



# **Risk Management Policy**

**2024**

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## Section 1 - Introduction

- 1.1. The Council's Corporate Management Team recognises the importance of effective identification, evaluation and management of all key strategic and operational risks, especially those which threaten the delivery of key objectives.
- 1.2. The Council takes seriously its statutory responsibilities for Risk Management particularly in areas where there is a high residual risk.
- 1.3. The Council also acknowledges that risks around projects and partnerships must be effectively captured and communicated within the risk management framework of the organisation to ensure that a holistic approach to risk management is embedded.
- 1.4. The tangible and intangible benefits of Risk Management are:
  - Improved Customer Service & Outcomes - minimal service disruption, increased satisfaction and optimal service delivery
  - Improved Strategic Management - Greater ability to deliver against objectives and targets with finite resources;
  - Improved Operational Management - Reduction in interruptions to service delivery and / or in managerial time spent dealing with the consequences of a risk event having occurred;
  - Improved Financial Management - informed holistic decision-making and reduction in losses or claims against the council, reduced insurance premiums; and
  - More robust assurance that statutory and good practice obligations are met.
- 1.5. This is endorsed by the increased focus on the importance of governance to public sector bodies. The Council also has a statutory responsibility to have in place arrangements for managing risks, as set out within the Accounts & Audit Regulations 2015:

*“A relevant authority must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk.”*
- 1.6. The Risk Management Policy provides the foundation on which robust risk management activity, which supports the efficient and effective delivery of services, will be embedded within business processes and also supports the effectiveness of the governance framework.

## Section 2 - Purpose

2.1. The strategic priorities of East Staffordshire Borough Council are set out within the Corporate Plan and in delivering against these priorities decisions are taken regarding the allocation of increasingly finite resources. The Council operates in an environment where there are high expectations around transparency, integrity and accountability. Value for Money remains at the heart of good governance in local authorities and the Council acknowledges that in relation to risk:

1. Risk Management is a key element of the Council's Governance Framework;
2. Statutory responsibilities exist within the Accounts and Audit Regulations;
3. The council also has specific statutory responsibilities, for example to ensure health and safety risks are effectively managed;
4. All Members and Officers have a responsibility and a role to play in managing risk; and
5. Effective management of risk will ensure that the organisations objectives, and resulting outcomes, are achieved, that Corporate Governance arrangements are robust and will support effective business planning, decision-making and business continuity.

2.2. It is further acknowledged that:

Risk management is not about being 'risk averse' – it is about being 'risk aware'. Risk is ever present and some amount of risk taking is inevitable if the Council is to achieve its objectives. Risk management is about making the most of opportunities and about achieving objectives once those decisions are made. By being 'risk aware' the Council is in a better position to avoid threats and take advantage of opportunities.

2.3. The Council will achieve effective Risk Management through:

- Implementing a Risk Management Policy that is fit for purpose, and which compliments and strengthens the other governance processes within the Council, including assurance and performance management processes;
- Ensuring a consistent understanding of what is deemed to be strategic and operational risk, and the application of the organisation's risk appetite and tolerance;
- Equipping managers with the skills required to identify and assess risk, communicate and escalate this appropriately and effectively;
- Acknowledging that increasingly risks are shared across partner organisations, which can increase the complexity of analysis and reporting, and also that assurances regarding the level of risk may need to be sought from third parties as well as internal sources;
- Annually reviewing the effectiveness of Risk Management and reporting results as part of the Annual Governance Statement;
- Considering on a regular basis that the Council's approach to risk remains in line with good practice, whilst reviewing and approving the Policy formally at least every two years.

### **Section 3 - Aims and Objectives**

3.1. The Council's Risk Management aims and objectives are as follows:

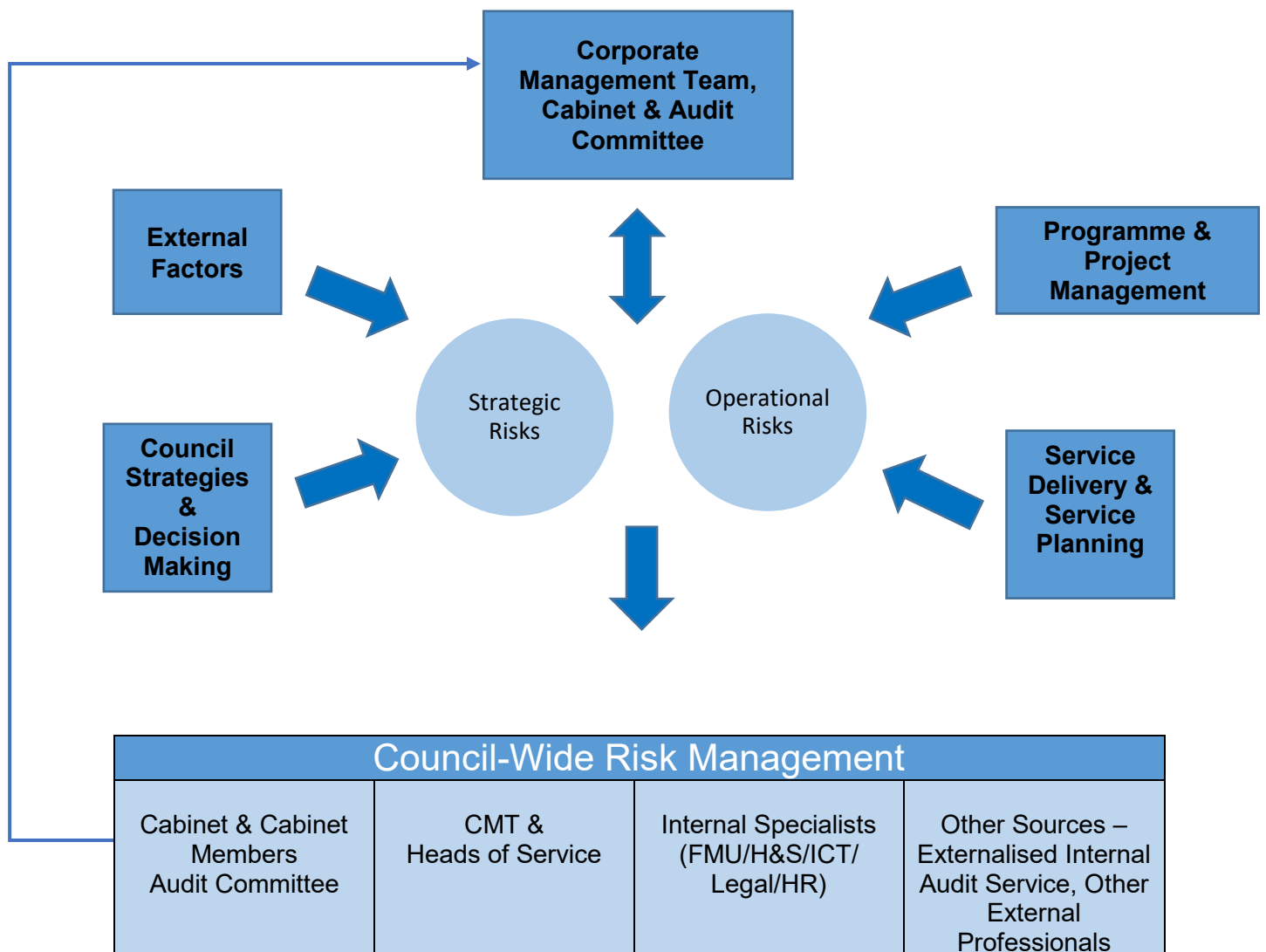
- To ensure that actions taken to maximise opportunities and to minimise the likelihood of risks occurring and / or reducing the impact of consequences should risks occur are in accordance with the Council's defined risk appetite and tolerance.
- To further embed robust risk management into the culture of the Council with the Corporate Management Team leading on promoting consistency across services, and supporting the escalation process to the Strategic Risk Register.
- To ensure that the Risk Management process, including effective reporting arrangements to Senior Management and Members, remains fit for purpose, optimising the efficiency of resources input.

3.2. This policy will ensure the areas of highest risk are identified, appropriate remedial action is considered, and where appropriate and necessary, the use of financial investment can be considered for the implementation of required risk minimising measures. This will be done by regular consultation and liaison with services and other responsible functions of the council (such as project groups), to ensure that all relevant parties are involved in the overall process.

3.3. Details of how these objectives will be achieved are outlined below.

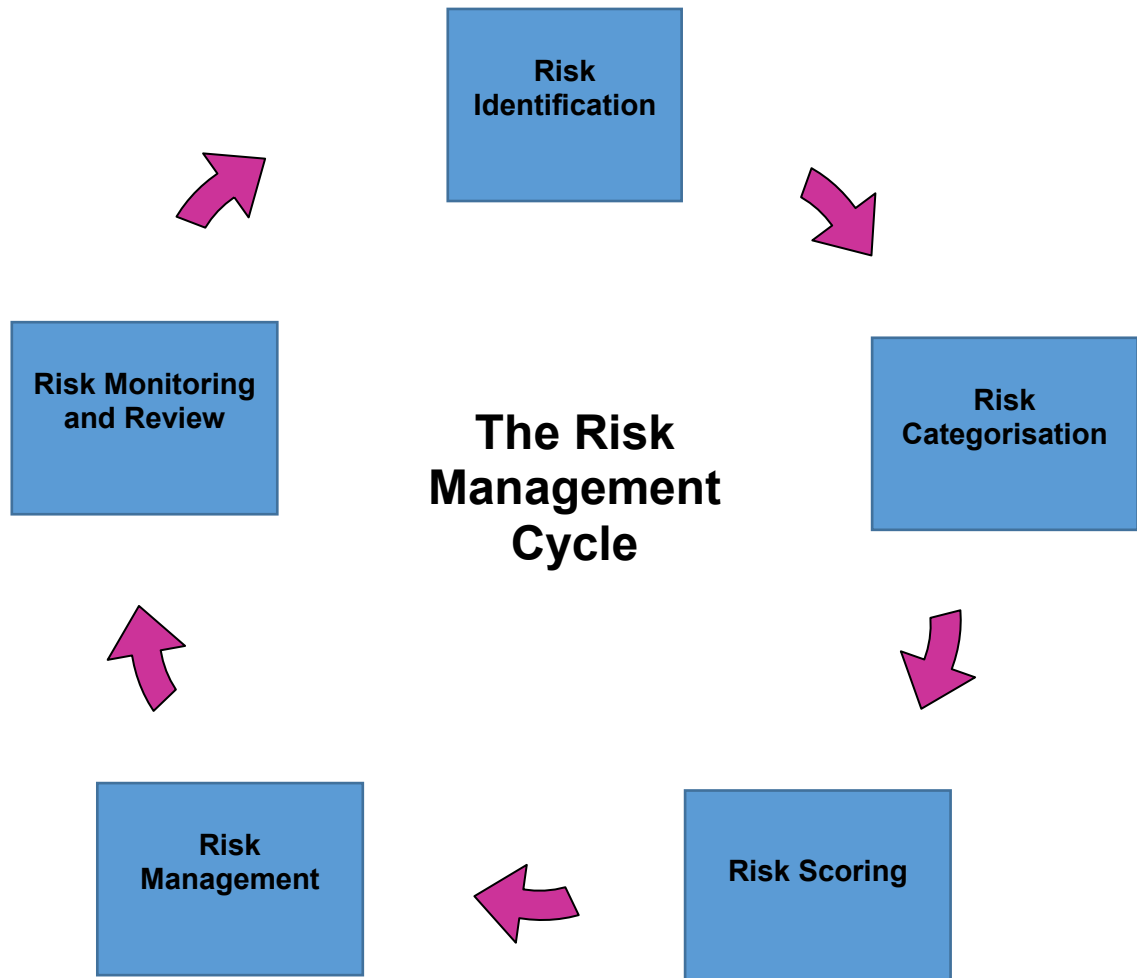
## Section 4 – Delivering The Policy

4.1. Detailed roles and responsibilities in relation to the management of risk across the Council are set out at Section 6, and the diagram below provides an overview of the associated governance structure. The effective delivery of the policy will be reliant on fulfilment of the respective roles and responsibilities.



## Section 5 – The Risk Management Process

5.1. The risk management process is both an iterative and cyclical process, which is referred to as 'the Risk Management Cycle'. An overview of the Risk Management Cycle is set out in the figure below, with details of each section of the cycle set out in the following paragraphs.





## Risk Identification

- 5.2. Business risk is managed on an ongoing, often daily, basis by service managers, so the approach is to formally record relevant risks, making it easier to manage, and allowing the managers of risks to focus on those that are important rather than reporting business incidents or service delivery implications as “risks”.
- 5.3. The Council recognises the key risks to which it is exposed by identifying risks at two levels – Operational and Strategic (as detailed below) with risks recorded in their relevant risk registers.

<i>Operational Risk</i>	<i>Strategic Risk</i>
<b>Circumstances (within our risk categories), that may negatively impact on the operation or the budget of a given team, project or Council service area.</b>	<b>Circumstances that may negatively impact on the operation or the budget of a more than one given team, project or Council service area, or on the Council as a whole.</b>  <b>This includes the potential impact on the delivery of the Council’s strategic objectives / priorities.</b>

- 5.4. Template Risk Registers have been provided to ensure consistency across the organisation in how risk is captured and managed (see **Appendix 1** for the Strategic Risk Register template and **Appendix 2** for the Operational Risk Register template).
- 5.5. From time to time risks that are discussed at operational level will inevitably be significant enough to be escalated for inclusion within the strategic risk register. The mechanism for this will be for the relevant Chief Officer to raise this at the next monthly CMT meeting to allow discussion and consideration for approval, or not, of the escalation.

## Risk Categorisation

- 5.6. The risk categories to be utilised within the Operational Risk Register are set out below:

### ***Health & Safety Risks***

These relate to any general health and safety issues and how they are managed, including any issues relating to the regularity of reviews within the H&S system.

### ***Project Risks***

These relate to any issues for projects that are currently in place, making reference to the project risk registers, the council’s Project Management approach, highlight reports and the Business Assurance Group updates.

### ***Workforce and Staffing Risks***

These relate to any issues with the quality (training / skills) and / or quantity (capacity / recruitment) of staffing, which have not currently / previously been considered through the Council's Workforce Planning Strategy.

### ***Financial Risks***

These relate to any issues with financial position / performance. This may not be relevant for all services, and risks in this area normally relate to those costs / areas of income which are more unpredictable (e.g. leisure and car parking income, fuel and energy costs) where these are relevant.

### ***Legal Risks***

Whilst there may naturally be a 'legal' thread running through many risks, these should relate to any specific standalone legal issues, for example services with potential issues related to legal challenge or litigation.

### ***Service Continuity Risks***

These relate to any specific issues that may affect the continued provision of service, for example this could be supplier / contractor related.

### ***ICT Risks***

These relate to any specific ICT issues that may impact on the delivery of the service, for example this could be linked to the need to change a system or cyber security risks.

### ***Reputation / Quality Risks***

These relate to issues which may impact on the council's reputation or quality of services provided by the council.

### ***Fraud Risks***

These relate to areas / services / processes which are exposed to the potential risk of fraud against the council.

## **Risk Scoring**

- 5.7. Once a risk has been identified, its likelihood and impact need to be scored against the council's risk scoring mechanism, which utilises a 5 by 5 matrix which is detailed in the figure below (with further guidance in the following table), for both the Inherent Risk, the Current Risk and the Target Risk (which are detailed below).

Risk Matrix						
Likelihood	5 Almost Certain	5	10	15	20	25
	4 Probable	4	8	12	16	20
	3 Possible	3	6	9	12	15
	2 Unlikely	2	4	6	8	10
	1 Remote	1	2	3	4	5
		1 Minimal	2 Minor	3 Material	4 Severe	5 Catastrophic
Impact						

A Risk score of between:

1 - 4 = Low	5 - 10 = Medium	11 - 25 = High
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Likelihood			Impact		
Score	% Chance of event occurring	Time Frequency	Score	Disruption to Services and/or Residents / Customers affected or aware	Impact on Budget
1 Remote	<10%	Remote occurrence – less than once in every 10 years	1 Minimal	Minimal disruption to services <i>Up to 5%</i>	<5%
2 Unlikely	10-20%	Once in every 5 – 10 years	2 Minor	1-2 weeks <i>Up to 15%</i>	5-15%
3 Possible	31-50%	Once every 2 - 3 years	3 Material	Up to one month <i>Up to 25%</i>	16-25%
4 Probable	51-90%	Once a year	4 Severe	1 – 3 months <i>Up to 50%</i>	26% - 50%
5 Almost Certain	> 90%	Twice a year or more	5 Catastrophic	Over 3 months <i>Over 50%</i>	>50%

### **Scoring Inherent Risk**

- 5.8. The level of 'Inherent Risk' needs to be quantified first. Inherent risk is the level of untreated risk that an organisation faces i.e. the identified risk should be scored against the 5 by 5 matrix, on the basis of no controls being in place to mitigate that risk. This is important to understand the overall impact the risk may have on the council if it were not controlled.

### **Scoring Current Risk**

- 5.9. Details of existing controls should then be identified and listed in the template, and a 'Current Risk' score should then also be calculated against the 5 by 5 matrix i.e. the risk should be scored on the basis of the existing controls that are already in place to mitigate that risk.

### **Risk Appetite**

- 5.10. Before determining a Target Risk score it is important to consider the Council's **Risk Appetite**. The Risk Appetite is the level of risk that the Council are willing to accept or tolerate in the pursuit of Council objectives.
- 5.11. Defining a Risk Appetite therefore provides clear guidelines for risk owners to understand that where risks are currently above the level of the Risk Appetite, they require further action to be taken to manage them down to a level of or below the Risk Appetite limit.
- 5.12. The Council has set its Risk Appetite level at a maximum score of 10 i.e. anything above that level are considered High / Red risks.
- 5.13. It is recognised that there may be situations where it is not possible to reduce the level of risk down to / below the Risk Appetite level, and whilst this is deemed undesirable it may nevertheless be acceptable if all other possible actions to manage the risk have been considered and implemented, and / or the risk is critical for the delivery of Council objectives.

### **Scoring Target Risk**

- 5.14. Once Risk Appetite has been considered details of further controls that can be implemented should be identified and listed in the template, and a 'Target Risk' score, within the Council's Risk Appetite level, should then also be calculated against the 5 by 5 matrix i.e. the risk should be scored on the basis of the level of risk that would remain once the further identified actions have been implemented.

## Risk Management

- 5.15. Risks can be managed by:
- Treating – management action / control to bring the risk within the risk appetite;
  - Transferring – passing to a third party, usually via a contract i.e. insurance, which would bring the activity within the Council’s risk appetite level;
  - Tolerating – accepting the current level of risk, because it is within the council’s defined appetite and/or the cost of mitigations to reduce it further outweigh benefits to be gained in terms of affecting the likelihood or impact;
  - Terminating – ceasing the activity – usually because the risk exceeds the Council’s risk appetite and/or the cost of mitigations to rectify this far exceeds the resources available.
- 5.16. When taking decisions regarding the appropriate action to manage a risk consideration needs to be given to whether it is the likelihood or impact that we seeking to reduce.
- 5.17. The risk templates require risk owners to consider both the current risk management actions / controls that are in place and also those required to reduce the level of risk down to the target risk score.

## Risk Monitoring & Review

- 5.18. Regular review and monitoring of risk scores and actions is critical to ensure risks are effectively managed, and do not impact on the Councils, customers, services, financial position or delivery of its objectives.
- 5.19. Details of risk reporting requirements and responsibilities across the Council are set out below:

Author	Recipient	Frequency	Report
S151	Cabinet	Quarterly	Strategic Risk Register
S151	Audit Committee	Quarterly (at least)	Strategic Risk Register and any changes to risk activities
All Chief Officers	CMT	Monthly	Standing Item on CMT agenda regarding current Risk issues
Service Managers	Chief Officer / FMU	Quarterly	Operational Risk Register
	Chief Officer	Monthly	Risk Register discussion
Report Author	Decision Maker	As necessary	Formal Report and / or Executive Decision Record
Project Managers	Chief Officer / BAG	Monthly	Project Risk Register

## **Section 6 – Roles and Responsibilities**

6.1. An overview of roles and responsibilities across the Council in relation to risk are set out below.

### ***Cabinet***

- To approve and agree changes to the Risk Management Policy.
- To receive and review the Strategic Risk Register on a quarterly basis and where appropriate to inform and amend the register.
- The portfolio holder for Finance is to be the Council's member 'Champion' for risk management. This includes extolling the virtues of Risk Management to members and employees.

### ***Cabinet Members***

- To receive information on Operational Risks on a periodic basis to ensure that they adequately reflect the Council's exposure to risk.
- To ensure where risk is unacceptable that action is being taken to either reduce or eliminate risk.

### ***All Members***

- To support and promote risk management.
- To consider the risks involved in any key decisions made.

### ***Audit Committee***

- To provide an independent assurance of the adequacy of the risk management framework and control environment including receiving and reviewing the Strategic Risk Register on a quarterly basis.
- Review the Risk Management Policy and framework and inform Cabinet of any recommendations.

### ***Corporate Management Team (CMT)***

- To provide corporate direction and commitment to Strategic Risk Management issues and to support / maintain a culture of strong risk management across the authority.
- To ensure that the Strategic Risk Register reflects those organisational risks which may prevent it delivering on its objectives and ensures that identified risks are managed in an appropriate and proportionate way.
- To receive quarterly reports from the Chief Officer (S151).
- Ultimately to advise Cabinet of the severity of, and changes to, risks, and ensure necessary action is taken to protect the Council's and the public's interests.

### ***Chief Officer (S151 Officer)***

- To establish, maintain and keep under review the Risk Management Policy in line with the latest best practice.
- To submit reports to CMT and Members in line with this Risk Management Policy.

### ***Chief Accountant***

- To prepare reports on Risk Management activities, including supporting the preparation of quarterly reports to CMT, Cabinet and Audit Committee.
- To support the maintenance, review and update of the Risk Management Policy.
- To coordinate risk registers across the Council.
- To manage the external insurance contract.
- To liaise with external insurers to ensure that future premiums reflect all Risk Management activities being undertaken by Services.
- To continually look at the feasibility of increasing self-insurance.

### ***Chief / Statutory Officers***

- To implement the Risk Management Policy within their areas of responsibility and to ensure the service and project managers are aware of their responsibilities under the policy.
- To bring together the specialist skills needed for the promotion of successful Risk Management within the authority.
- To consult regularly with their teams (and external bodies) about potential risks, and to ensure that Operational Risk Registers are prepared and updated in line with the policy and are discussed and acknowledged at least monthly with direct reports and more frequently if deemed necessary.
- To identify any risks at a service / project level that may need escalating to Strategic level.
- To devise programmes of Risk Management activities and to monitor and report the results of the activities to the CMT (and Cabinet where appropriate).
- To keep the relevant Cabinet Member informed of significant risks and how these are being managed.
- To ensure risk management is considered within service plans (as part of annual service development reviews).
- To take ownership of identified Strategic risks as agreed collectively by CMT.
- To ensure risks are identified, assessed and mitigated in advance of formal decision making.

### ***Service Managers / Project Managers***

- To contribute to the identification and categorisation of risks.
- To complete the Operational and Project risk registers in line with the policy and ensure they are discussed at least monthly with the Chief Officer, and more frequently if deemed necessary.
- To ensure the concept of risk management is communicated to all employees

(and the process is two ways both 'bottom-up' and 'top-down').

- Ensure Risk Assessments are carried out and updated.

### ***All Employees***

- To understand the risks that relate to their position and activities of their job, and their role in reporting and managing these.
- To report new or emerging risks in a timely manner.



## **Section 7 – Guidance and Training**

- 7.1. This policy provides formal guidance in relation to the Councils risk management processes, and would normally be sufficient to cover most queries.
- 7.2. If there are specific questions which are not covered within the policy itself then the Financial Management Unit can seek to offer further guidance - any specific questions can be sent to the Chief Accountant.
- 7.3. Given the above, whilst further training on risk management is not normally provided, if there is a specific need then contact should be made with the Chief Accountant who can consider and identify potential options to support with that request.