

# **Risk Management**

## **POLICY STATEMENT AND STRATEGY**

### **Document Details:**

|                     |  |
|---------------------|--|
| Owner/Lead Officer  | : Head of Internal Audit & Assurance Service, Corporate Resources Department |
| Created             | : December 2021  |
| Review Arrangements | : Annually   |
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| Ratified by         | : Chief Officers (Annually)  |

## Risk Management Policy Statement

1. The coronavirus continues to impact on most facets of daily life, including a current issue of large scale absences in key public services. In conjunction with its local stakeholders and partners, local government will need to continue to respond to uncertainty and manage high demand on its services and resources well into 2022, and likely beyond should new variants or surges in caseloads arise. Managing staff wellbeing, hybrid working, and demands for high quality IT is challenging. Historic local government funding and spending pressures continue. The problem is exacerbated by continuing delays to the Government's funding reforms and uncertainty around sufficient funding to implement adult social care reforms along with the costs and impacts of a new regulatory framework. Financial pressures supporting growth, infrastructure, and environmental improvement continue to build and have accelerated with elevated inflation. Continuing public expectations alongside concerns about councils having the capacity and capability to respond, are creating continuing change.
2. Local authorities which stimulate effective and efficient risk management and strive to create an environment of 'no surprises' should be in a stronger position to deliver objectives, sustain services, achieve better value for money, and promote good corporate governance both within the organisation itself and in tandem with stakeholders and partners. Successful risk management should balance providing sufficient protection from harm, without stifling development and recognising and grasping opportunity, where calculated risk is accepted and even commended. As shown throughout the pandemic, new layers of complexity and risk will always arise, but they bring new opportunities for innovation, collaboration, transformation, community engagement, and new approaches to service delivery. These include prevention and integration strategies, collaborating with communities and other partners, embracing digital technology, and investment in infrastructure to remain sustainable. Authorities that have ventured into risky commercial property and income generating activities continue to receive intense scrutiny.
3. 'The Strategic Plan 2022-26' (the Plan) sets out the County Council's ambitions and priorities for the next four years. It outlines what it aims to achieve and how it intends to do it. It is based on five strategic outcomes which describe the Council's vision for Leicestershire. The outcomes are broad and aspirational, reflecting the Council's significant and wide-ranging responsibilities and capacity to influence. To ensure that the Plan provides a clear strategic direction for the Council, it includes specific aims and actions to deliver each outcome over the next four years. The Plan also includes sections on the Council's 'enabling services', its Medium Term Financial Strategy and Strategic Change Portfolio. Through its leadership of the F20 Group (low funded local authorities of different political controls) and its expression of interest in a County Deal (supported by all the County's MPs and the seven district councils), the Council hopes that positive responses from Government will help to sustain and improve front line services and ensure housing and economic growth has the necessary infrastructure to benefit individuals, communities and the wider population.
4. Whilst ensuring that the most vulnerable are protected, in order to continue its own fundamental transformation, the Council will embrace an attitude to risk allowing a culture of creativity and innovation, in which in all areas of the business, risks are identified, understood and proactively managed, rather than avoided. Risk management is at the heart of the Council and its key partners. The Council will not shy away from risk but instead seek to proactively manage it. This will allow it not only to meet the needs of the community today, but also be prepared for future challenges.
5. This Policy Statement and supporting Strategy form an integrated framework that supports the Council to effectively manage its risks. The framework provides assurance to its stakeholders, partners and customers that a consistent approach to the management of risks and opportunities of those current, developing and as yet unplanned activities, plays a key role in the delivery and achievement of the vision contained in its Strategic Plan and all of its other plans, strategies and programmes. This Policy Statement and Strategy has the full support of Members and Chief Officers, who are committed to embedding risk management throughout the Council and is reliant upon the co-operation and commitment of all management and employees to ensure that resources are utilised effectively.

Signed:



Title: Chief Executive

Date: January 2022

## 1.0 Defining Risk and Risk Management

Under ISO31000:2018 'Risk management – Principles and guidelines'

Risk is defined as:

*The effect of uncertainty on objectives, (where effect is any deviation from the expected positive or negative or both, and can address, create or result in opportunities and threats).*

Risk Management is defined as:

*Coordinated activities to direct and control an organisation with regards to risk*

Leicestershire County Council (the Council) has adopted the following definitions of risk and risk management:

**Risk** is “an uncertain event (or a set of events) that should it (they) occur, will have a (positive or negative) effect on the achievement of the Council’s objectives and/or reputation.

A risk is measured in terms of a combination of the likelihood of a perceived threat or an opportunity occurring and the magnitude of its impact on objectives.

**Risk management** is the “systematic application of principles, approach and processes to the identification, assessment, monitoring and taking actions to manage/mitigate the likelihood and/or impact of a risk.” By managing our risk process effectively, we will be in a better position to safeguard against potential threats and exploit potential opportunities to improve services and provide better value for money.

This Risk Management Strategy outlines how the Council will use risk management to successfully deliver corporate, departmental, and service, objectives and priorities.

## 2.0 Why undertake risk management?

### Statutory requirements

Part 2 of the Accounts and Audit Regulations 2015 (Internal Control) places explicit requirements on the Council around risk, that is: -

- Paragraph 3 (c) - the Council must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk;
- Paragraph 4.4 (a - iii) – the Responsible Financial Officer (the Director of Corporate Resources) must determine, on behalf of the Council financial control systems which must include measures to ensure that risk is appropriately managed;
- Paragraph 5 (1) the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management processes.

### Constitutional requirements

The Council’s Corporate Governance Committee (the Committee) has delegated functions<sup>1</sup> regarding risk management namely: -

- Article 9.03 (Corporate Governance Matters) states at (a) that the Committee has a general role for the promotion and maintenance within the Authority of high standards in relation to

the operation of the Council's Local Code of Corporate Governance<sup>2</sup> and in particular to ensure (i) that an adequate risk management framework and associated control environment is in place.

- Responsibility for functions states at 3(h) that the Committee has a responsibility to monitor the arrangements for the identification, monitoring and management of strategic and operational risk within the Council.

Additionally, Section D: General scheme of delegation to Chief Officers, states at section 5 (h) that any exercise of delegated powers by officers, shall have identified and managed appropriate strategic and operational risks within the officer's area of responsibility.

<sup>1</sup> These align to the oversight of risk management arrangements as being a core function of a local government Audit Committee as referred to in CIPFA's Guidance on Audit Committees 2018.

<sup>2</sup> The Council's Local Code of Corporate Governance (2019) complies with the 'Delivering Good Governance in Local Government; Framework' (2016), specifically Principle F which advises that good governance is promoted when there is management of risks and performance through robust internal control and strong public financial management.

### 3.0 Benefits of risk management

Risk management is a tool that forms part of the governance system of the organisation. When applied appropriately it can bring multiple benefits as set-out in the table below: -

|   |  |   |
|---|--|---|
| Improved efficiency of operations   | Better delivery of intended outcomes                               | Maximises Opportunities                                     |
| Protected reputation of the Council   | Supports the achievement of the Council's objectives               | Reduced losses arising from workplace accidents & illnesses |
| Better mitigation of key risks  | Demonstrates good governance                                       | Enhanced political and community support                    |
| Protection of budgets from unexpected financial losses or Increased ability to secure funding | Increased effectiveness of business change programmes and projects | Protection of Council Assets                                |
| Fewer unwelcome surprises   | Improved management information to inform decision making          | Improved planning   |

### 4.0 Risk Management Strategy objectives

The objectives of the Council's Risk Management Strategy are to:

- Integrate risk management fully into the culture of the Council and into its corporate and departmental service planning processes (including new ways of working following the coronavirus pandemic). This will support the achievement of the Council's outcomes;
- Ensure that there is an effective framework for identifying, assessing, managing/mitigating, reviewing and reporting and communicating risks across the Council;

- Improve the communication of the Council's approach to and importance of risk management;
- Improve the coordination of risk management activity across the Council;
- Ensure that Chief Officers, Members, Corporate Governance Committee and external stakeholders can obtain necessary assurance that the Council is mitigating the risks of not achieving key priorities and thus complying with corporate governance practice;
- Manage risk in accordance with best practice and ensure compliance with statutory requirements
- Maintain clear roles, responsibility and reporting lines for risk management within the Council.
- Measure and partake in regular comparison and benchmarking activity.

## **5.0 Risk Appetite and Risk Tolerance**

The Council recognises that only by taking risks can it achieve its aims and deliver beneficial outcomes to its stakeholders.

The Institute of Risk Management (IRM) defines risk appetite as, "the amount of risk an organisation is willing to take in order to meet its strategic objectives". A range of appetites exist for different risks and these may change over time.

Risk tolerance is defined as, "the boundaries of risk taking outside of which the organisation is not prepared to venture in the pursuit of its strategic objectives".

Risk appetite and risk tolerance help an organisation determine what high, medium and low (i.e. red, amber and green zones on the risk matrix) risk is. In deciding this, the organisation can:

- More effectively prioritise risks for mitigating actions
- Better allocate resources
- Demonstrate consistent and more robust decision making
- Clarify the thresholds above which risks need to be escalated in order that they are brought to the attention of senior management and/or Members.

The Chief Officers have collectively agreed that the Council exists in a high-risk environment and that this is likely to continue. This will mean continuing to develop an understanding of acceptable risk levels (high, medium or low), depending on their impact and likelihood. Defining levels allows risks to be prioritised, and appropriate actions assigned so that the management of identified risks will be proportionate to the decision being made, or the size of the impact on service delivery.

The Council will take risks in a controlled manner, reducing exposure to a level deemed acceptable. In order to take advantage of opportunities, the Council will support innovation and the imaginative use of resources. However, the Council will seek to control all highly probable risks which have the potential to:

- Cause significant harm to service users, staff and the public;
- Severely compromise the Council's reputation;
- Significantly impact on finances;
- Significantly impact on the environment
- Jeopardise the Council's ability to undertake its core purpose;
- Threaten the Council's compliance with law and regulation
- Create opportunity for fraud and corruption or inadvertent loss through error

Taking the above into consideration, the Council's current **overall** risk appetite is defined as 'Open'. This means that the Council is prepared to consider all delivery options and select those with the highest probability of productive outcomes even where there are elevated levels of associated risk. However, the Council's risk appetite is determined by individual circumstances depending on the activity. There will be areas where greater risk will be taken in supporting innovation in service delivery. These occasions will be offset by times when it maintains a lower than cautious appetite for example, in matters of compliance with law and public confidence in the Council. Risk appetite can therefore be varied for specific risks, provided this is approved by appropriate officers and/or Members.

The Council will review risk appetite and tolerance annually to ensure risks are being managed adequately. Please refer to Annexes 1 and 2 for further details.

## 6.0 Risk Management Maturity

All organisations are on a risk management journey with differing levels of risk management maturity. Risk management maturity refers to how well-established risk management is as a discipline across the organisation.

The Council continues to review its current risk management capability to help it direct resources in the areas that need improvement and further development, ensuring the risk management arrangements remain fit for purpose in this changing environment.

The Association of Local Authority Risk Managers (ALARM) has developed and published a National Performance Model for Risk Management in Public Services to illustrate what good risk management looks like in a public service organisation. There are 5 levels.



During 2018 an independent review of the Council's risk management arrangements was undertaken by a managing agent of the Council's insurers. The overall conclusion reported was: -

*The Council continues to demonstrate a fundamental commitment to embrace risk management as an essential management practice and embed it within the organisational culture. This commitment is evident as many of the essential building blocks needed to maximise the risk management potential of the organisation are now in place, including:*

- *Risk architecture: defined roles and responsibilities, and robust communication and reporting structures.*
- *Risk strategy: a corporate risk strategy and policy.*
- *Risk protocols: risk guidelines, rules and procedures, methodologies, tools and techniques*

*This report considers that the work undertaken by the Council since publication of the previous independent review (2012) **has further strengthened the Council's position in respect of risk management standards and practices, thus increasing the likelihood of it attaining the higher grading of 'risk management is embedded and integrated' (4) if it were to formally benchmark itself utilising the ALARM/CIPFA Benchmarking criteria**.*

Progress continues to be made to implement the report recommendations.

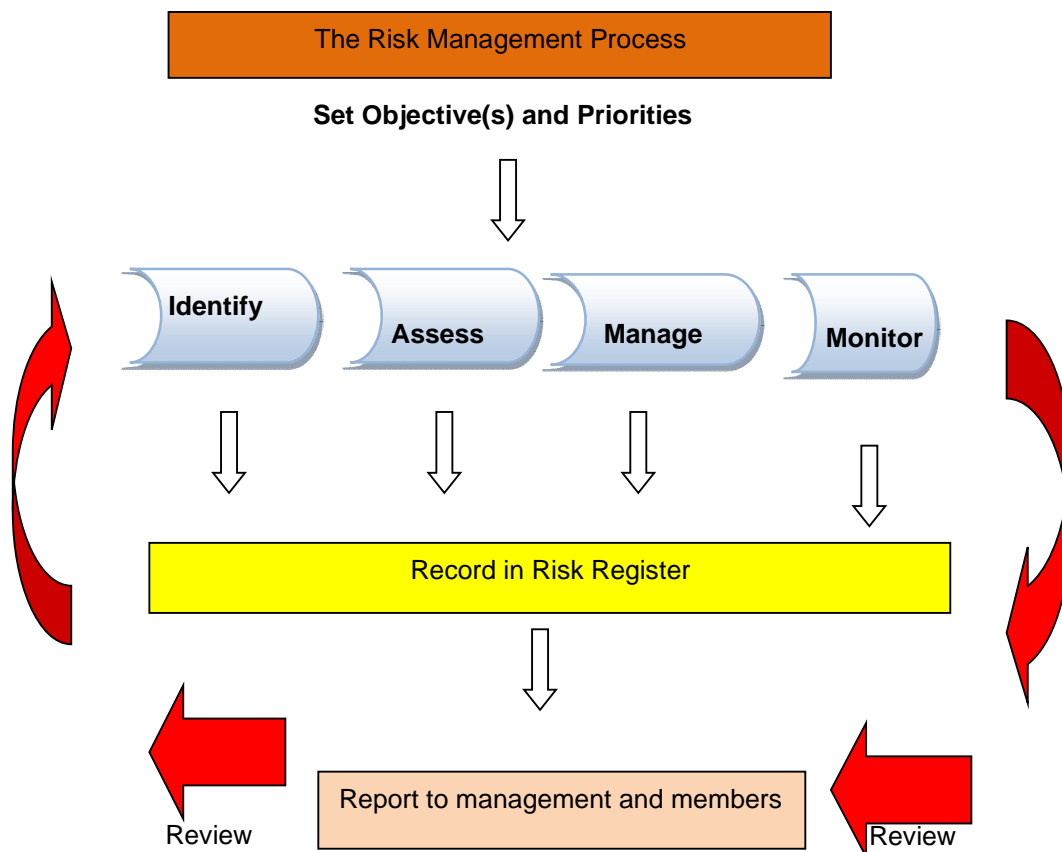
The Council also networks and shares information with other similar organisations e.g. East Midlands Counties Risk Management Group (7 County Councils) which enables the Council to benchmark its position.

The External Auditor Grant Thornton reported positively on the Council's risk management framework as part of its work on the 2020-21 Value for Money arrangements. The Council plans to evaluate its risk maturity against ALARM guidance on a three-yearly frequency (maximum<sup>1</sup>). The next review is planned for spring 2022.

1. Chief Officers have the opportunity at each annual policy review to determine if, because of future events, the tri-annual risk maturity assessment should be more frequent.

## 7.0 The Risk Management Approach and Process

Risk management is a continual process involving the identification and assessment of risks, prioritisation of them and the implementation of actions to mitigate both the likelihood of them occurring and the impact if they did. The Council's approach to risk management will be proportionate to the decision being made or the impact of the risk, to enable the Council to manage risks in a consistent manner, at all levels.



Explanations of the stages within the risk management process:

|               |  |
|---------------|--|
| Identify risk | Clarify Objective(s) and Priorities from the Council's Service Planning process and identify risks (or opportunities) which might prevent, delay (or alternatively escalate) achievement of the Council's objectives and determine what are the consequences if this occurs                              |
| Assess risk   | Assess the inherent risk (Impact & Likelihood) using the Council's risk assessment criteria prior to the application of any existing/known controls i.e. evaluate the "Original risk score"<br><br>Decide and agree the course of action – treat, tolerate, transfer, terminate or take the opportunity. |
| Manage risk   | Identification and assessment of the controls/actions already in place to mitigate each risk to arrive at the "Current Risk score". If Current Risk score is still high even with controls: <ul style="list-style-type: none"> <li>Is the score correct?</li> </ul>                                      |



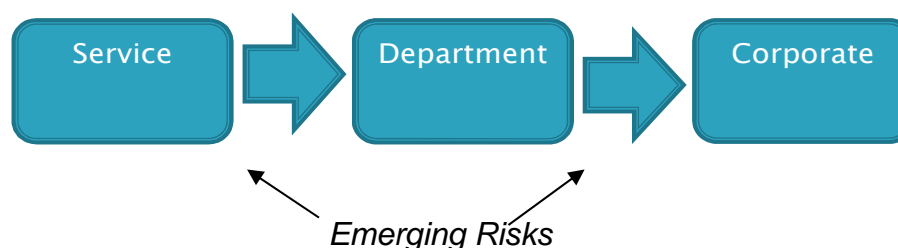
|                            |  |
|----------------------------|--|
|                            | <ul style="list-style-type: none"> <li>• Determine the best way to manage the risks e.g. terminate, treat, transfer, tolerate or take the opportunity</li> <li>• Determine whether the cost of implementing further mitigating control is merited when compared to the risk reduction benefits achieved.</li> <li>• Development of further SMART actions and assign target dates and responsible officers to achieve the desired “Target Risk score”.</li> </ul> |
| Monitor, Review and Report | Use the Risk Management Matrix and Risk Tolerance levels to determine the frequency of review, monitoring, risk escalation and reporting.  |

Annex 2 provides details of the risk measurement criteria, risk map, risk escalation and reporting arrangements.

## 8.0 Application - Service, Department, Corporate & Specialist Risks

It is essential that risk management is used as a tool to assist good management and to provide assurances to relevant stakeholders that adequate measures have been taken to manage risks. To support this, risk management has been integrated into the planning process. By using the risk methodology, key risks facing the Council, or a particular service area will be identified and managed. The escalation of risks ensures that Senior Management has a clearer picture on risks facing service areas. This helps in overall decision-making processes by allowing the allocation of resources or review of areas of concern.

There is an established framework in which consistent application of the process should ensure the flow of appropriate risk information across the Council as follows:



### ***Service and Department Risks:***

The Council's Risk Management Strategy requires that risks linked to delivery of Service and/or Departmental priorities are identified, along with appropriate mitigating actions. A risk assessment exercise must be carried out on all new service/business plans. Risks which may affect delivery of Departmental priorities must be logged in the Departmental Risk Register.

Heads of Service are responsible for identifying risks arising from their service plans, assessing their likelihood of occurrence and potential impact using the Risk Matrix Criteria and logging them, if necessary, in their Departmental Risk Registers for review at DMT regularly, setting clear accountability for managing risks and undertaking further actions/additional controls within the defined timescales. Departmental Risk Champions are available to support the identification and assessment of risks.

### ***Corporate (and high ranking Departmental) risks - Corporate Risk Register***

This process will provide Chief Officers and Members with a central record of corporate risks, to ensure consideration is given to high ranking, strategic cross cutting (or Departmental) risks that could impact the financial, political or reputational arena.

- Each quarter, Departmental Risk Champions and management teams will review Department Registers to identify and consider risks for escalation to the CRR, either individually or consolidated from Departmental Risk Registers;
- The Internal Audit Service will confirm that the quarterly reviews have been consistently undertaken, provide a level of challenge to the outcomes and co-ordinate the production and reporting of the CRR, through to Chief Officers and Corporate Governance Committee.
- Whilst most risks are expected to come through this route it might not capture all of the strategic risks facing the Council. Therefore, horizon scanning, information from relevant publications and minutes from key meetings will also provide a basis for including additional risks on the CRR.

### ***Specialist areas of risk***

#### Covid19: Service Response & Recovery Risks

For 2021/22 the Corporate Strategic Planning Group (formerly the Recovery Group) developed a Covid19 operational recovery strategy to ensure that the Council continued to operate in a safe environment through the use of interim service recovery plans. For 2022/23, service planning is anticipated to transition to a new Business as Usual approach, managed through departments, whilst reflecting the ongoing need to respond to any service changes required by the impacts of the pandemic.

This process is supported by an ongoing retention of the weekly Resilience Planning Group (RPG) and the Crisis Management Group (CMG) to provide an immediate corporate response to any emerging risks where required.

#### Project, Programme and Portfolio Risks

Risks which could impact on achieving the objectives of projects or programmes will be managed through the appropriate Project or Programme Board and associated governance structures. However, where Project or Programme risks impact upon strategic or departmental objectives then consideration should be given as to whether those risks should be identified, assessed and escalated to the appropriate, Departmental, Portfolio or Corporate Risk Register. In the case of Projects and Programmes, the decision to escalate to a departmental, portfolio or corporate level, is ultimately the responsibility of the relevant Senior Responsible Officer (SRO) or Sponsor, supported by the appropriate Project or Programme Board.

When a project or programme is closed, the relevant closure report should identify any risks (or issues) that need to transfer to Business as Usual (BAU) ensuring specific and appropriate ownership is identified and clearly articulated. Where appropriate these risks may need to be escalated to the relevant Departmental or Corporate Risk Register.

#### Partnerships

Risks which could impact on achieving the partnerships objectives will be managed through the appropriate Partnership Board and associated governance structures. However, where partnership risks impact upon strategic or departmental objectives then consideration should

be given as to whether those risks should be identified, assessed, and escalated to the appropriate Departmental or Corporate Risk Register. The Council's approach for identifying, assessing and managing risk within partnerships will be developed over the forthcoming year.

### Health, Safety & Wellbeing Risks

The Health, Safety & Wellbeing Service provides advice and guidance to managers and staff on all aspects of Health, Safety and Wellbeing. In addition to providing advice and support, the Health, Safety & Wellbeing Service also helps to monitor the performance of the organisation through audits and inspections, set targets for continual improvement, provide operational training and awareness for staff and also respond to accidents / incidents in order to ensure they are adequately investigated, and the likelihood of further harm is reduced. Regular reports are provided to the Departmental Management Teams, the Chief Executive, Chief Officers, and the relevant Scrutiny Board. A separate risk assessment process is in place.

### Resilience and Business Continuity

Business Continuity Management (BCM) is complementary to a risk management framework that sets out to understand the risks to the council, and the consequences of those risks.

By focusing on the impact of disruption, BCM identifies the services which the council must deliver as a priority and can identify what is required for the council to continue to meet its obligations. Through BCM, the council can recognise what needs to be done before an incident occurs to protect its people, premises, technology, information, supply chain, stakeholders, reputation and importantly the services that the council delivers to the people of Leicestershire. With that recognition, the Council can then take a realistic view on the responses that are likely to be needed as and when a disruption occurs, so that it can be confident that it will manage any consequences without unacceptable delay in delivering its services.

The Resilience and Business Continuity Team co-ordinates the preparation of business continuity and response plans both at the corporate, departmental and levels. Such plans aim to minimise the likelihood and/or impact of a business interruption by identifying and prioritising critical functions as well as the resource requirements, roles and responsibility requirements in response to allow appropriate planning to take place.

The Resilience and Business Continuity Team presents an annual report to Corporate Governance Committee

### Risk Financing

Risk financing is the process which determines the optimal balance between retaining and transferring risk within an organisation. It also addresses the financial management of retained risk and may best be defined as money consumed in losses, funded either from internal resources or from the purchase of 'external' insurance (such as the catastrophe cover provided by the Council's external insurers) which acts as a risk transfer mechanism which reduces the financial risk to the Council. Simply put, it is how an organisation will pay for loss events in the most effective and least costly way possible. Risk financing involves the identification of risks, determining how to finance them, and monitoring the effectiveness of the financing technique chosen. Self-insurance and commercial insurance policies are options for risk transfer schemes though the effectiveness of each depends on the size of the organisation, its financial situation, the risks it faces, and its overall objectives. Risk financing seeks to choose the option that is the least costly, but that also ensures that the organisation has the financial resources available to continue its objectives after a loss event occurs.

Under normal circumstances the Council is largely self-insured but transfers the larger risks to insurance companies by contributing premiums. In the event of a financial loss, the Council is entitled to indemnity, subject to the terms and conditions that are in place.

The Insurance Service provides a comprehensive and professional insurance service including arranging insurance provisions and other related insurance activities as well as managing new and outstanding claims.

Insurance activity will be regularly reported to Corporate Governance Committee.

### Property and Occupants Risk Management

Following the tragic events of both the Grenfell Tower fire and high-profile terrorism attacks during 2017, a group was established, initially to review fire safety risk across the Council's owned and procured properties but was widened to incorporate the Council's identification and management of terrorism risk. The group contains a wide breadth of representatives from the Council's services and has regular inputs from the Council's insurers, risk management partners and brokers and links to the emergency 'blue light' services.

The Group reports to the Director of Corporate Resources (quarterly), Chief Officers as and when required if a significant matter arises but also annually to note work undertaken, findings and progress and agree the next year's plan of work, and annually to the Corporate Governance Committee.

### Counter Fraud

The Internal Audit Service undertakes a biennial Fraud Risk Assessment (FRA). This process, along with other intelligence received, acknowledges the risk of fraud throughout the Council and is an integral step towards how countering the risk is developed and arranged. Scoring (impact and likelihood) is derived through discussions with individual service leads to give them the opportunity to consider whether scores remain reasonable or whether there have been any changes during the previous year that may lead to necessity to amend scores, e.g. national picture, known frauds, additional controls introduced, and increased or decreased metrics/values. Recognising fraud in this manner ensures there is a comprehensive understanding and knowledge about where potential fraud and bribery /corruption is more likely to occur and the scale of potential losses. This in turn directs the Council's overall Anti-Fraud and Corruption Strategy and further allows the Council to direct counter-fraud resources accordingly. Consequently, this influences the internal audit annual planning process. Furthermore, it reiterates responsibility to service managers for managing fraud risk in their service areas.

Regular updates are provided to the Corporate Governance Committee on counter fraud and related initiatives.

### Information & Technology (I&T) and Data Protection Risks

A safe and secure I&T infrastructure underpins the working of the Council, both technically and in terms of data protection. To support this, I&T Service holds and maintains its own divisional risk register which, where appropriate will feed through to the Departmental and Corporate Registers. Regarding data protection, the Information Governance Team develop, maintain and monitor compliance with a wide range of policies designed to protect information and data.

Regarding the ever increasing threat to cyber security, the Council has established a Technical Security Officer role with responsibility for identifying emerging threats and risks, maintaining

the cyber risk register and planning and delivering ongoing activities to implement mitigations. The Officer reports to the Information Security Controls Group which is a forum for cyber security policy, risk, strategy and best practice. Active threats are shared with other councils through Warning, Advisory and Reporting Points (WARPs) and takes guidance from the National Cyber Security Centre (NCSC). Cyber security is integrated into the corporate risk management process.

### Climate Change Risks

The Climate Change Committee (CCC) is an independent, statutory body established under the Climate Change Act 2008. Its purpose is to advise the UK on emissions targets and to report to Parliament on progress made in reducing greenhouse gas emissions and preparing for and adapting to the impacts of climate change. The CCC publishes an Independent Assessment of UK Climate Risk (to inform Government). The Government then publishes its own Climate Change Risk Assessment (known as CCRA) which endorses and summarises the CCC's independent assessment, sets out the overall government approach, responds in detail to those priority risks identified by the CCC and finally it produces a National Adaptation Programme. Officers in the Environment Policy & Strategy team refer to the CCC's Independent Assessment of UK Climate Risk and the Government's corresponding risk assessment in order to influence their work identifying high priority risks that have some relevance to the County Council. Officers have identified three groups of services based on their key functions in relation to climate and weather-related risks. They conduct interviews to identify, review and assess risks, and review main policy documents and service risk registers. Planned developments to help reduce identified risks will be reported in early 2022.

### **Support**

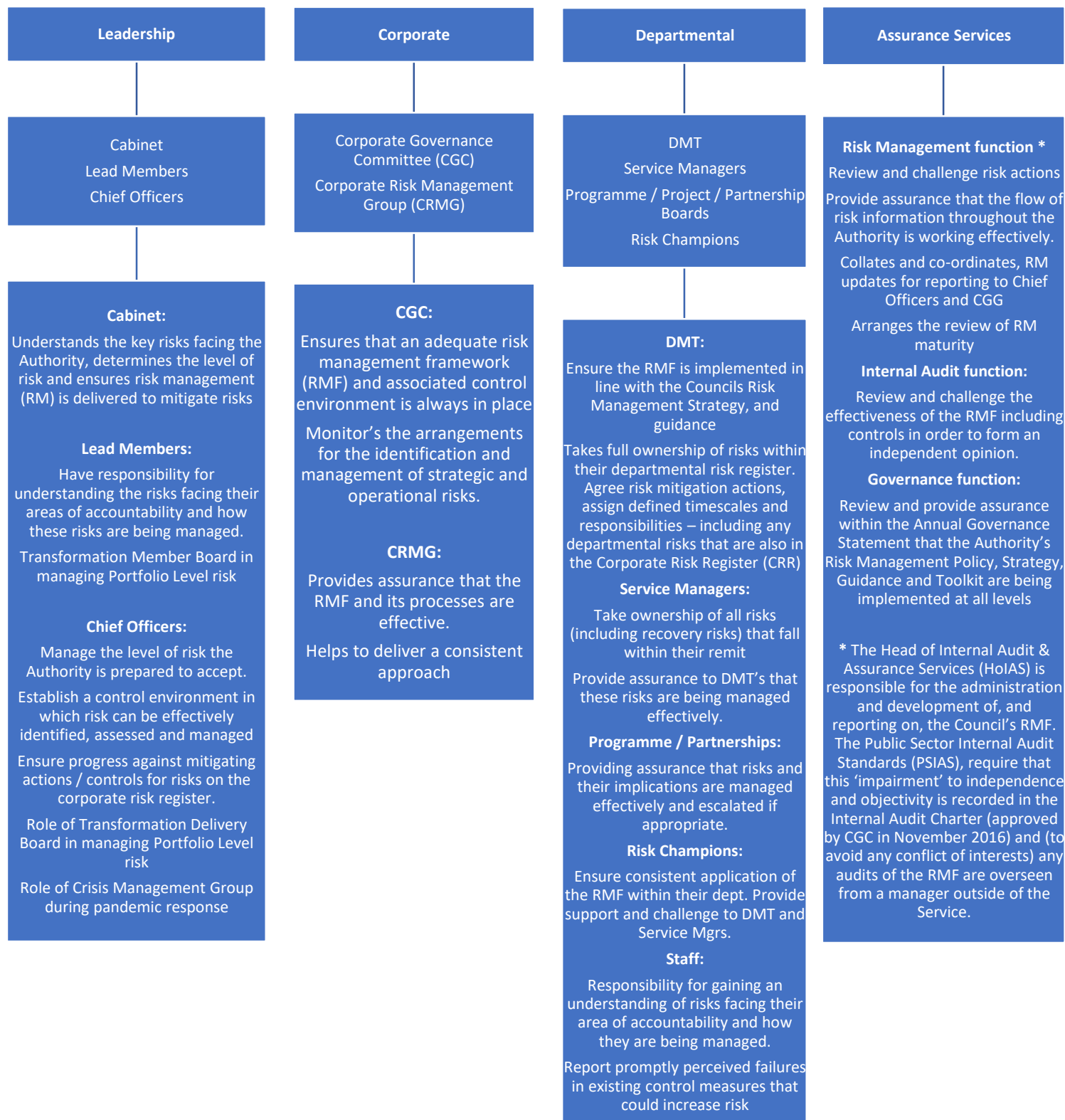
The above processes will be supported by the following:

- Ownership of risks (at appropriate levels) assigned to Chief Officers, managers and partners, with clear roles, responsibilities and reporting lines within the Council;
- Incorporating risk management into corporate, service and business planning and strategic and partnership working;
- Use of the Risk Management Toolkit throughout the Council
- Providing relevant training on risk management to officers and Members of the Council that supports the development of wider competencies;
- Learning from best practice and continual improvement;
- Seeking best practice through inter-authority groups and other professional bodies e.g. the Association of Local Authority Risk Managers (ALARM).

## 9.0 Risk Management Roles and Responsibilities - structure

The following structure is unique to the Council and is influenced by its risk management maturity, resource capacities, skills sets, internal operations and existing operating structures. The Council's risk management framework aligns to existing structures and reporting lines.

**Full details** of risk management roles and responsibilities can be found in Annex 3.

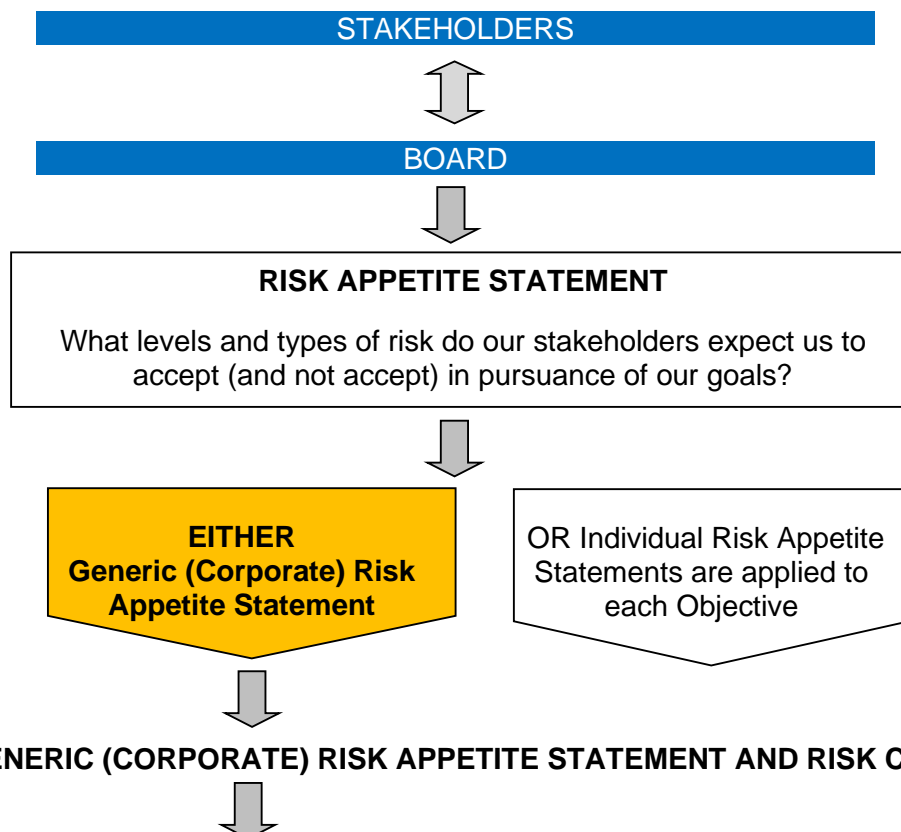


## **10.0 Continuous Improvement**

Regulators and risk management professionals indicate that it is good practice to continuously improve risk management methodologies in line with recommendations from regular assessments and adapt to changing economic conditions.

To this effect, the Council's Risk Management Policy, Strategy, Guidance and related documents will be reviewed at the specified frequency or after the release of new legislation or government guidance that affects risk governance, internal controls, financial management or the regulatory regime for public service organisations. They will also be reviewed following the results of any audit /review by Internal Audit Service or an external third party.

## Risk Appetite



|          |   |   |
|----------|---|---|
| AVOID    | No appetite. Not prepared to accept any risks.  | <b>Risk Categories Examples:</b>  |
| AVERSE   | Prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return. | Health & Safety, Business Critical systems, Customers, Safeguarding, Data Security, People, Climate Change /Extreme Weather   |
| CAUTIOUS | Willing to accept some low risks, while maintaining an overall preference for safe delivery options despite the probability of these having mostly restricted potential for reward/return.          | Delivery partners, Non - critical systems,  |
| MODERATE | Tending always towards exposure to only modest levels of risk in order to achieve acceptable, but possibly unambitious outcomes.  |   |
| OPEN     | Prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk.                             | Leadership; Devolution; Growth and Infrastructure Collaboration; Alternative delivery models; Integration; Transformation; Digital; Commercial trading, Property investment, Suppliers. |
| HUNGRY   | Eager to seek original/creative/pioneering delivery options and to accept the associated substantial risk levels in order to secure successful outcomes and meaningful reward/return.               |   |



## Annex 2: Risk Impact Measurement Criteria

| Scale | Description        | Departmental Service Plan   | Internal Operations  | People  | Reputation   | Financial per annum / per loss *  |
|-------|--------------------|---|--|---|--|---|
| 1     | Negligible         | Little impact to objectives in service plan                                   | Limited disruption to operations and service quality satisfactory  | Minor injuries  | Public concern restricted to local complaints  | <£50k   |
| 2     | Minor              | Minor impact to service as objectives in service plan are not met             | Short term disruption to operations resulting in a minor adverse impact on partnerships and minimal reduction in service quality.  | Minor Injury to those in the Council's care   | Minor adverse local / public / media attention and complaints  | £50k-£250k<br>Minimal effect on budget/cost                                     |
| 3     | Moderate           | Considerable fall in service as objectives in service plan are not met        | Sustained moderate level disruption to operations / Relevant partnership relationships strained / Service quality not satisfactory   | Potential for minor physical injuries / Stressful experience  | Adverse local media public attention   | £250k - £500k<br>Small increase on budget/cost: Handled within the team/service |
| 4     | Major              | Major impact to services as objectives in service plan are not met.           | Serious disruption to operations with relationships in major partnerships affected / Service quality not acceptable with adverse impact on front line services. Significant disruption of core activities. Key targets missed. | Exposure to dangerous conditions creating potential for serious physical or mental harm   | Serious negative regional criticism, with some national coverage   | £500-£750k.<br>Significant increase in budget/cost. Service budgets exceeded    |
| 5     | Very High/Critical | Significant fall/failure in service as objectives in service plan are not met | Long term serious interruption to operations / Major partnerships under threat / Service quality not acceptable with impact on front line services   | Exposure to dangerous conditions leading to potential loss of life or permanent physical/mental damage. Life threatening or multiple serious injuries | Prolonged regional and national condemnation, with serious damage to the reputation of the organisation i.e. front-page headlines, TV. Possible criminal, or high profile, civil action against the Council, members or officers | >£750k<br>Large increase on budget/cost. Impact on whole council                |

\* Note that a different financial rating is used for the pension fund investments

## Risk Likelihood Measurement Criteria

| Rating Scale | Likelihood         | Example of Loss/Event Frequency   | Probability % |
|--------------|--------------------|---|---------------|
| 1            | Very rare/unlikely | EXCEPTIONAL event. This will probably never happen/recur.   | <20%          |
| 2            | Unlikely           | Event NOT EXPECTED. Do not expect it to happen/recur, but it is possible it may do so.            | 20-40%        |
| 3            | Possible           | LITTLE LIKELIHOOD of event occurring. It might happen or recur occasionally.                      | 40-60%        |
| 4            | Probable /Likely   | Event is MORE THAN LIKELY to occur. Will probably happen/recur, but it is not a persisting issue. | 60-80%        |
| 5            | Almost Certain     | Reasonable to expect that the event WILL undoubtedly happen/recur, possibly frequently.           | >80%          |

## Risk Scoring Matrix

|               |                    |                    |          |                 |                 |                |
|---------------|--------------------|--------------------|----------|-----------------|-----------------|----------------|
| <u>Impact</u> |                    |                    |          |                 |                 |                |
| 5             | Very High/Critical | 5                  | 10       | 15              | 20              | 25             |
| 4             | Major              | 4                  | 8        | 12              | 16              | 20             |
| 3             | Moderate           | 3                  | 6        | 9               | 12              | 15             |
| 2             | Minor              | 2                  | 4        | 6               | 8               | 10             |
| 1             | Negligible         | 1                  | 2        | 3               | 4               | 5              |
|               |                    | 1                  | 2        | 3               | 4               | 5              |
|               |                    | Very Rare/Unlikely | Unlikely | Possible/Likely | Probable/Likely | Almost certain |

Likelihood\*

\*(Likelihood of risk occurring over lifetime of objective (i.e. 12 mths)

## Risk Tolerance/Reporting Criteria

| Tolerance Levels | Original /Current Risk Score | Expected Actions by Risk and Action Owners   |  |
|------------------|------------------------------|--|--|
| White            | 1 to 2                       | Controls<br>Monitoring =<br>Escalation =   | No action required<br>No action required<br>No action required   |
| Low              | 3 to 6                       | Accept Risk or<br>Maintain Controls<br><br>Monitoring =<br>Escalation =                          | Existing controls may be sufficient. No additional controls are required unless they can be implemented at very low cost (in terms of time, money, and effort). Actions to further reduce these risks are assigned low priority.<br><br>Review six monthly /Reporting to Service Area manager<br><br>Service Area manager  |
| Medium           | 8 to 12                      | Maintain Controls or<br>Further Controls to<br>reduce rating<br><br>Monitoring =<br>Escalation = | Controls required but consider in light of 4 Ts-Consideration should be as to whether the risks can be lowered, where applicable, to a tolerable level, but the costs of additional risk reduction measures should be taken into account (time, money and effort).<br><br>Continued Proactive Monitoring/Review at quarterly / Reporting to DMT<br><br>Business Partners / Relevant AD / DMT |
| High             | 15 to 25                     | Further Action/Controls<br>to reduce rating<br><br>Monitoring =<br>Escalation =                  | Controls and further actions necessary. Substantial efforts should be made to reduce the risk. Arrangements should be made to ensure that existing controls are maintained. The risk reduction measures should be implemented within a defined time period.<br><br>Continued Proactive Quarterly Monitoring / Report to CGC<br><br>Chief Officers /Lead Member                               |

A Departmental risk with a current risk score of 15 or more **must** be escalated to the Chief Officers (either as an addition to the Corporate Risk Register, or as an emerging risk for further debate). Risks with a current risk score of 15 will still appear on Department's registers but should only be excluded from the Corporate Risk Register after debate and approval from Chief Officers.

## Annex 3: Risk Management Roles & Responsibilities – Detail

### Leadership:

#### ***Cabinet***

Understands the key risks facing the Council, determines the level of risk and ensures risk management is delivered to mitigate risks by:

- Ensuring that a risk management framework has been established and embedded;
- Approving both the Council's Risk Management and Risk Financing Policy Statements and Strategies as part of the Medium-Term Financial Strategy;
- Ensuring relevant risk considerations (if relevant) are included within reports which may have significant strategic policy or operational implications

#### ***Lead Members***

- Responsibility for gaining an understanding of the risks facing their area of accountability (in conjunction with the relevant Director) and how these risks are being managed

This also includes the role of the Transformation Member Board in managing Portfolio level risk.

#### ***Chief Officers***

Leading and ensuring effective management, monitoring and review of risk management across the Council by:

- Establishing a control environment and culture in which risk can be effectively assessed and managed;
- Directing the level of risk, the Council is prepared to accept (appetite and tolerance levels);
- Encouraging the promotion of risk awareness, rather than risk avoidance;
- Reviewing and, approving the Council's corporate and strategic risks on the CRR quarterly and their importance against the Council's vision and priorities;
- Taking the role of Transformation Delivery Board in managing Portfolio Level risk
- Taking the role of Crisis Management Group in managing the pandemic response
- Assisting with the identification of significant new and emerging risks as they become known - for consideration and addition to the CRR;
- Following the review and approval of the CRR, Chief Officers to determine whether a potential reputation or consultation matter needs to be forwarded to the Communication Unit
- Providing challenge to the risk scoring mechanism to ensure risks are managed to add value by aiming to achieve the balance between undermanaging risks (unaware and no control) and over-managing them (over-control);

- Ensuring that risk assessments (if appropriate) are detailed in Cabinet or Scrutiny reports upon which decisions are based;
- Reviewing annually both the Council's Risk Management and Risk Financing Policy Statements and Strategies.

**Corporate:**

***Corporate Governance Committee (CGC)***

Provides assurance for the Council that risk management is undertaken and effective by:

- Reviewing the effectiveness of the risk management and internal control framework;
- Reviewing the Council's Risk Management Strategy and how it is being implemented
- Receiving regular progress reports on the CRR and other risk management related initiatives;
- Reviewing, scrutinising and challenging the performance of the Council's risk management framework; including reviewing progress against planned actions from the previous quarter;
- Receiving presentations on specific areas of risk;
- Receiving reports from Internal and External Audit to determine the extent to which they indicate weaknesses in control, risk management and governance arrangements.

***Corporate Risk Management Group (via Departmental Risk Champion)***

Provides assurance that the risk management framework and its processes are working as intended and are effective by:

- Acting as the main contact for their department and its management on risk matters (including specialist risks (H&S, Insurance etc.);
- Representing their department at the Corporate Risk Management Group;
- Encouraging the promotion of risk awareness, rather than risk avoidance;
- Assisting in the implementation of any revisions to the risk management framework and promoting use of the Risk Management Toolkit;
- Providing support and training on risk management to Chief Officers, Heads of Service and other managers within their service/department;
- Providing support to the other departments' Risk Champions;
- Maintaining on behalf of the service Chief Officers and Heads, a departmental risk register that complies with corporate guidelines;
- Providing regular risk updates to DMT's as per the agreed reporting criteria and risk timetable;
- Providing challenge to the risk scoring mechanism to ensure risks are managed to add value by aiming to achieve the balance between undermanaging risks (unaware and no control) and over-managing them (over-control)

- Ensuring that corporate risk information and requirements are communicated to their department;
- Assessing the relevance of corporate, other departmental service, programme, project and partnership risks and their impact on their department;
- Reviewing cross cutting risk areas where risks of one department impacts on the risks of another;
- Providing overview and scrutiny to the results of the Fraud Risk Assessment process, in relation to departmental risks;
- Providing regular updates to the Internal Audit Service for corporate risks to enable reporting to the Chief Officers and Corporate Governance Committee;

## **Departmental:**

### ***Departmental Management Teams (DMT)***

Ensuring that risk management is implemented in line with the Council's Risk Management Strategy by:

- Appointing a Risk Champion /Representative for the department and authorising him/her to progress effective risk management that adheres to corporate guidelines, across their services;
- Ensuring that risk management is integrated within the annual service planning process;
- Taking full ownership of risks within their departmental risk register and agreeing risk mitigation actions, with defined timescales and responsibilities – including those departmental risks that are also in the CRR;
- Reviewing and challenging risk registers for their Service Areas on a quarterly basis if appropriate
- Adhering to the corporate risk reporting timetable so that DMT meetings and risk monitoring tasks are aligned;
- Ensuring that the CRR accurately reflects only those key strategic risks facing the Council. The DMT scrutiny process should encompass a review of all departmentally identified corporate risks (new and those already identified), to critically evaluate the following:
  - Whether the risk is an ongoing corporate risk
  - Are all mitigating actions identified, they are SMART (i.e. Current Controls in place) and working adequately or are additional actions necessary?
  - The Current Risk Score (Impact and Likelihood) is accurate and is not 'over-scored' in terms of likelihood particularly if a range of current controls have been identified as embedded and working adequately
  - Only consider any further actions/ additional controls after determining whether any cost of implementing further mitigating control is merited when compared to the risk reduction benefits achieved. If required, further actions should be SMART and record 'expected timeframe/due date' which should improve the robustness of the Target Risk impact and likelihood scores
- Receiving reports on risk management activity and review key risks regularly;

- Undertaking regular departmental horizon scanning for new or emerging risks, ensuring communication of these through appropriate channels and incorporation within the Departmental Risk Register if appropriate;
- Suggesting recommendations for the removal of current corporate risks that are considered as lower levels of risk;
- Taking ownership of identifying and managing project, partnership and business as usual risks effectively, and escalating risks to the Portfolio, Departmental or Corporate risk register where appropriate
- Ensuring that risk management considerations are included in all Cabinet, Scrutiny and Regulatory bodies reports in respect of strategic policy decisions;
- Providing assurance on the effectiveness of risk management within their department as part of the Annual Governance Statement process;
- Following the review and approval of the Departmental Risk Register, DMTs to determine whether a potential reputation or consultation matter needs to be forwarded to Communication Unit

### ***Service Managers***

Providing assurance to DMT's that risks within their service are being managed effectively by:

- Ensuring that risk management within their area of responsibility is implemented in line with the Council's Risk Management Strategy (i.e. identify, assess, manage and monitor);
- Managing risks on a day to day basis;
- Adhering to the risk scoring mechanism (original, current and target risk scores) outlined in the Strategy to ensure risks are managed to add value by aiming to achieve the balance between undermanaging risks (unaware and no control) and over-managing them (over-control)
- Communicating the results of their service risk assessment to the DMT via their Risk Champion, demonstrating effectiveness of controls in place to mitigate/reduce service risks;
- Managing risks from their areas of responsibility that have been included within the departmental risk register. Where further actions/ additional controls are necessary, ensure they are completed by the planned completion date;
- Identifying new and emerging risks or problems with managing known risks and escalating to the Risk Champion where appropriate;
- Assessing fraud risk within their service areas as part of the Fraud Risk Assessment process;
- Ensuring that they and their staff are aware of corporate requirements, seeking clarification from their Risk Champions when required;
- Identifying risk training needs of staff and informing this to Risk Champions;
- Using the Risk Management Toolkit and guidance.

### ***Programme/Project/Partnerships***

Providing assurance that project, programme and partnership risks and their impact are managed and communicated effectively by:

- Ensuring risk management is a regular item on Partnership / Programme/Project Board agendas;
- Reviewing and monitoring risks identified on programme/project/partnerships risks, ensuring that suitable controls are in place and working, or that plans are being drawn up to strengthen existing controls or put in place further controls;
- Identifying new and emerging risks or problems with managing known risks, ensuring communication of these through appropriate channels;
- Escalating appropriate Project, Programme or Partnership risks to the relevant Departmental Portfolio, or Corporate Risk Register where those risks may impact at a Departmental, Portfolio or Corporate level – ultimately the project or programme SRO/Sponsor is accountable for ensuring this happens;
- Ensuring any ongoing risks or issues identified at Project/Programme closure are transferred to the relevant business owner and where appropriate are escalated to Departmental or Corporate Risk Registers.

### ***Risk Champions***

See Corporate section

### ***Staff***

- Taking responsibility for gaining an understanding of the risks facing their area of accountability;
- Report promptly perceived failures in existing control measures that could increase risk.
- Take due care to understand and comply with the risk management processes and guidelines of the Council.

### **Assurance Services**

#### ***Risk Management function (in conjunction with the Director of Corporate Resources):***

Provide assurance that the flow of risk information throughout the Council is working and effective to produce and maintain the Corporate Risk Register by:

- Leading in the development and implementation of the risk management framework and promoting use of the Risk Management Toolkit;
- Meeting with departments as per the risk management timetable to review and challenge risk registers and emerging risks;
- Identify any potential future internal audit requirements to the Head of Internal Audit & Assurance Service
- Coordinating risk management activity across the Council with the support of Departmental Risk Champions/Representatives
- Collating the changes to departmental risks and ensure that the Corporate Risk Register is amended to reflect current position;



- Regular horizon scanning (in conjunction with Chief Officers, DMT Risk Champions and the Head of Internal Audit & Assurance Service) of information from relevant publications and minutes from key meetings to provide a basis for including additional risks on the Corporate Risk Register;
- Reporting progress on the Corporate Risk Register and other risk management related initiatives to the Chief Officers, Corporate Governance Committee and Cabinet as per the risk management timetable;
- Supporting Departmental Risk Champions/Representatives in their risk management role;
- Communicating corporate risk management information and requirements;
- Reviewing the Risk Management Policy Statement and Strategy at least annually to reflect best practice and initiate improvements;
- Arranging for the review of risk management maturity; benchmarking scrutiny and challenge
- Establishing links with external groups and organisations in order to gain knowledge and share best practice on risk management issues;
- Agreeing mechanisms for identifying, assessing and managing risks in key partnerships;
- Supporting the development and delivery of relevant risk training

#### ***Assurance function (Internal Audit Service)***

Review and challenge the effectiveness of the risk management framework, providing independent assurance about the quality of controls that managers have in place, by:

- Creating a risk-based audit plan that is aligned wherever possible to the Corporate Risk Register and the Departmental Risk Registers and other drivers, e.g. biennial Fraud Risk Assessment;
- Testing and validating existing controls, with recommendations for improvement on identified control weaknesses;
- Reporting outcomes to Directors and Corporate Governance Committee;
- Monitoring changing risk profiles based on audit work undertaken, to adapt future audit work to reflect these changes;
- Conduct relevant audits of the risk management framework and maturity but overseen by a manager independent to the Service.
- Take account of any commentary/improvements recommended by the External Auditor in its annual review of Value for Money arrangements.

## Annex 4: Action Plan

This Strategy sets out the developments / actions the Council proposes over the short-term future to further improve risk management maturity. These developments include the following actions: -

| Action  | Target Implementation Date            | Complete                                     |
|---|---------------------------------------|--|
| To review and revise the Council's Risk Management Policy Statement and Strategy and related guidance with endorsement from Chief Officers and Corporate Governance Committee.  | Ongoing annually                      | Yes  |
| <ul style="list-style-type: none"> <li>Assist Update of Departmental Service Planning Guidance 2021-22.</li> <li>DMT and Risk Champions to align Risk Registers to the Service Planning Process – 2022-23. To ensure risks recorded link back to departmental and service planning objectives.</li> </ul>   | Annual<br>December 2021<br><br>Annual | Yes<br><br>February 2022                     |
| Update and communicate through Manager's Digest, the Council's intranet Risk Management pages to include; <ul style="list-style-type: none"> <li>Revised Risk Management Policy &amp; Strategy</li> <li>All relevant guidance on methodologies and processes, including the revised Risk Assessment Criteria and Map</li> <li>Who to contact: details of the risk management "network",</li> <li>Links to further information and guidance e.g. ALARM web-site</li> </ul> | February/March annually               | Due after County Council on 23 February 2022 |
| Provision of support to Departmental Risk Champions if necessary.   | Ongoing                               | Yes  |
| Develop options for Collaboration Office 365 space by Department for updates to Departmental Risk Registers.  | 2022-23                               | Partly complete                              |
| Develop and introduce key performance indicator(s) for risk management activity to maintain and improve the maturity rating.  | Ongoing                               | Partly – Developed dashboards on Tableau     |
| Develop a training matrix to identify the levels of training that need to be attained by staff at different levels in the organisation. Explore differing options E.g. Face to face, external training. Explore the free training offering from the Council's Insurance providers - Gallagher Bassett's risk management consultancy service.  | Ongoing                               | Partly                                       |
| To liaise with ALARM and East Midlands Regional Group to develop and implement guidance to ensure risks associated with partnerships are captured, particularly where the Council is the lead accountable body. Intranet to be updated accordingly.   | 2021-22                               | No c/fwd. to 2022-23                         |

| Action  | Target Implementation Date | Complete             |
|---|----------------------------|----------------------|
| Maintain effective horizon scanning process and communication of new/emerging risks to Risk Champions for assessment and consideration. | Ongoing                    | Yes                  |
| Develop E Learning for Risk Management  | 2021-22                    | No c/fwd. to 2022-23 |
| Input to regional East Midlands Risk Management Group.  |                            | Ongoing              |
| Regular meetings with the Corporate Risk Management Group to share and communicate information.   |                            | Ongoing              |
| Undertake Risk Maturity Assessment and implement an Action Plan to address any recommendations.   | December 2021              | No<br>Spring 2022    |