



# **Risk Management Strategy**

**Version17 – June 2023**

Name of Policy	The Risk Management Strategy
Policy Owner/s	Assurance Board
Date Reviewed	September 2023

# Contents

Executive Summary .....	2
Introduction .....	2
Definitions .....	3
Risk .....	3
Risk management .....	3
Why is Risk Management important? .....	3
Risk Policy Statement .....	3
The Risk Management Process .....	4
1. Identification .....	4
2. Evaluate .....	7
Risk Categories .....	9
3. Planning .....	11
4. Implementation .....	12
5. Embedding and Reviewing .....	13
Developing and Integrating Risk Management .....	13
Risk Assessment .....	14
Risk Appetite .....	15
Option Appraisals & Risk Treatment .....	15
Roles and Responsibilities .....	16
Council, Cabinet, Committees & Panels .....	16
Cabinet .....	17
Corporate Governance Committee .....	17
Corporate Leadership Team .....	17
Senior Leadership Team .....	17
Management Team .....	17
Risk Officer, in collaboration with Assurance Board .....	18
Assurance Board .....	18
Health and Safety .....	18
Internal Audit: .....	18
Employees .....	19
Appendix .....	20
Glossary .....	25

## Executive Summary

The purpose of the Risk Management Strategy is to communicate why and how risk management should be applied throughout the organisation to support the achievement of Huntingdonshire District Council's (HDC) corporate objectives. The corporate objectives can be found in the Corporate Plan 2023-2028 via the Intranet. Is it essential for all staff to be familiar with risk management and their responsibilities.

This strategy builds on the principles within HM Government's [Orange book<sup>1</sup>](#) which lays out the Management of Risk – principles and concepts, but does so pragmatically accepting the guidance of this document that.

“Attempting to define a one-size-fits-all approach to managing risks, or to standardise risk management practices, would be misguided because public sector organisations are different sizes, are structured differently and have different needs.”<sup>2</sup>

In order for HDC to have a successful risk management framework it is essential that all staff are aware of the following points that are detailed in this strategy...

- Understand what risk management is.
- Understand why risk management is highly important and aides the achievement of the corporate objectives.
- Be aware of HDC's Risk Management Statement.
- Know how to apply the risk management process model.
- Know how to complete a risk assessment.
- Be aware of your relevant departments risk appetite.
- Understand when to use the Option Appraisal and Risk Treatment forms.
- Understand your risk management responsibilities.

## Introduction

An effective risk management strategy will ensure the Council maximises its opportunities and manages those threats that may hinder the delivery of its priorities so that the opportunities for continuous improvement are maximised.

Risk therefore needs to be considered at all stages of the management process, from the setting of corporate priorities through to the delivery of the service to the customer. Risk management therefore becomes an integral element of the Council's corporate governance arrangements.

This risk management strategy aims to integrate risk management into the Council's culture and processes and raise awareness amongst all employees

---

<sup>1</sup> Orange book link: This links you to an online PDF version of The Orange Book Management of Risk – principles and concepts, Crown Copyright, 2020

<sup>2</sup> The Orange Book Management of Risk – principles and concepts, Crown Copyright, 2020. P.3

and members of the benefits and opportunities that successful management of risk can bring.

## **Definitions**

**Risk** is the chance or possibility of something happening that will have an adverse impact on the achievement of the Council's objectives.

**Risk management** is the identification, evaluation, control, monitoring and reporting of existing and emerging risks. It applies equally to the opportunities for taking risks as it does to avoiding risks or reducing losses. It is a key part of good management and not simply a compliance exercise.

*Note: For further definitions please see the glossary.*

## **Why is Risk Management important?**

The Council provides a large range of services within an ever-changing environment, so there is great potential for risks to arise. Effective risk management will enable the Council to:

- Minimise disruption to service provision
- Maximise performance
- Minimise the need to divert funds from priority services
- Encourage creativity
- Minimise losses
- Ensure the Council's reputation is preserved and enhanced
- Reduce insurance premiums

**The aim is to manage risk, rather than eliminate it. Too little attention to the control of risk will lead to unnecessary losses and poor performance, while an over devoted approach may suppress creativity and increase the cost of and/or impede service delivery. Successful risk management means getting the balance right.**

## **Risk Policy Statement**

HDC is committed to the effective management of risk. The Council's ability to deliver services and achieve its business objectives are constantly affected by risk, which the Council recognises as being both positive and negative.

The Council also recognises its legal, moral and fiduciary duties in taking informed decisions about how best to control and minimise the downside of risk, whilst still maximising opportunity and benefiting from positive risks.

The Council will ensure that Members and staff understand their responsibility to identify risks and mitigate the possible consequences.

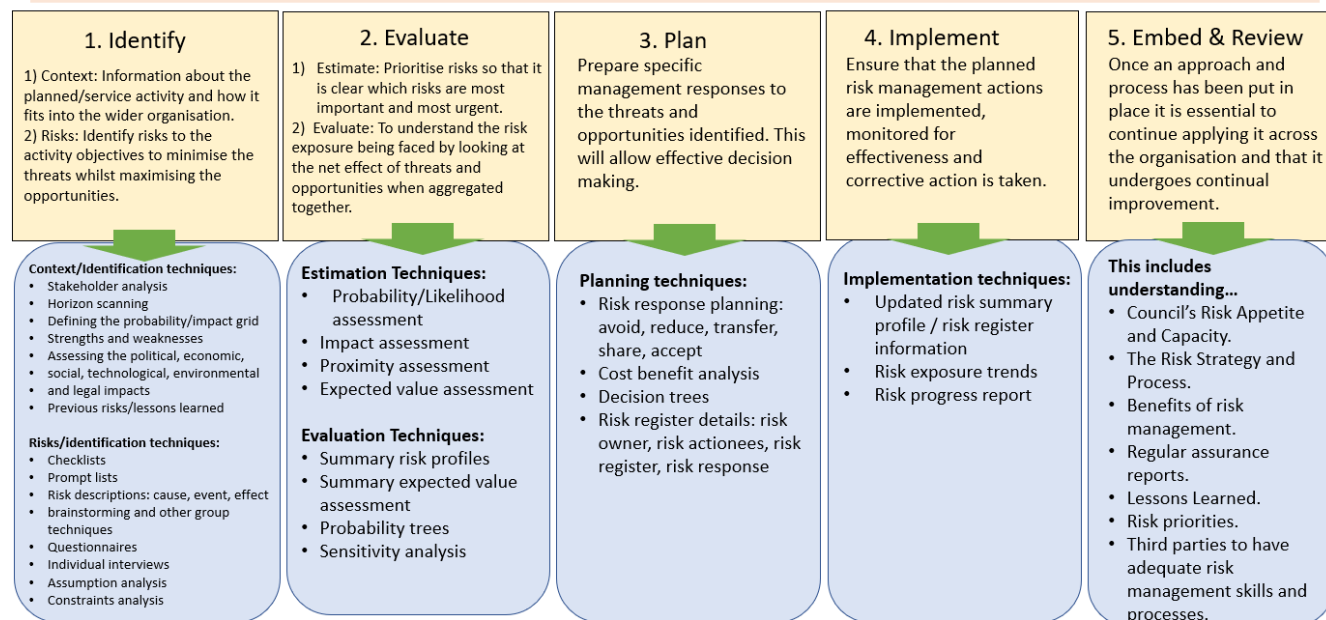
# The Risk Management Process

The purpose of the risk management process guide is to describe the key steps required to ensure risks are successfully identified, assessed, and controlled.

Risk management is a continuous process that has **five key elements/stages**:

1. **Identification:** of risks to which the Council is exposed to.
2. **Evaluation:** of those risks in terms of likelihood and severity.
3. **Planning:** the control or mitigation of the risks, either by reducing the likelihood or severity of adverse events.
4. **Implementation:** of the arrangements the Council needs to put into place to deal with the consequences of the threats manifesting themselves, e.g., insurance, levels of policy excesses, self-insurance, service recovery planning
5. **Embedding and Reviewing:** the on-going monitoring and reporting of risk, to allow for intended actions to be achieved and losses minimised.

A standard risk management process will be used throughout the Council, including project, partnership, corporate or operational level...



**Communication** should be carried out throughout the process to continue to identify new threats, opportunities and changes to existing risks.

A standard risk management process will be used throughout the Council. This will ensure that risks are considered in the same fashion whether at a project, partnership, corporate or operational level.

## 1. Identification

There are many ways of identifying risk, including making use of:

- Staff experience and knowledge
- Review of objectives in Corporate and Service Plans
- Performance indicators, financial/budgetary and management information

- Service reviews by internal/external audit and other inspection bodies
- Risk assessments
- Directorate / Service meetings / workshops
- Amendments to legislation
- Insurance claims / loss information

When identifying risks, it is recommended to firstly, consider the context behind the risk (why does the risk exist, what is the root cause) before identifying the risks within it. This ensures the information about the planned activity/the scope of it is gathered and it is clear how it fits into the wider organisation.

**Context identification techniques include:**

- **Stakeholder analysis** – who else is involved?

What do they think? This technique helps capture who the stakeholders are, what their roles are and their level of participation. A stakeholder analyses can be done for the entire organisation or departments/divisions.

- **Horizon scanning** – What changes can we expect in the future?

By identifying and monitoring emerging risks and trends you are able to proactively manage risks and take advantage of opportunities.

- **Defining the probability/impact grid**

As it is important to note specific details about the objectives before any risks are identified. The probability impact grid technique defines the impact scales for each relevant objective. These scales can then be used to articulate risk tolerance thresholds for a particular organisational activity.

- **Strengths and weaknesses of the service/idea**

This technique focuses on the analyses of the strengths (current fact), weaknesses (current fact), opportunities (potential future fact) and threats (potential future fact) of an individual, department, group or area.

- **Assessing the political, economic, social, technological, legal and environmental impacts (PESTLE).**

This technique enables a wide scan of the context, and any potential or actual factors that would affect any objectives if they were left unmanaged. When doing a Pestle analysis ensure the assessment is tailored to the specific organisation/area.

- **Previous risks/lessons learned**

Depending on the activity being worked on, it may be appropriate to consider/examine previous lesson logs if available. These may include details on events or activities which should or should not be repeated as well as any relevant notes which may help with the current project/area.

**Risk identification techniques include:**

- **Checklists:** Reviewing risks and opportunities and possible actions.

By preparing a list of potential risks and opportunities you can systematically identify and assess risks to ensure no risks are overlooked.

- **Prompt lists:** Lists triggering you to consider a range of factors  
This technique involves asking open-ended questions which stimulates discussion and helps identify potential risks that may not have been considered.
- **Risk descriptions:** cause, event, effect  
When writing a risk description ensure the cause, event and effect are all written clearly which facilitates the development and understanding of effective risk identification and responses, e.g., Cause: Inadequate cyber security measures. Event: Cyber attack. Effect: Data breach, loss of information, financial loss, reputational damage.
- **Brainstorming and other group techniques:** perhaps in team meetings  
Gathering a group of people to generate ideas and/or identify potential risks and opportunities in a collaborative and structured manner facilitates communication, collaboration and provide a comprehensive assessment and analyses technique.
- **Questionnaires**  
This technique involves sending surveys to the relevant stakeholders which results in a gathering of information about potential risks and their likelihood/impact.
- **Individual interviews**  
A one-to-one conversation/interview with a stakeholder gathers details information about potential risks. This helps identify their impact and potentially identify risks that were not apparent.
- **Assumption analysis:** Reviewing the assumptions that you have made  
Identify and challenge assumptions concerning a project or situation. This aids the surfacing of hidden or overlooked risks and develop an appropriate risk response.
- **Constraint's analysis:** Reviewing the limiting factors on your service  
This involves identifying the restrictions or limitations that may impact a project or situation. This helps identify potential risks associated with those constraints and develop an informed risk response.

When describing a risk it is important that it can be easily understood. The risk description should consist of the cause, event and effect. This information should be logged onto the council's risk register (4Risk).

**Risk Cause:**

- What would cause the risk to happen, e.g., a fire, loss of key personnel. This is where we consider what we could have done to prevent it.

**Risk Event:**

- What could go wrong. This is an uncertain event which may or may not

materialise, that if it does would most likely have an impact.

**Risk Effect:**

- This is the potential outcome of the event, the consequence.

The risk description/statement could then be written as ...

- “Because of (Risk Cause), (Risk Event) may occur, which would lead to (Risk Effect).

As mentioned above the HDC holds its own risk register on 4Risk, which can be found on the intranet. Staff should use 4Risk to track, update, add and review risks.

HDC holds a single risk register which maintains risks across all levels of the organisation including Corporate and Operational level risks. Corporate risks are likely to affect the medium to longer term priorities and objectives of the Council and require longer term planning to be addressed. Operational risks tend to be related to ongoing service activities and have a more immediate impact and generally need to be treated on a shorter time frame. By having a single risk register, risks are collectively reviewed and mitigating actions applied consistently. There is also less likelihood of duplication of risks e.g., budget affordability can be included as a risk across all areas of the Council, rather than each service registering this as a risk.

In addition to risk descriptions, it is important to capture the risk under the relevant risk category (See step 2, Evaluate). This is because risks are unlikely to remain static and they are required to be reviewed regularly to reflect changing internal and external circumstances. Such reviews may lead to risks moving between registers, new risks being identified, risk being closed when appropriate and control measures being updated leading to changing residual risk scores.

## **2. Evaluate**

Once a risk has been identified, we need to assess how big a risk it is; how much of an impact would it have, and how likely is to happen? Once we have prioritised the risks, we must look in more detail at the risk to understand the balance of threats and opportunities presented.

**Estimation Techniques:**

- **Probability/Likelihood assessment:** How likely is the risk to happen?  
This technique involves assigning a value to the likelihood of a risk occurring, which aids the prioritisation of risks.
- **Impact assessment:** What impact would it have were it to happen?  
This technique involves assigning a value to the impact a risk will have on the organisation and/or relevant department, which aids the prioritisation of risks.
- **Proximity assessment:** How close (time) is it to happening?



Assessing the potential timing of a risk (when it is likely to occur and how long it may last) helps to make informed risk responses and create any possible mitigation strategies.

- **Expected value assessment**

Calculating the expected value of a risk using its potential likelihood and impact provides a quantitative measure of the potential cost of a risk and helps to prioritise risk responses.

### **Evaluation Techniques:**

- **Summary risk profiles**

By summarising the risks associated with a project/programme in a concise and accessible format, you can see a high level overview of the most critical risks which aids decision making.

- **Summary expected value assessment**

By calculating the expected value of multiple risks and summarising them in a clear and concise way decision making and the understanding of the overall risk profile of a project or situation is made easier.

- **Probability trees**

This technique uses graphical representation of risks and their potential outcome, allowing a better understanding of complex risks and their impacts.

- **Sensitivity analysis**

This involves assessing the impact of changes in assumptions or inputs on the potential outcomes of a project/programme/situation. This helps decision makers understand the potential risks associated with different scenarios and adjust risk responses accordingly.

## Risk Categories

Risk categories are classifications of which business activity the risk relates to and aids discussion on linked risks and mitigation. The categories below strike the balance between completeness, focus on HDC's risk profile, and usability by end users. The risk category needs to be input into the risk register when the risk is added.

<b>Risk Categories</b>	<b>Definition</b>	<b>Trigger Questions</b> <small>(Please note: This is not an exhaustive list and should be used to help think of other risks across all levels)</small>
People	Risks arising from staff related matters, including culture, capacity, knowledge and capability, and non-compliance with relevant employment legislation/HR policies resulting in negative impact on performance.	<ul style="list-style-type: none"> <li>• Do you have a robust staffing structure?</li> <li>• Are you able to recruit when need to?</li> <li>• Do you have a risk or staff retiring or leaving?</li> <li>• Are your team appropriately trained?</li> <li>• Do you have key responsibilities that rely on a single individual?</li> <li>• Are staff aware of their point of contact and the order of communication for when decisions needs to be made?</li> <li>• Do our operating processes carry any risks to staff or the public?</li> <li>• How will changes in legislation impact upon our people?</li> <li>• Are any changes to service delivery planned, what will this affect?</li> <li>• What dependencies do you have on other teams, how would disruption there impact your service?</li> </ul>
Financial and Resources	Risks relating to financial planning, financial control, and insurance arrangements.	<ul style="list-style-type: none"> <li>• Do you have a savings or income target for the coming year?</li> <li>• Do you have plans in place?</li> <li>• Are you expecting any changes in terms of demand, or fluctuation in your costs that you need to plan for?</li> <li>• Do you have adequate insurance cover?</li> <li>• Are you aware of all opportunities for income, funding and grants?</li> <li>• Does a planned capital investment require an ongoing revenue budget to support it?</li> <li>• Are external factors likely to impact upon your service affordability, e.g., inflation?</li> <li>• Will new activities require increased support costs, e.g., reporting and monitoring associated with external funding?</li> <li>• Will future funding changes impact your service?</li> </ul>

<p>Operating Environment</p>	<p>Risks relating matters which affect or impact the daily, operating environment. Such as Economic and Commercial, Social, Physical and Environmental risks.</p>	<ul style="list-style-type: none"> <li>• What changes are happening, or are there possible signs of happening which may affect the demand for, or the way in which your service operates?</li> </ul> <p>Think in terms of...</p> <ul style="list-style-type: none"> <li>• Competition from other organisations</li> <li>• Social changes in terms of behaviours, need and demand or the profile of your customers? Are there economic changes which could change services people need, or change your ability to buy or sell things. How could environmental changes such as hotter summers, or wetter winters affect your services. What impact would inflation or increases in borrowing costs have on your service?</li> <li>• Who are your third party suppliers, what happens if one of these fail?</li> <li>• What happens if one of your dependencies changes?</li> <li>• Will future legislation require changes to the Operating Environment?</li> </ul>
<p>Policy and Process</p>	<p>Risks relating to the management, organisation and understanding of all policies, regulations, and strategies and the relevant processes for the services you are responsible for. Including at national, local and where relevant international levels.</p>	<ul style="list-style-type: none"> <li>• Do you have an understanding of the policy environment in which you are operating?</li> <li>• Are there any forthcoming policy changes or emerging political priorities?</li> <li>• Is the prioritisation of this activity appropriate in your service plan and/or approved with your manager and portfolio holder?</li> <li>• Are you anticipating legislative or other political changes either locally or nationally to affect your service.</li> </ul>
<p>Legal and Contractual</p>	<p>Risks stemming from legal and contractual obligations, challenges and the management of contracts and legal documents.</p>	<ul style="list-style-type: none"> <li>• Do you have contracts expiring in the next 2 years?</li> <li>• Do you have plans in place?</li> <li>• Are you actively managing contracts, and escalating any issues?</li> <li>• Income generation, are you able to deliver all the services detailed in the Service Level Agreement?</li> <li>• Supplier agreements - Do you have an up to date register of change controls and impacts, have they been implemented?</li> <li>• Have you factored in contract dependencies, e.g., agreed price increases and know what the impact to your budget is?</li> <li>• Are you aware of contract break clauses and the impact of these?</li> <li>• Will a service transfer have TUPE implications</li> </ul>
<p>Customer and Reputational</p>	<p>Risks which are associated with the failure to meet the current and changing needs and</p>	<ul style="list-style-type: none"> <li>• Do you have clear cost-effective processes that enable you to deliver services to your customers?</li> </ul>

	<p>expectations of the customer and residents (Reputational risk). These risks may be associated with the processes you use to manage the work you deliver to your customers.</p>	<ul style="list-style-type: none"> <li>• Do you have documented processes?</li> <li>• Do you know the cost of your processes, and are you able to identify opportunities for improvement?</li> <li>• Do you have clear performance metrics, and do you understand how effectively your services are meeting customer needs?</li> <li>• Do you understand your Service Level Agreement?</li> <li>• Are your customers financially stable?</li> <li>• Are these services we are permitted to deliver/charge for?</li> </ul>
Information and Technology	<p>Risks relating to the systems and technology you use to deliver your services – software, appliances, phones, etc. As well as matters relating to the way in which you manage information, particularly relating to sensitive and personal information.</p>	<ul style="list-style-type: none"> <li>• Do you understand and have developed plans for all the technology that you use in your service?</li> <li>• Do you have a list of all the systems, technology and software that your team uses?</li> <li>• Do you have system owners, champions, to maximise the benefits of the systems?</li> <li>• Do you have an information governance lead?</li> <li>• Do you have information management plans for all of the data you hold, and data sharing arrangements you have in place?</li> <li>• Will a process change require additional software licences?</li> <li>• Are you a data processor or controller, how does this impact your data storage and use?</li> <li>• How will software updates impact your service, risk of unforeseen downtime?</li> <li>• Do you know how long you should keep data for? Can you achieve this?</li> </ul>

### 3. Planning

Following the evaluation step, it is time to prepare specific management responses to the threats and opportunities identified (technically known as risk treatments). This allows for effective decision making and enables effective communication of risks and what you are doing to manage these.

This involves balancing the potential benefits of mitigating the risk – in terms of improved delivery, with the cost of doing so. The cost is not just an economic one, and needs to be reviewed against the objectives of the organisation as whole, e.g., broader economic, social, and environmental impacts. The delivery of some activity is so important, that even expensive mitigation activity may be welcome.

As part of the selection and development of risk treatments, we need to specify how the chosen option(s) will be implemented, so that arrangements are understood by those involved and effectiveness can be monitored. This should include:

- the rationale for selection of the option(s) (why it was chosen), including the expected benefits to be gained or downsides to be avoided;
- the proposed actions (what we are going to do);
- those accountable and responsible for approving and implementing the option(s) (who is going to do it);
- the resources required, including contingencies (the cost of doing it);
- the key performance measures and control indicators, including early warning indicators (how we will know if it is working);
- the constraints (what will limit or stop us managing the risk);
- when action(s) are expected to be undertaken and completed; and• the basis for routine reporting and monitoring (when will it happen).

### **Planning techniques:**

- **Risk response planning:** what can we do?: avoid, reduce, transfer/share, accept
  - Avoiding the risk, if feasible, by deciding not to start or continue with the activity that gives rise to the risk;
  - Reducing the risk or changing the likelihood, where possible or changing the consequences, including planning contingency activities;
  - Sharing the risk (e.g. through commercial contracts[12]).
  - Retaining (accepting) the risk by informed decision or taking or increasing the risk in order to pursue an opportunity;
- **Cost benefit analysis:** what is the cost vs the benefit, is the risk avoidance work worth doing?
  - This technique involves weighing the potential costs of risk responses against their potential benefits. This aids the identification of the most effective risk response and ensures risk management efforts are cost effective.
- **Decision trees**
  - This involves a graphical representation of decisions and their potential outcomes to aid decision making with understanding the potential risks associated with different options.
- **Risk register details:** risk owner, risk actionees, risk register, risk response
  - By maintaining a detailed record of identified risks and their details (such as associated risk responses, descriptions etc) a central information point for risk is there to inform decision making and track risk management efforts over time.

## **4. Implementation**

Once the risk management plan has been made it must be implemented, monitored for effectiveness and corrective action taken when and where needed. These implementation steps should generally feature in your service plan, or within your project plan, so they can be reviewed and monitored.

### **Implementation techniques:**

- **Updated risk summary profile / risk register information**

This technique involves regularly reviewing and updating the summary risk profile to ensure changes are reflected, which ensures that the risk management plan remains relevant and effective.

- **Risk exposure trends**

This involves tracking and analysing trends in risk exposure over time. This helps to identify emerging risks and opportunities and inform adjustments to risk responses and risk management strategies, if needed.

- **Risk progress report**

By regularly reporting on the progress of risk management efforts, including the status of risk responses and any changes to the risk landscape, this ensures risk management efforts remain on track and effective.

### **5. Embedding and Reviewing**

Once an approach and process has been put in place it is essential to continue applying it across the organisation and that it undergoes continual improvement.

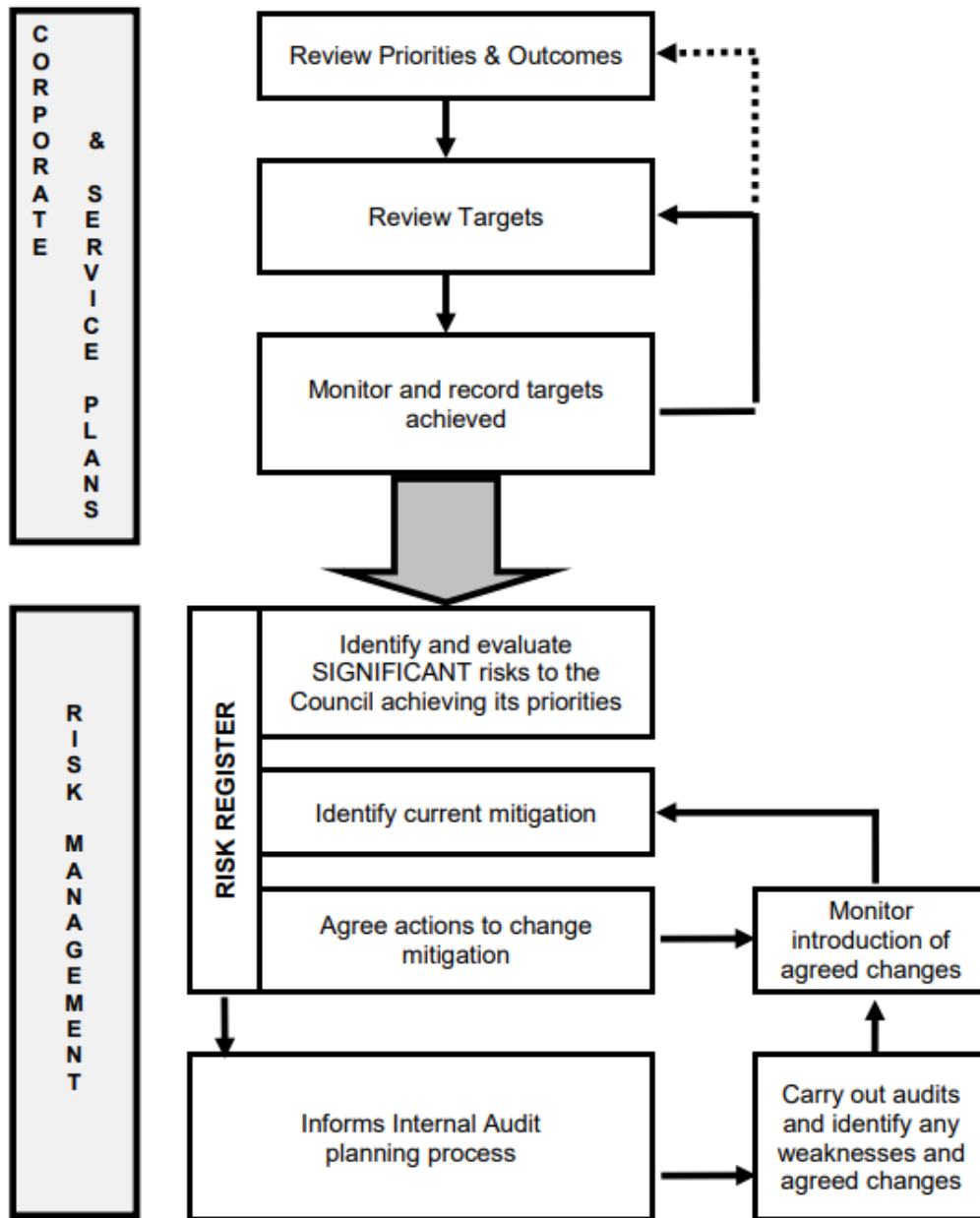
#### **This includes understanding:**

- Council's Risk Appetite and Capacity.
- The Risk Strategy and Process.
- Benefits of risk management.
- Regular assurance reports.
- Lessons Learned.
- Risk priorities.
- Third parties to have adequate risk management skills and processes.

### **Developing and Integrating Risk Management**

It is worth noting that the process of identification and management of risks needs to be undertaken at all stages of the process at both corporate and at service planning level. This ensures that the risk register contains all the relevant details, changes and significant risks that would affect the achievement of the Council's objectives and priorities. This is achieved by describing the impact of what is being considered on the Council's priorities and targets and be supported by the explicit consideration of the risks that are both inherent and mitigated to the impact being achieved.

The table below explains how risk management processes link into the Council's planning process.



## Risk Assessment

The risk assessment model is detailed in [Appendix A<sup>3</sup>](#). The model requires potential risks to be evaluated against a set of pre-determined criteria for likelihood/frequency and impact at both the inherent (without controls) and residual (with controls) risk levels. Individual risk levels are determined by plotting the risks onto a risk matrix. Health and Safety risks will be plotted against the smaller inset matrix.

Likelihood	Almost Certain	5	Medium	High	Very High	Very High	Very High
------------	----------------	---	--------	------	-----------	-----------	-----------

<sup>3</sup> Appendix A Link: Takes you to the section in the document which shows HDC's Risk Assessment Model.

Likely	4	Medium	High	High	Very High	Very High
Occasional	3	Low	Medium	High	High	Very High
Unlikely	2	Low	Low	Medium	High	High
Improbable	1	Low	Low	Medium	High	High
		1	2	3	4	5
		Trivial	Minor	Significant	Major	Critical
<b>Impact</b>						

## Risk Appetite

The Cabinet shall determine the Council's risk appetite; that is the amount of risk it is prepared to accept, tolerate, or be exposed to at any point in time before taking any action.

The Council's appetite for risk will be considered as 'exceeded' when the residual risk score (the likelihood and impact of threats after mitigations put in place) have a score of 15 or above in accordance with the Council's risk scoring matrix, as seen above.)

Where the risk appetite is exceeded in a particular service, services will be asked to review the risk and identify any actions to treat the risk. Where the risk tolerance is exceeded services will be asked to produce a risk treatment plan on a template and to report this back to Assurance Board, to show the quantification of the current risk and the proposed actions in response. If the Assurance Board is satisfied the action plan will reduce the risk to be within risk tolerance levels, the action is accepted and the risk will be returned to the service for monitoring in the usual way.

If the risk remains outside of tolerance, or the Assurance Board does not believe the proposed action plan sufficiently mitigates the risk, it will escalate the risk to the Senior Leadership Team, and the respective manager who owns the risk will be asked to follow the Options Appraisal and Risk Treatment process.

(Appendix B for options Appraisal and Appendix C for risk appetite exceeded diagram).

## Option Appraisals & Risk Treatment

For all individual residual risks that exceed their risk area targets as described above, consideration shall be given as to what further cost-effective mitigation could be introduced to reduce the residual risk score so that it falls within its risk appetite.

Before a decision is made on the way the risk is to be treated, the respective risk manager, who owns the risk, shall carry out an option appraisal (Appendix B). The appraisal shall consider how to deal with the risk on the following basis:



- **Reduce** or treat the risk by controlling the likelihood of the risk occurring or controlling the impact of the consequences if the risk does occur.
- **Avoid** or eliminate the risk by not undertaking the activity that may trigger the risk.
- **Transfer** the risk either totally or in part to others e.g. through insurance.
- **Accept** or tolerate the risk. This option will only be accepted when the ability to take effective action against a risk is limited or the cost of taking action is disproportionate to the potential benefits gained.

The appraisal will consider cost, resources, time and the potential financial and non-financial benefits of each treatment option. Advice from specialist staff such as the Risk and Controls team members shall be taken where appropriate.

Ideally risk treatments should be self-funding. Where this is not the case there will need to be a prioritisation process to ensure that any funding is concentrated first on those items that will be most beneficial to the achievement of the Council's priorities.

- **Action Plans**

The results of the option appraisal shall be recorded by the risk owner on a risk treatment option form (Appendix B) within four weeks of the risk having been recorded in the risk register. The form shall identify the risk, the current control environment, control actions to be introduced, the Officer responsible and the timescales for implementation.

The risk owner shall send the option appraisal form to the Senior Leadership Team Member for the service within six weeks of the risk being recorded in the risk register. They will review and challenge the form. The form shall be updated if required and then considered by the Senior Leadership Team who will determine if the mitigation outlined is to be introduced. If the additional mitigation cannot be met from the current Service budget the matter shall be reported to the Cabinet for a decision. If further mitigation is agreed, the risk owner shall update the risk register and put in place procedures to introduce the agreed mitigation.

## **Roles and Responsibilities**

Everyone in the Council is involved in risk management and should be aware of their responsibilities in identifying and managing risk.

### **Council, Cabinet, Committees & Panels**

- To ensure they consider risk management implications when making decisions.

## **Cabinet**

- To be responsible for ensuring effective risk management procedures are in place across the Council and approving the risk management strategy.
- To determine the Council's risk appetite annually and review the risk assessment model to ensure it continues to reflect the requirements of the Council.
- To decide upon the action to be taken for all mitigated risks that exceed the Council's risk appetite or have the potential to harm its reputation or the continuity of services and require additional budget expenditure that cannot be funded from existing Service budgets.

## **Corporate Governance Committee**

- To receive regular updates on risk management and consider any governance issues arising.

## **Corporate Leadership Team**

- To ensure effective risk management throughout the Council in accordance with the risk management strategy.
- To make recommendations at least once a year to the Cabinet on the Council's risk appetite.
- To ensure that Members are advised of the risk management implications of decisions.
- To review and challenge Corporate risk register entries at least once every three months.
- To prioritise risk treatments and requests for additional funding.

## **Senior Leadership Team**

- To develop a culture of risk management throughout the Council.
- Balancing an acceptable level of risk (as described by the risk appetites) against the achievement of corporate and/or service plans, project objectives and business opportunities.
- To identify and resolve any risks associated with compliance with the Council's agreed rules, procedures and processes.
- Ensure that risks relating to significant partnerships are identified and effectively managed, within the partnership and at service level.
- To review and challenge Operational risk register entries at least once every three months.
- To review and challenge risk treatment option forms submitted by the Management Team and passing them onto the Corporate Management Team if additional control measures cannot be funded from Service budgets.

## **Management Team**

- Ensuring that effective control procedures are in place to manage the risks affecting their services.
- Review (as risk owner) their Corporate and Operational risk register entries at least once every three months, reporting all new risks or

significant changes to risk entries to their Head of Service and/or Director.

- Maintain all risk register entries fully, updating them promptly with any perceived new risks or opportunities, failures of existing control measures and closing them when appropriate.
- Update at least once every six months risk register assurance statements that describe the effectiveness of the risk mitigating controls.
- Prepare (as risk owner) for risks that exceed risk appetite levels, risk treatment option forms for consideration by the Senior Management Team.

### **Risk Officer, in collaboration with Assurance Board**

- To assist managers in identifying and analysing the risks that they encounter and the formation of action plans to address outstanding issues.
- To provide assurance on the operation of the Risk Management process and framework.
- To provide advice and guidance on systems to mitigate risk.

### **Assurance Board**

- To report as necessary to the Cabinet, Corporate Governance Committee or Corporate Leadership Team on risk management issues.
- To identify best practice and consider its introduction within the Council.
- To provide advice and guidance on systems to mitigate risk.
- Ensure risk strategy is reviewed and updated annually/as needed.

### **Health and Safety**

- All Elected Members and employees are responsible for taking care of their own and their colleagues/visitors health and safety at all times. They are responsible for the identification and treatment of hazards as described in the Health and Safety Policy – Organisation & Responsibilities.
- To work proactively with services across the Council, providing advice on safe working practices to mitigate incidents, and monitoring compliance with existing Health and Safety controls.

### **Internal Audit:**

- Internal Audit will seek assurance from the risk register that the organisation is assessing its risks on a regular basis and acting in a responsible manner to mitigate them.
- It will use the risk register as a basis for informing the annual Internal Audit plan, assessing if risks are correctly recorded and the mitigating actions appropriately deployed and reported.
- It will escalate risks to Assurance Board where mitigating controls are not deployed and the risk should be noted as unmitigated.

**Employees**

- To co-operate with management and colleagues in matters relating to the mitigation of risk.
- To promptly inform the appropriate manager of any risks they become aware of.

## Risk Assessment Model

### Likelihood / Frequency

Alternatively this could be expressed as likely to happen within the next:

<b>5 = Almost Certain</b>	Will definitely occur, possibly frequently.	Month
<b>4 = Likely</b>	Is likely to occur, but not persistently.	Year
<b>3 = Occasional</b>	May occur only occasionally.	3 years
<b>2 = Unlikely</b>	Do not expect it to happen but it is possible.	10 years
<b>1 = Improbable</b>	Can't believe that this will ever happen, but it may occur in exceptional circumstances.	20 years

When considering Health & Safety related risks, the likelihood should be expressed as being likely to happen within the next:

<b>4 = Likely</b>	Monthly	Further advice on assessing Health & Safety risks can be obtained from the Health & Safety Manager
<b>3 = Occasional</b>	Yearly	
<b>2 = Unlikely</b>	5 years	

### Impact

Risks will be evaluated against the following scale. If a risk meets conditions for more than one category, a judgement will need to be made as to which level is the most appropriate. For example, if a particular health and safety risk was significant, could result in minor short-term adverse publicity in the local media but had only a trivial financial impact, it might still be categorised as significant.

**1 = Trivial** event or loss, which is likely to:

- cause minor disruption to service delivery on one or two consecutive days, not noticeable to customers
- increase the Council's net cost over the 5 year medium term financial strategy (MTFS) period by £50,000 or less.
- be managed with no reporting in the local media
- cause localised (one or two streets) environmental or social impact

**2 = Minor** event or loss, which is likely to:

- cause minor, noticeable disruption to service delivery on one or two consecutive days
- increase the Council's net cost over the 5 year MTFS period by more than £50,000 but less than £100,000.
- result in minor short-term (up to a fortnight) adverse publicity in the local media

## Risk Assessment Model

- \* be a Health and Safety (H&S) concern that results in an injury but 7 days or less off work
- have a short term effect on the environment i.e. noise, fumes, odour, dust emissions etc., but with no lasting detrimental impact

### 3 = Significant event or loss, which is likely to:

- cause disruption for between one and four weeks to the delivery of a specific service which can be managed under normal circumstances
- affect service delivery in the longer term
- increase the Council's net cost over the 5 year MTFS period by more than £100,000 but less than £250,000.
- result in significant adverse publicity in the national or local media
- \* be a Health and Safety concern that results in more than 7 days off work or is a specified injury, dangerous occurrence or disease that is required to be reported to the H&S Executive in accordance with 'Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013' (RIDDOR)
- has a short term local effect on the environment, or a social impact, that requires remedial action.

### 4 = Major event or loss, which is likely to:

- have an immediate impact on the majority of services provided or a specific service within one area, so that it requires Managing Director involvement.
- increase the Council's net cost over the 5 year MTFS period by more than £250,000 but less than £500,000.
- raise concerns about the corporate governance of the authority and / or the achievement of the Corporate Plan
- cause sustained adverse publicity in the national media
- significantly affect the local reputation of the Council both in the long and short term
- \* results in the fatality of an employee or any other person
- have a long term detrimental environmental or social impact e.g. chronic and / or significant discharge of pollutant

### 5 = Critical event or loss, which is likely to:

- have an immediate impact on the Council's established routines and its ability to provide any services, and cause a total shutdown of operations.
- increase the Council's net cost over the 5 year MTFS period by more than £500,000.
- have an adverse impact on the national reputation of the Council both in the long and short term
- have a detrimental impact on the environment and the community in the long term e.g. catastrophic and / or extensive discharge of persistent hazardous pollutant

## Risk Treatment Option Form

Risk Treatment – Action Plan				
Description of risk from register:	Risk ID No:	Current residual risk score: Likelihood x Impact		
Controls already in place as listed on the risk register:				
Are these controls operating effectively? Yes / No				
Risk Action Plan (All actions listed in priority order)				
Proposed actions to reduce risk using existing resources	New residual risk score <sup>4</sup>			Extra resources required <sup>5</sup>
	L	I		
a.				
b.				
c.				
Actions requiring additional resources				
1.				
2.				
3.				
4.				
Decision				
Agreed Option:	Implementation Date	Risk Owner		
Decision taken by: _____ on: _____				

*Note: Health & Safety risks that exceed their risk appetite shall be treated with counter-measures or be stopped immediately until the residual risk has been sufficiently reduced. The action that must be taken is set-out below and mirrors the approach set-out in the Council's approved Health & Safety risk assessment form.*

<sup>4</sup> New Residual Risk Score: after the action has been introduced

<sup>5</sup> Extra Resources: only complete if extra resources will be required to allow the proposed action to be introduced e.g. financial costs and staff time

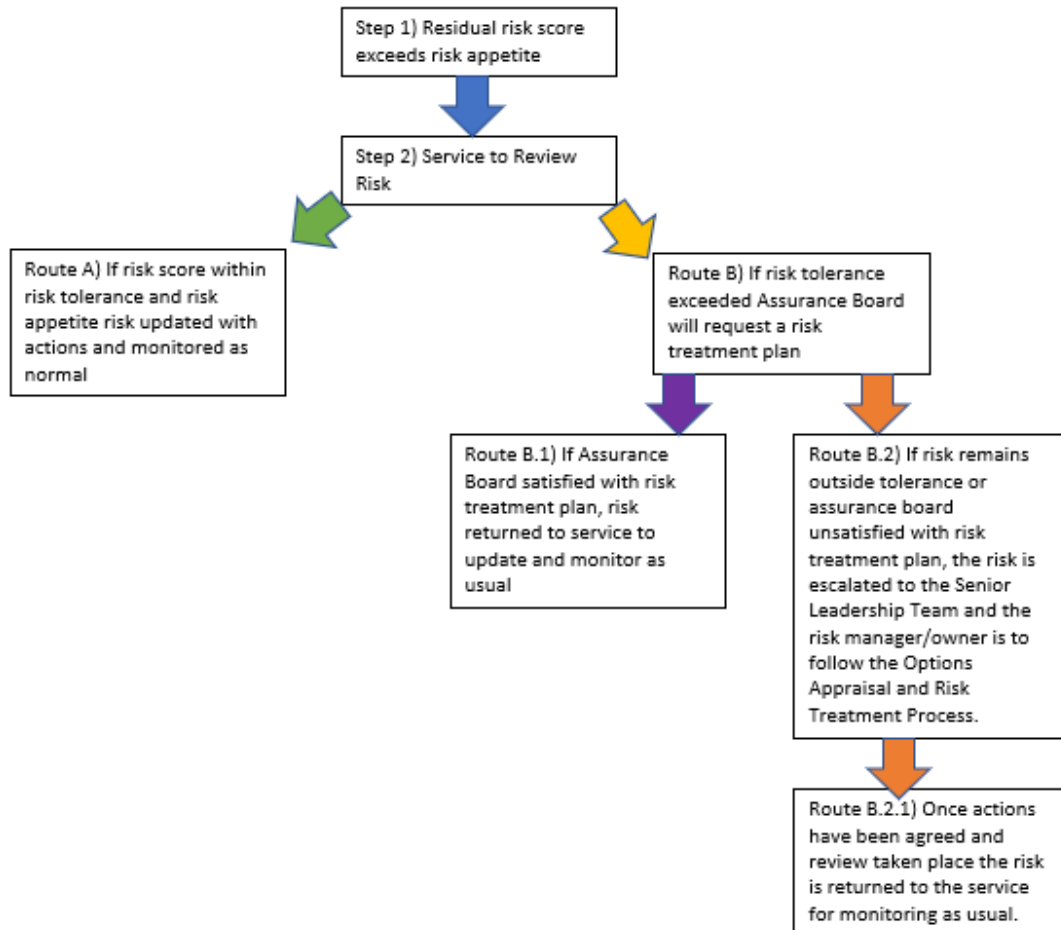
Remember, when considering treatment options that the Council's aim is to manage risk rather than eliminate it completely – successful risk management is about improving risk taking activities whilst minimising the frequency of the event occurring.

Issues that should be considered when making the risk treatment decision are listed below.

Administration	<p>Is the option easy to implement?          Will the option be neglected because it is difficult to implement?          Do staff have sufficient expertise to introduce the option?</p>
Continuity of effects	<p>Will the effects of the risk treatment option be long term/continuous or short term?          If short term, when will further risk treatments be needed?          Does the risk need to be treated at all as it will 'disappear' in the short term (e.g. a project it refers to will be completed or in the next three months)</p>
Cost effectiveness	<p><i>Costs need to be estimated accurately as it's the base against which cost effectiveness is measured.</i></p> <p>Can the cost of implementing further control be justified compared to the risk reduction benefits expected?          What financial loss is to be expected if no action is taken?          Could the same results be achieved at lower cost by other means?</p> <p>Will running costs go up or down?          What capital investment will be needed?          What other costs will there be?</p>
Benefits	<p>What will happen to service levels?          What will happen to service quality?          What additional benefits or risk reductions will occur in other areas?          Can other controls in place be amended to deal with this risk?          How will you evaluate this option to see if it is reducing the identified risk?</p>
Objectives	<p>Will reducing risk advance the Council's overall objectives?          What will be the economic and social impacts?          What will be the impact on the environment of leaving the risk as it is?</p>
Regulatory	<p>Complying with laws and regulations is not an option.</p> <p>Does the lack of treating the risk (or the current method of control) breach any laws or regulatory requirement?          Is the treatment option proposed, including its cost, totally disproportionate to the risk?</p>
Risk creation	<p>What new risks will be created from introducing the option?</p>



## Risk Appetite Exceeded Diagram



1. Residual risk score (the likelihood and impact of threats after mitigations are put in place, score calculated using the risk matrix) exceeds the risk appetite (the maximum residual risk an organisation will accept after controls are put in place in order to achieve its objectives).
2. Service to review the risk and identify any actions to treat the risk.
3. If risk tolerance (the maximum risk the organisation is willing to take regarding a specific initiative) is exceeded, the service will be asked to produce a risk treatment plan on a template and to report back to the Assurance Board to show the quantification of the current risk and the proposed actions in response to it.
4. If the Assurance Board is satisfied the action plan will reduce the risk to be within risk tolerance levels, the action is accepted and the risk will be returned to the service for monitoring in the usual way.
5. If the risk remains outside of the risk tolerance, or the Assurance Board does not believe the proposed action plan sufficiently mitigates the risk, it will escalate the risk to the Senior Leadership Team, and the respective manager who owns the risk will be asked to follow the Options Appraisal and Risk Treatment process.

## Glossary

**Risk appetite:** The amount of risk the organization, or subset of it, is willing to accept.

**Risk capacity:** The maximum amount of risk that an organization, or subset of it, can bear, linked to factors such as its reputation, capital, assets, and ability to raise additional funds.

**Risk tolerance:** The threshold levels of risk exposure that, with appropriate approvals, can be exceeded, but which when exceeded will trigger some form of response (e.g. reporting the situation to senior management for action).