



Risk Management Policy 2023

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Section 1 – Purpose & Vision

- 1.1 East Staffordshire Borough Council is committed to a culture of risk management as a means of achieving continuous improvement in its services which is carried out through the avoidance of financial and operational disruptions.
- 1.2 The aim of risk management within the authority is to provide a systematic control of risks, hazards and losses with a view to reducing the total cost impact of risk upon council operations.

Definition:

- 1.3 The role of risk management in the Council is very much a joint corporate effort. The responsibility at officer level for the Risk Management Policy and framework lies with the Chief Finance Officer / Section 151 Officer with elected member responsibility sitting with the Cabinet Member with responsibility for Finance.
- 1.4 Chief Officers supported by their senior managers have responsibilities for budgets, assets, projects and programmes of work which also includes the compliance with the Risk Policy as the success of the Council's approach to managing risks requires the input of all managers and the Corporate Management Team.
- 1.5 There are also more positive aspects to risk management. *Strategic Risk Management (SRM)* is 'the management of *integrated* or *'holistic'* business riskit is about making the most of *opportunities* (making the right decisions) and about *achieving objectives* once these decisions are made. The latter is achieved through controlling, transferring and living with these risks.'

Purpose:

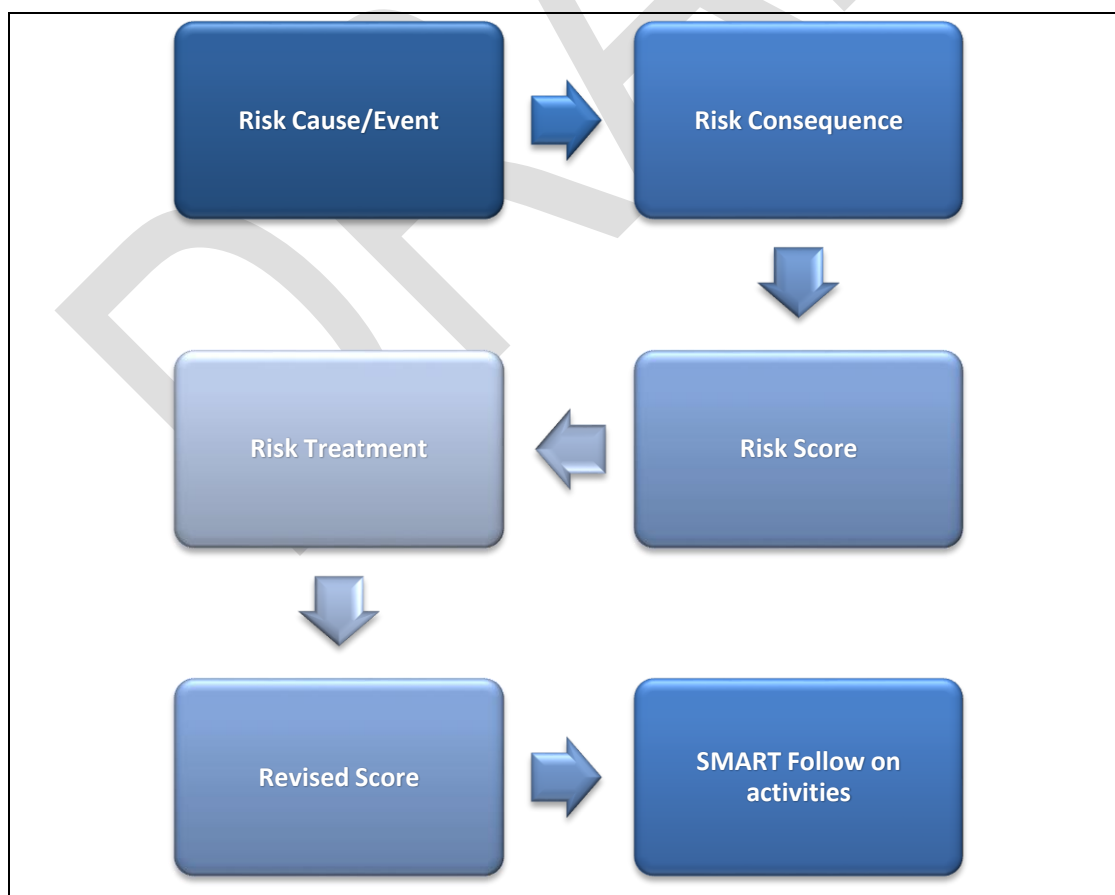
- 1.6 In accordance with the Accounts and Audit regulations, ESBC produces an annual Corporate Governance Statement. The statement highlights the key risks within its governance framework, and the details how the authority has mitigated the risk, and the actions taken to prevent the specific governance risks occurring again.
- 1.7 Risk management procedures will be designed to minimise or remove any risks that they may cause. These include:
 - injury or loss to the public or service users, and employees; claims against the council or its workforce; interruption to service delivery
 - loss or damage to council property; loss of business or revenues; significant unforeseen/unplanned expenditure
 - adverse publicity for the Council; litigation; an adverse impact upon the environment; failure to deliver corporate priorities

This policy is aimed at promoting effective risk management across the whole organisation.

Section 2 - Mission and Objectives

- 2.1 The Council has been committed to *Strategic Risk Management (SRM)* for a number of years. This is 'the management of *integrated or 'holistic'* business riskit is about making the most of *opportunities* (making the right decisions) and about *achieving objectives* once these decisions are made. The latter is achieved through controlling, transferring and living with these risks.'
- 2.2 There are three reasons effective Strategic Risk Management is essential for the Council:
- Support for Corporate Governance (this being 'the system by which local authorities direct and control their functions and relate to their communities'); and
 - Support for business planning and decision-making.
 - Ensure effective business continuity
- 2.3 This Policy will ensure the areas of highest risk are identified, appropriate remedial action is considered, and where necessary, financial assistance is made available to implement risk minimising measures. This will be done by regular consultation and liaison with services and other responsible bodies, to ensure that all relevant parties are involved in the overall process.
- 2.4 The whole process is depicted below in Figure 1. This is both an iterative and cyclical process (referred to as 'the Risk Management circle').

Figure 1: Risk Management Process



Risk Cause/Event:
The risk could arise from a number of sources and could be categorised under Health and Safety, Projects or Programmes, issues with Workforce, service delivery and continuity, financial implications, legal matters, environmental issues, reputational. Inevitably some of these could be generic in nature and some could be very specific. A risk owner is identified at this stage.
Analysis of Risk – Risk Consequence and Score
This involves identifying the consequence of the risk and calculating a score regarding the probability of the risk and the likely impact of that risk. The methodology for this and the quantification is provided in Section 4X.
Risk Score:
The scoring is created using the combination of the probability and impact of the risk.
Risk Treatment
This involves identifying the management activities that are to be deployed and actioned in order to reduce the scoring of the risk. A revised analysis of the risk following this analysis with the mitigation factors is also carried out at this stage.
Revised Score:
The new scoring is created which should be a lower risk score than the initial score.
Follow-On Activities:
This section is to identify any ongoing or future activities which are required in order to further manage the risk. Wherever possible these should be SMART (Specific, Measureable, achievable, realistic and time-bound)

- 2.5 Risk Management involves a number of differing disciplines such as health and safety, crime prevention, fire prevention, information technology, internal audit etc.
- 2.6 Certain policies of the Council form an important element in the management of the Council's risks, particularly:
- Human Resource Policies including Codes of Conduct;
 - Financial Regulations and Contract Procedure Rules;
 - Legal policies and procedures;
 - Health and Safety Policy and Procedures.
- 2.7 This Policy is designed to complement the above, supporting the Council's Corporate Plan and is the vehicle for ensuring effective and proportionate Risk Management.

Responsibility:

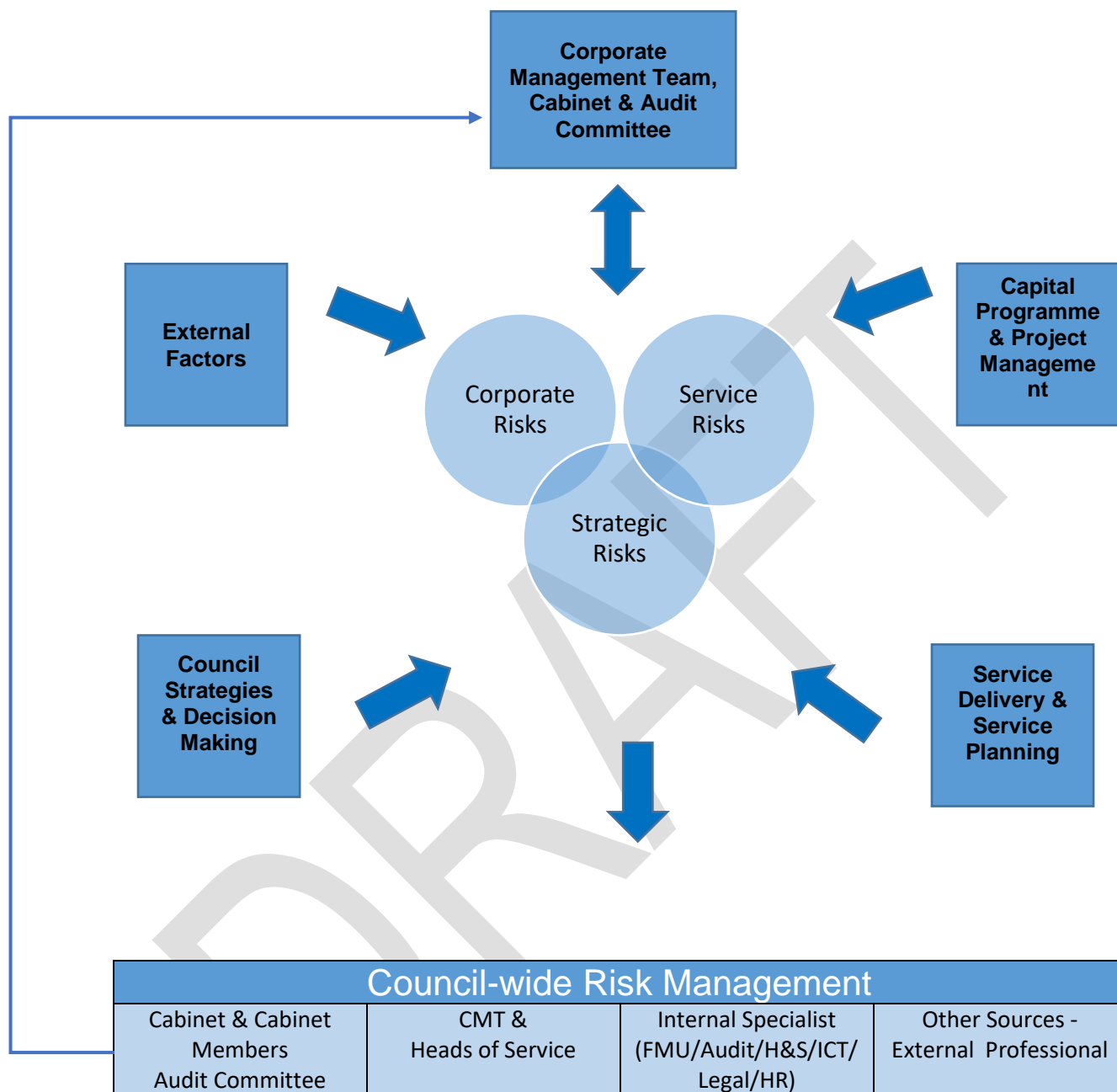
- 2.8 The Corporate Management Team provides a corporate commitment to risk management issues and to support and maintain a culture of strong risk management across the authority.
- 2.9 All managers have responsibility for the effective control of risks and losses in their particular area of operation. These may form part of the risk management process from a formal reporting perspective or they may form part of the day to day management activities.
- 2.10 Purchased insurance alone cannot be accepted as a substitute for adequate management of risk and all employees have a part to play in identifying and reporting incidents or hazards that could give rise to injury, loss or adverse impact on services

- 2.11 The Chief Officers will collate information on risk management plans at service level following regular meetings / reporting with their service managers. They will consider current issues and make appropriate submissions to the Corporate Management Team. This is a standing item on the monthly CMT agenda.
- 2.12 The Corporate Management Team will also consider Strategic and Corporate Risks and the Chief Officer (S151) will ensure appropriate level of involvement of, and reporting to, Members.
- 2.13 In most cases Corporate and Strategic Risks will be allocated to an appropriate member of the Corporate Management Team who will have responsibility for that risk. The allocation will be based on the most suitable Officer to hold the responsibility. There will inevitably be some risks which require the ownership of more than one member of CMT or maybe the whole of CMT. In these cases that risk will be clearly identified as such.
- 2.14 The Chief Accountant will prepare reports on risk management activities and co-ordinate the risk registers across the Council.
- 2.15 More detail on the responsibilities is provided in Section 7.

Section 3 – Identification and Categorisation of Risks

- 3.1 ESBC recognises the key risks to which it is exposed by identifying risks at three levels: service, corporate, or strategic (as detailed below).
- 3.2 The interaction of the three aforementioned risk areas is illustrated at below in Figure 3 over the page.

Figure 3: Organisation of the Risk Management Process



3.3 Our definition for each type is provided below:

Service Risk	Corporate Risk	Strategic Risk
Circumstances (within our risk categories), that may negatively impact on the operation or the budget of a given team or council service	Liabilities and dangers that the Council faces. These are mainly external.	These are those that arise from the fundamental decisions that CMT/CABINET make regarding the Council's objectives and activities.

3.3 The proposed categories are listed below:

- **Health & Safety**
- **Projects**
- **Staffing / Workforce**
- **Financial**
- **Legal**
- **Business / Service continuity**
- **Reputation / Quality / Customer**

Health & Safety Risks

This will provide a general overview of the health and safety issues and how they are managed. It will make reference to the regularity of reviews within the H&S system.

Project Risks

This will summarise the main projects and controls in place, making reference to the project risk registers, the council's Project Management approach, highlight reports and the BAG.

Workforce and Staffing Risks

This will reflect any quality (training / skills) and/or quantity (capacity / recruitment) issues, which should have been considered through the Council's Workforce Planning Strategy.

Financial Risks

These are not relevant for all services and are generally income related, especially where that income has a significant impact on the service budget (e.g. leisure and car parking).

However if high impact costs (such as fuel and energy) become very unpredictable then these may also become relevant.

Legal Risks

Whilst there will naturally be a 'legal' thread running through many risks, these may also not be relevant for all services. There will however be services which have legal challenge or litigation concerns which should be considered here.

Service Continuity Risks

This will reflect any concerns or special measures in place to ensure that service is continued.

For example this could be supplier / contractor related or even the provision of ICT or telecoms.

Reputation / Quality Risks

This would contain a description reflecting any concerns regarding the service or special measures in place to ensure that service is continued.

This is what is known as *profiling risk*.

- 3.3 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”.
- 3.4 By having a smaller number of risks, it is more likely that these will be regularly discussed by Managers/Chief Officers and therefore more regular and relevant assurance can be provided. It is assumed that this will be carried out on a monthly basis within the Chief Officer / Manager one-to-ones. The risk registers are reflective of what happens within the business environment.
- 3.5 From time to time risks that are discussed at service or operational level will inevitably be significant enough to be included within the corporate or strategic risk register. The mechanism for this will be from the Chief Officer through the CMT forum during the monthly meeting.
- 3.6 Figure 4 (Tables A – C) provides the Council’s current mechanism for scoring and thresholds.

Figure 4: Risk Scoring Mechanism and Risk Thresholds

Table A: Risk Consequences – Threats and Opportunities (Impact)

Catastrophic	<ul style="list-style-type: none"> • Financial impact > £1,000,000 on budget and/or • Project overspend over 50% • <i>Significant impact on Council’s strategy or operational activities for example the corporate strategy, corporate targets and/or corporate plan activities</i> • <i>Significant stakeholder concern e.g. real risk of fatality / severe injury / bad publicity i.e. reputational risk in a significant area of responsibility</i>
Major	<ul style="list-style-type: none"> • Financial impact between £150,000 and £1,000,000 on budget and/or • Project Overspend of 25% - 49% • <i>Major impact on the Council’s strategy, reputation or operational activities</i> • <i>Major stakeholder concern e.g. low risk of injury</i>
Moderate	<ul style="list-style-type: none"> • Financial impact between £50,000 and £149,999 on budget and/or • Project Overspend of 15% - 24% • <i>Moderate impact on the Council’s strategy, reputation or operational activities</i> • <i>Moderate stakeholder concern</i>

Minor	<ul style="list-style-type: none"> · Financial impact between £5,000 and £49,999 on budget and/or · Project Overspend of 6% -14% · <i>Low impact on the Council's strategy, reputation or operational activities</i> · <i>Low stakeholder concern</i>
Minimal	<ul style="list-style-type: none"> · Financial impact less than £5,000 · Project Overspend of less than 5% · <i>Unlikely to cause adverse publicity, no significant impact on delivery of Council Priorities or delivery of services.</i> · <i>Unlikely to result in complaints</i>

Table B: Probability of Occurrence – Threats

Estimation	Description	Indicators
Almost Certain	<i>Likely to occur each year or > 50% chance of occurrence</i>	Potential of it occurring > 3 times in 10 years; Has occurred in past two years Similar occurrences elsewhere
Probable	<i>Probable to occur in a 10 year time period or less than 50% chance of occurrence but more than 20% chance (between 1 in 4 and 1 in 10 chance)</i>	Could occur up to 3 times in 10 years. Could be difficult to control due to some external influences. Is there a history of occurrence?
Possible	<i>Possible to occur in a 10 year time period or a 10% chance of occurrence (1 in 10 chance)</i>	Could occur once Possible but not probable that it will occur
Unlikely	<i>Not likely to occur in 10 year time period or between 5% and 10% chance of occurrence</i>	Could occur, not expected but not unheard of elsewhere
Remote	<i>Not likely to occur in 10 year time period or less than 5% chance of occurrence</i>	Very unlikely to occur, no recent incidence elsewhere

Table C: Probability of Occurrence – Opportunities

Estimation	Description	Indicators
Almost Certain	<i>Favourable outcome likely to be achieved in 1 year; or better than 75% chance of occurrence.</i>	Clear opportunity which can be relied upon with reasonable certainty, to be achieved in the short term based on current management processes.

Probable	<i>Reasonable prospects of favourable results in one year of 50% to 75% chance of occurrence.</i>	Opportunities achievable with careful management. Opportunities which may arise over and above the plan.
Possible	<i>Some chance of favourable outcome in the medium term of between 49% and 20% chance of occurrence.</i>	Possible opportunity which has yet to be fully investigated by management. Opportunity for which the likelihood of success is medium on the basis of management resources currently applied.
Unlikely	Less than 20% chance of a favourable outcome but more than 4%	Unlikely opportunity which has yet to be supported by management.
Remote	<i>Not likely to have a favourable outcome or less than 5% chance of occurrence</i>	Remote/outside opportunity which has yet to be supported by management. Opportunity for which the likelihood of success is very low on the basis of management resources currently applied.

Section 4 – Quantification of Risks

4.1 Having identified areas of potential loss (financial or reputational damage) the cost of each loss needs to be quantified by:

- An assessment of its impact;
- An assessment of the likelihood of it happening;

The banding of risk is identified by either Low, Medium, or High which are allocated to the total Risk score:-

A Risk score of between:

1-4 = Low	5-10 = Medium	11-25 = High
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4.2 For each critical area the total risk score is calculated by adopting the following approach:

Risk Matrix

4.3 The table below illustrates the Risk Matrix and associated scoring:

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
			Minimal	Minor	Moderate	Major	Catastrophic
			1	2	3	4	5
			Impact				

Section 5 – Awareness and Financing

5.1 The Council needs to avoid unnecessary exposure to risk by:

- Promoting the concept of risk awareness throughout the Council. Primary responsibility for this will rest with the Corporate Management Team through the Chief Officers;
- Ensure Team Meetings have a section on Risk Management, so that fundamental risks are addressed;
- Getting managers to take greater financial responsibility for the consequences of claims arising from their work areas.
- Assessing the cost/benefit of eliminating or reducing significantly the impact of risks;
- Ensuring that suitable training is provided for high risk activities and that Chief Officers and appropriate managers are made aware of their Risk Management responsibilities;
- Ensuring risks are identified, assessed and mitigated in advance of formal decision making.

5.2 Conversely the Council is willing to embrace risk when it has been properly evaluated as part of corporate and service planning and the project management process, and proper risk quantification has taken place.

Financing:

5.3 Total elimination of risks is not possible and the funding of possible risks, such as the risks associated with the increase of supported accommodation providers is a key part of the Risk Management Policy.

5.4 Those risks identified by a Chief Officer, as being 'high risk' as part of the service planning process and ongoing review throughout the year will be assessed with a view to possible inclusion within the Medium Term Financial Strategy or the Capital Programme.

5.5 Any high risks that require immediate funding that cannot be contained within existing budgets will be subject to a separate Member report in line with the Financial Regulations.

Section 6 – Reporting & Governance

5.6 The Policy requires a suitable reporting and monitoring system that will report effectively on all aspects of the Policy.

5.7 Reporting of Risk Management will be as follows:

Author	Recipient	Frequency	Report
S151	Cabinet	Quarterly	Strategic and Corporate Risk Register
S151	Audit Committee	Quarterly (at least)	Strategic and Corporate Risk Register and any changes to risk activities
All Chief Officers	CMT	Monthly	Standing Item on CMT agenda regarding current RM issues
Service Managers	Chief Officer / FMU	Quarterly	Operational Service 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 7– Responsibilities

7.1 Whilst not prejudicing the roles of Officers and Members as laid down in the Constitution, the following have responsibilities for Risk Management:

Cabinet

- To approve and agree changes to the Risk Management Policy.
- To receive and review the corporate and strategic risk register on a quarterly basis and where appropriate to inform and amend the registers.
- 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 service risk reports 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.

Audit Committee

- To provide an independent assurance of the adequacy of the risk management framework and control environment including receiving and reviewing the corporate and strategic risk register on a quarterly basis;
- Review the risk management policy and framework and inform Cabinet of any recommendations

Corporate Management Team

- To give corporate commitment to strategic Risk Management issues and to support / maintain a culture of strong risk management across the authority.
- 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
- 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 service risk registers are completed 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 corporate and 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 corporate and strategic risks as agreed collectively by CMT.
- To ensure risks are identified, assessed and mitigated in advance of formal decision making.

Project Managers and Service 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.

Section 8 - Key Outcomes and Benefits

8.1 The benefits and outcomes of this policy are summarised below:

- The policy will enable risks and losses to be managed and controlled, thus allowing funds to be used in the most efficient manner and possible savings to be generated. It will also help to minimise premium increases or even decrease them with the ultimate aim being to reduce the 'total cost of risks'.
- There will be other benefits. Taking action to reduce risks will improve the security and safety of residents, of staff, members and property.
- Whilst the process for managing risks is important there will be an improved focus on the actual outcomes – this is closely aligned to the Council's financial and performance management framework so will ultimately enhance performance.
- There will improved business planning through risk based decision making, which will include the better planning of business continuity. Services look at Risk Management as a way of enhancing and influencing all aspects of their operations, through service planning and delivery, financial planning and project management. This will lead to a better assessment of business opportunities.
- The policy will also assist in achieving the Council's priorities and objectives by identifying those barriers to achievement, and, by then focusing on the right risks, will enable us to become better informed, therefore less risk averse and more innovative.
- Improving the approach to risk management to more demonstrably link the management of risk to corporate and service objectives provides an important opportunity to provide assurance on the progress towards and achievement of those objectives

8.2 Whilst there are sound governance arrangements in place, these will be better, more transparent, and easily demonstrable to the Council and its stakeholders.