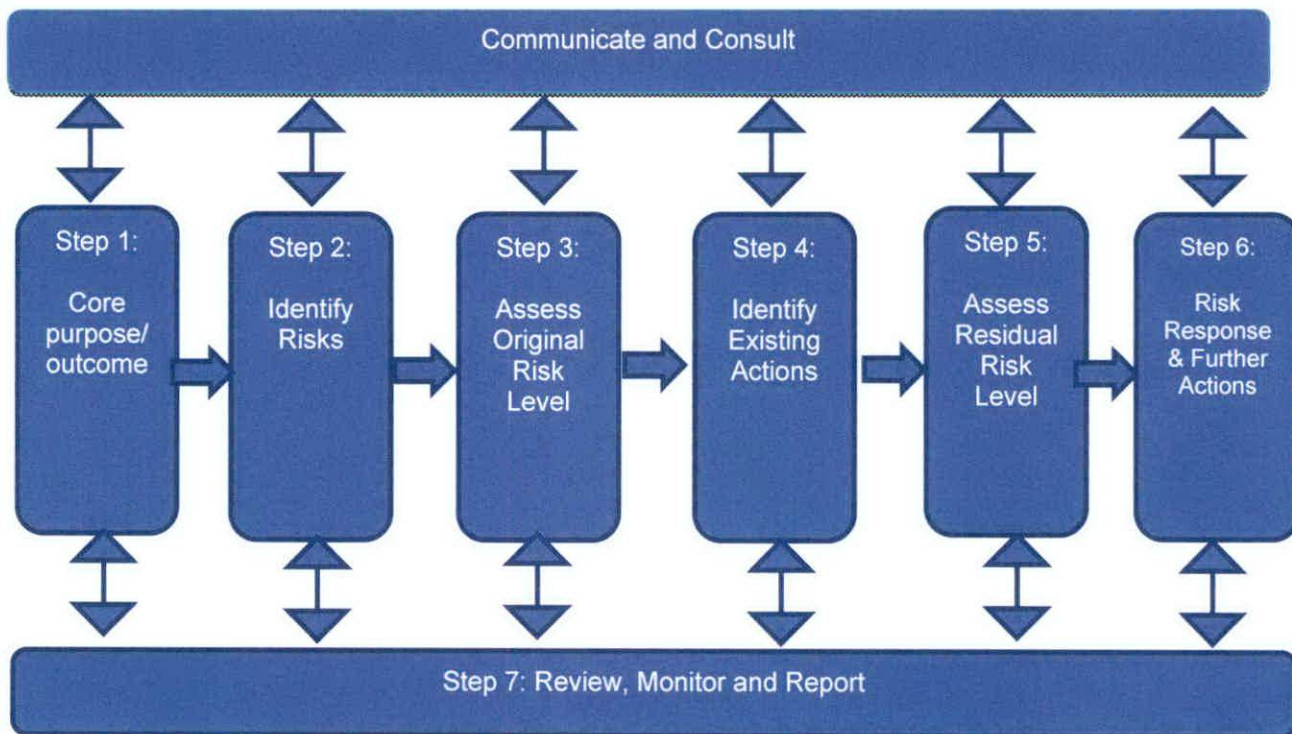
7. Shared Services and Partnerships

- 7.1 The Council has for some time used shared service, partnership and third party working arrangements. Local authority companies have been established which employ staff and provide services on behalf of the Council. These entities have their own risk management arrangements. The risks to the Council from these arrangements (e.g. financial and reputational risks if the objectives are not achieved) will be stated in the Council's Corporate Risk Register.
- 7.2 The Council's main contractor is Publica Group (Support) Ltd. Publica has its own Strategic Risk Register which is made available, following its review and update, to the Council's Senior Management Team (Head of Paid Service, Monitoring Officer, Chief Finance Officer). This allows the Council to assess the impact of any risk to the Council, and whether it needs to be reflected in the Council's Corporate Risk Register.

7.3 High scoring risks on Publica's Strategic Risk Register are reported to the Audit Committee /Audit and General Purposes committee every quarter to provide assurance to the Committee that risk is being managed appropriately by Publica.

8. Risk Management Framework

8.1 This section details the agreed arrangements that are in place to ensure the effective management of risk. The Council's approach to risk management involves a number of key steps as identified below.



Step 1: Core purpose / Outcomes

Establish the context by understanding what we are trying to achieve / proposed outcomes. The relevant objectives and outcomes are usually detailed in existing documents, including the Corporate Strategy/Plan, Service Plans, Project Brief/Project Initiation Document, Programme Plans, and Partnership Agreements.

Step 2: Identify Risks

Once a risk has been identified, it is added to the risk register, with a risk owner (a person with the accountability and authority to effectively manage risk).

The identification of risks should be a continual process and risks emerging throughout the year should be evaluated and, where necessary, added to the register.

Step 3: Assess the Original Risk Level (without internal controls)

Assess the risk [using the criteria set out in Appendix A] on the basis that there is no action being taken to manage the identified risk and/or any existing actions are not operating effectively i.e. establish the worst case scenario if the risk were to occur. To ensure resources are focused on the most significant risks, identified risks are assessed in terms of both the potential likelihood and impact (to calculate the risk score, multiply the impact score by the likelihood score).

| | | | | | | |
|---------------|----------------|---------------|-------|----------|-------|---------|
| LIKELIHOOD | Almost certain | 5 | 10 | 15 | 20 | 25 |
| | Probable | 4 | 8 | 12 | 16 | 20 |
| | Possible | 3 | 6 | 9 | 12 | 15 |
| | Remote | 2 | 4 | 6 | 8 | 10 |
| | Improbable | 1 | 2 | 3 | 4 | 5 |
| | | Insignificant | Minor | Moderate | Major | Extreme |
| IMPACT | | | | | | |

Step 4: Identify internal controls (existing risk actions)

Identify internal controls which are helping to minimise the likelihood and/or impact of the risk occurring. These actions are specifically those in place or completed.

Step 5: Assess the Residual Risk Level

Re-evaluate the risk taking into consideration the effectiveness of the identified internal controls. Identified risks are prioritised in terms of their risk rating, and any risk scoring 15 and above is considered a 'primary risk' requiring further consideration and, where possible, mitigating actions.

Step 6: Risk Response and Further Actions

Not all risks can be managed all of the time, so having assessed and prioritised the identified risks, cost effective action needs to be taken to manage those that pose the most significant threat.

Risks may be managed in one, or a combination of, of the following ways:

| | |
|----------|---|
| Avoid | A decision is made not to take a risk |
| Accept | A decision is taken to accept the risk |
| Transfer | All or part of the risk is transferred through insurance or to a third party |
| Reduce | Further additional actions are implemented to reduce the risk |
| Exploit | Whilst taking action to mitigate risks, a decision is made to exploit a resulting opportunity |

Step 7: Review, Monitor and Report

Risk management is an ongoing process and as such risks need to be reviewed regularly to ensure that prompt and appropriate action is taken to reduce their likelihood and/or impact. Regular reporting enables the Council's retained Senior Officers and Members to be more fully aware of the extent of the risks and the progress being made to manage them.

All services review their risks on a quarterly basis and all high scoring risks (primary) are escalated to the Shared Risk Management Group (SRMG) for review. The SRMG reviews and updates the partner Councils' Corporate Risk Registers, and the Executive Group has oversight of all risk registers.

The Corporate Risk Register / the most significant risks (those scoring 15 and over) are reported to Cabinet as part of quarterly performance reporting; and to the Audit Committee/Audit and General Purposes Committee each quarter for review.

When new primary risks are identified (e.g. threat of legal action, unexpected changes to government policy, or threat to a Council investment), they will be reported immediately to the Council's Head of Paid Service, Monitoring Officer and Chief Finance Officer so that appropriate action can be taken in a timely manner.

9. Roles and responsibilities

9.1 Members and Staff

Members and staff have a responsibility to consider risk as part of their everyday work, to consider how risk may be mitigated and where appropriate to draw managers' attention to risk, for instance where risk is increasing or a new risk is identified. Some Members may have responsibilities in their role on specific Committees /Cabinet.

Training on risk awareness and management will be provided for Members and staff appropriate to their roles.

9.2 Service Managers

Service Managers are responsible for the effective leadership and management of risk in their service area to meet business objectives/outcomes in line with the Council's risk management framework and confirming annually they have done this as part of the annual managers' assurance statement process.

Service Managers, with the appropriate risk owner, will maintain the relevant risk registers ensuring all key risks are identified, managed and reviewed in line with the corporate risk management approach. Service Managers should:

- Promptly escalate risks where appropriate;
- Encourage staff to be open and honest in identifying risks and opportunities;
- Ensure risk management process is an explicit part of transformation programmes and all significant projects.

9.3 Risk Owners

Risk Owners should:

- Ensure that appropriate resources and importance are allocated to the risk management process;
- Confirm the existence and effectiveness of existing actions and ensuring that any further actions are implemented;
- Provide assurance that the risks for which they are the risk owner are being effectively managed.

9.4 Project and Programme Managers

Project and Programme Managers are responsible for risk management across their project or programme, establishing and maintaining Programme Risk and Issue Registers and ensuring project or programme risks are being identified, assessed, controlled and monitored throughout the project's or programme's lifecycle. Risks which have an impact on the ability to deliver the project or programme within the approved constraints of time, cost, quality and scope should be escalated to the Project or Programme Board.

9.5 Senior Management Team (SMT)

The Council's Senior Management Team is the Head of Paid Service, Chief Finance Officer and Monitoring Officer (retained officers). It is responsible for the effective leadership and management of risk in delivering the Council's core purpose, priorities and outcomes; and to champion an effective risk management culture.

9.6 Head of Paid Service

The Head of Paid Service (HoPS) has overall responsibility for ensuring that risk management processes are in place at the Council. The HoPS leads on Risk Management, and is responsible for ensuring the satisfactory administration of the risk management processes including reviewing and recommending changes to processes, and updating the Risk Management Policy. The HoPS is supported by Publica's Council and Company Support Group which is responsible for administering and maintaining risk registers, and ensuring that appropriate guidance and training is provided to staff and Members as required.

9.7 Shared Risk Management Group (SRMG)

The Shared Risk Management Group comprises the partner Councils' Senior Management Team and Publica's Senior Management Team. It is responsible for updating the partner Councils' Corporate Risk Registers, and reviewing any high scoring risks from the retained Council services. Its role is to ensure that controls are in place to mitigate risk, and appropriate action is being taken in response to high scoring risks, including seeking opportunities.

The group can approve minor changes to the Risk Management Policy, although more significant changes will require the approval of the Corporate Governance Group and the Council's appropriate decision making body e.g. Audit Committee or Cabinet.

9.8 Executive Group

The Executive Group is Publica's Corporate Management Team. Its role is to review the updated risk registers, challenge high scoring risks and ensure that appropriate mitigating action has been identified and implemented in a timely manner.

9.9 Cabinet

Members consider and challenge the risks involved in making any key decisions as well as risks that might prevent the delivery of the Council's core purpose, priorities and outcomes.

9.10 Audit Committee/Audit and General Purposes Committee

The Audit Committee is responsible for ensuring that risk management processes are satisfactorily carried out. Any significant changes to processes and policy will be considered by the Committee and may be approved by the Committee or recommended to the appropriate decision making body of the Council (e.g. Cabinet) in accordance with the Council Constitution.

The Corporate Risk Register is reported to the Audit Committee/ Audit and General Purposes Committee every quarter to provide assurance to the

Committee that risk management processes are being followed and that appropriate actions are being implemented to reduce the likelihood and impact of risk to the Council.

9.11 Internal Audit

Internal Audit will carry out an audit of Risk Management processes on a regular basis, having regard to the importance of risk management in the effective governance of an organisation.

Likelihood

| | | |
|---|----------------|--|
| 1 | Improbable | <ul style="list-style-type: none"> • Has not occurred before • Has not occurred at other LA's • Extremely unlikely to occur (less than 10% chance) but may do so in at least 10 years time |
| 2 | Remote | <ul style="list-style-type: none"> • Remote risk but could happen within next 3 to 10 years • Has not occurred at CDC but isolated cases have occurred at other LA's |
| 3 | Possible | <ul style="list-style-type: none"> • Could happen at least once every 1 to 3 years • New circumstances with little data to indicate likelihood of occurrence • 50 / 50 chance of it happening |
| 4 | Probable | <ul style="list-style-type: none"> • More likely to happen than not • Could occur within next 3 – 12 months • Has occurred in the last five years • Has occurred at some other LA's |
| 5 | Almost certain | <ul style="list-style-type: none"> • Has occurred in the last two years • Has occurred at many other LA's • More than an 80% chance of it happening • Likely to happen within next three months or is occurring at present |

Impact (Achievement of objectives or service delivery /achievement of projects/health and safety/ staff motivation/ legal and regulatory issues/ reputational damage / financial loss or additional expenditure necessitated).

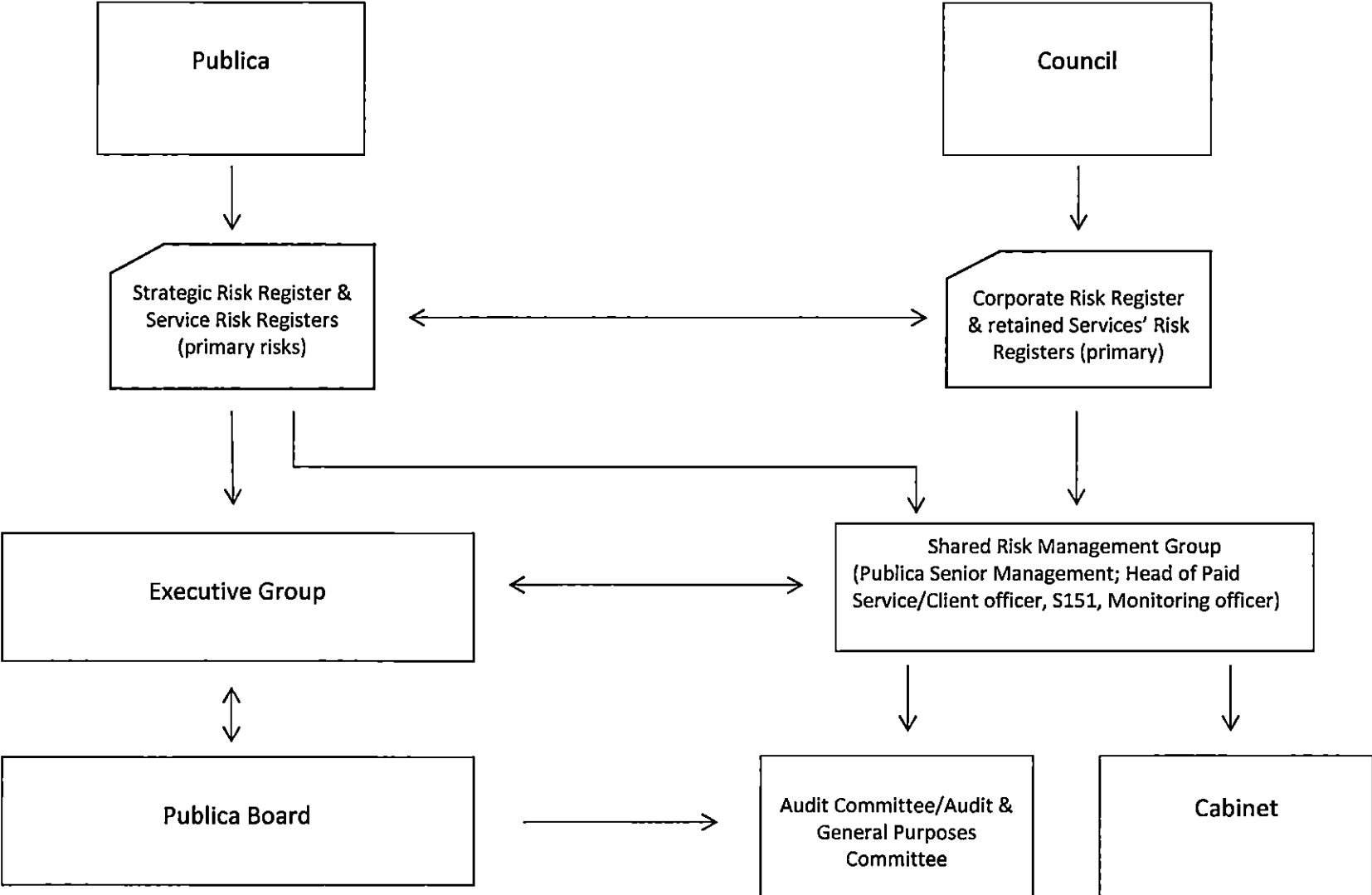
| | | |
|---|---------------|--|
| 1 | Insignificant | <ul style="list-style-type: none"> • Negligible impact on achievement of service objectives/delivery • Negligible impact on delivery of project – slight slippage or reduction in quality/scope with no overall impact • Negligible financial impact • Health and Safety of very small number of individuals affected • Limited impact on staff and culture – a few individuals only affected • Minor legal/regulatory impact – no sanction or legal action likely • No damage to reputation or will not result in adverse media comment |
| 2 | Minor | <ul style="list-style-type: none"> • Moderate impact on service objectives/delivery - only partially achievable without additional time / resources • Some impact on project – slight slippage against published milestones/targets and some 'nice to have' elements not possible • Minor injuries possible to relatively small number of individuals • Likely to affect motivation of small groups of staff • Some legal/regulatory impact – could lead to warnings/threats of sanctions/ legal action • Some public embarrassment but no damage to reputation or standing in the community • Financial impact can be contained within service budget (> £10,000) |

| | | |
|---|----------|---|
| 3 | Moderate | <ul style="list-style-type: none"> • Service objectives/delivery not achievable without considerable additional time / resources • Moderate effect on project timetable and significant elements of scope or functionality may not be available • Moderate number of injuries possible – not life threatening • Moderate impact on staff motivation within particular service(s) • Significant legal/regulatory impact leading to reprimand, sanctions or legal action • Some public embarrassment leading to limited reputational damage (adverse local press) – short term impact • Financial impact cannot be contained within budget and needs additional resourcing (<£250,000) |
| 4 | Major | <ul style="list-style-type: none"> • Significant impact on achievement of service objectives/delivery even with additional resources (possibly leading to closure of facilities / service being withdrawn) • Failure to meet key project deadlines or project fails to meet needs of proportion of stakeholders • Possibility of serious injury to individuals • Significant impact on employee motivation generally – possibly leading to poor quality service in particular service(s) • Serious legal/regulatory impact leading to sanctions or legal action with significant consequences • Loss of credibility and public confidence in the service / Council (of interest to the national press) • Significant financial impact (>£250,000) |
| 5 | Extreme | <ul style="list-style-type: none"> • Unable to achieve corporate objective or prolonged closure/withdrawal of service • Major project's viability jeopardised through delay or level of quality makes it effectively unusable • Possibility of fatalities or multiple serious injuries • Severe impact on staff motivation generally, leading to dissatisfaction and industrial unrest • Major legal/regulatory impact leading to sanctions or legal action with substantial financial or other consequences • Highly damaging to reputation with immediate impact on public confidence • Incident of interest to government agencies • Incident potentially leading to resignation or dismissal of a Chief Officer • Severe and unmanageable financial impact |

Risk Score

The Risk Score is calculated by multiplying the Likelihood score by the Impact score. Service Risks which score 15 or above are considered to be Primary Risks and will be considered with other corporate risks on the Corporate Risk Register.

| <p align="center">STRATEGIC Risks which may threaten the achievement of the Council's objectives</p> | <p align="center">OPERATIONAL Risks which managers and staff may encounter in the daily course of their work</p> |
|--|---|
| <p>Political: failure to deliver priorities or key tasks or central Government policy</p> <p>Economic: the ability to meet its financial commitments</p> <p>Social: the effects in changes in demographic, residential or socio-economic trends on the ability to deliver priorities or key tasks</p> <p>Technological: the capacity to deal with technological change or its ability to use technology to meet changing demands</p> <p>Legislative: current or potential changes in national or European law</p> <p>Environmental: the environmental consequences of service delivery (in terms of energy efficiency, pollution, re-cycling, landfill needs, emissions etc.)</p> <p>Competitive: the competitiveness of the services/ the ability to deliver value for money</p> <p>Customer failure to recognise the changing needs and expectations of the community Possible loss of reputation</p> | <p>Professional: professional competences of staff</p> <p>Financial: financial planning and control and the adequacy of insurance cover</p> <p>Legal: possible breaches of legislation</p> <p>Physical: fire, security, accident prevention and health & safety , possible loss of assets e.g. buildings, possible loss of data</p> <p>Contractual: the failure of contractors to deliver services or goods to agreed costs and specifications</p> <p>Technological: reliance on operational equipment (IT systems or equipment and machinery), possible loss of data</p> <p>Environmental: pollution, noise or energy efficiency of ongoing service operation</p> |



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