

OADBY & WIGSTON BOROUGH COUNCIL

RISK MANAGEMENT POLICY



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Oadby & Wigston
BOROUGH COUNCIL

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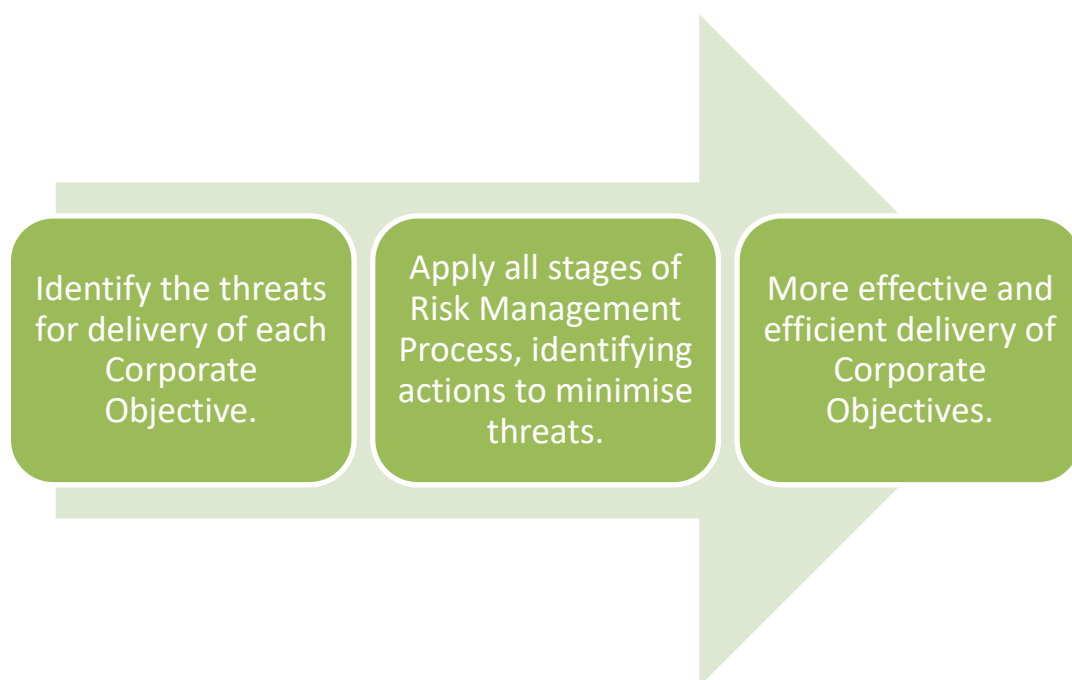
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1.0 Introduction

- 1.1 For the Council to effectively deliver it is necessary to proactively identify, understand and manage the risks inherent in our services and associated within our plans and strategies, so as to encourage responsible, informed risk taking.
- 1.2 Risk management is all about understanding, assessing and managing the Council's threats and opportunities. The Council accepts the need to take proportionate risk to achieve its strategic obligations, but expects these to be appropriately identified, assessed and managed. Through managing risks and opportunities in a structured manner, the Council will be in a stronger position to ensure that we are able to deliver our objectives.
- 1.3 This Risk Management Policy sets out the governance structures and processes the Council has put in place to ensure that risks are appropriately managed and are realised.

2.0 What is Risk Management?

- 2.1 Traditionally, risk management has been defined as any action taken by an organisation to minimise a threat to the achievement of its objectives. In order to achieve this, threats – or risks – must be identified & assessed and control measures implemented to reduce the impact and/or likelihood of the risk being realised (occurring). Risk management is what the Council is doing every day as it delivers services to the residents of Oadby & Wigston, as every control in every process has in some way been implemented to ensure required services meet the needs of communities, businesses and individuals to the fullest extent possible within current resources. It is such a fundamental principle of operation that the Society of Local Authority Chief Executives (SOLACE) has stated that 'If a council doesn't have effective risk management, then it doesn't have effective management.'
- 2.2 The risk management approach is vital to ensure that all elements of the organisation are challenged including decision making processes, working with partners, consultation, existing policies and procedures and also the effective use of assets – both staff and physical assets.
- 2.3 The risks facing the Council will change over time, some changing continually, so this is not a one off process. Instead the approach to risk management should be continual and the risks and the approach to managing them should be reviewed regularly.



3.0 Policy Statement

3.1 Risk Management is successfully achieved where there is an appropriate level of control in place providing sufficient protection from risks, without stifling opportunities for development. In the current financial climate, this is a challenging task which requires the Council to create a culture which encourages innovation whilst empowering officers to take risk based decisions on controls to minimise risks to the achievement of objectives within available resources. To support staff in their risk management roles, this Policy includes a number of commitments in respect of the Risk Management process. The Council will:

- Ensure that statutory obligations and legislative requirements are met;
- Safeguard its employees, clients or service users, members, pupils, tenants and all other stakeholders to whom the Council has a duty of care;
- Actively work with its stakeholders and partners to manage risks to improve service delivery;
- Promote a culture of innovation in which its employees are encouraged to identify new and better ways of delivering services;
- Establish a Risk Appetite, supported by Risk Tolerance & Risk Acceptance levels, which supports management to take risks when necessary in the decision making process; &
- Provide Service Managers with the resources required, within the context of meeting financial obligations, to enable its Corporate Objectives to be achieved.

4.0 Risk Management Policy Aims & Objectives

4.1 Risk Management Aims

The aims of the Council's Risk Management Policy are to:

- Integrate Risk Management into the culture of the Council;
- Encourage innovation and identification of new ways to deliver objectives;
- Support risk-informed decision making at all levels;
- Raise awareness of the need for the management of risks by all those connected with the delivery of services (including partners and stakeholders);
- Enable the Council to anticipate and respond to changing circumstances;
- Minimise injury, damage, loss and inconvenience to residents, staff, service users, assets etc. arising from or connected with the delivery of Council services;
- Implement an effective Risk Management Framework, as described in Section 7;
- Minimise the total cost of risk; &
- Increase the ability to respond to emergency situations and manage business interruptions.

4.2 Risk Management Objectives

The objectives of the Risk Management Policy are to:

- Support delivery of the Council's three Corporate Objectives as set out within the 2019-2024 Corporate Plan or its replacement Corporate Plan/Strategy;
- Ensure risk management is incorporated into strategic and local partnership working; as well as business planning processes and the implementation of service redesign projects;
- Broaden the organisations understanding of risk management by engaging with officers from across the Council, at all levels, on risk matters at both operational and strategic level
- Provide assurance through reporting of risk management arrangements to the Audit Committee;
- Provide a Risk Management training and awareness programme;
- Manage risk in accordance with best practice and ensure compliance with statutory requirements; &
- Review and monitor our partnerships and other stakeholders' management of risk.

5.0 Risk Appetite Statement

- 5.1 Oadby & Wigston Borough Council is a risk embracing organisation which understands the importance of risk taking and accepts that there is an element of risk in most of the activities it undertakes. Whilst not being able to eliminate all risk, the Council will seek to manage risk to a level that it is prepared to tolerate.
- 5.2 To support officers in their assessment and management of risk, the Council has formally defined a Risk Tolerance and Risk Acceptance levels as a guide in determining the level of effort and resource which should be applied to identified risks (see 5.5 below). When combined with the target score for the risk (calculated as part of the risk assessment process; see 7.2 below), these provide a framework enabling decisions to be made regarding the application of resources required to manage each identified risk.
- 5.3 Risks which have a residual score of 10 or more (i.e. the risk's score after the current control framework has been applied) are above the Risk Tolerance Level and therefore require additional actions to be implemented to reduce their score further. Where risks remain above the Risk Tolerance level despite the implementation of additional actions, this will be reported to the SLT and Audit Committee. For example, the risk of 'Increasing Financial Pressures' has an inherent score of 20. After the current control framework has been evaluated the residual score has reduced to 12. This is still above the risk tolerance level so further actions to further reduce the score will be need to be identified and implemented.
- 5.4 The Risk Acceptance Level has been set at a risk score of 3 or below. Where the control framework in place has reduced the inherent risk to this level there is no obligation to identify additional actions to further reduce the risk. Officers may nevertheless wish to introduce more measures in managing such risks but it is not expected that this would involve the application of significant additional resources.
- 5.5 Risk Tolerance and Acceptance Levels have been agreed by the SLT as follows:

Risk Tolerance Level: Where residual risks score above this level, action must be identified & implemented to reduce the overall score. All risks in the red area are recorded in risk registers

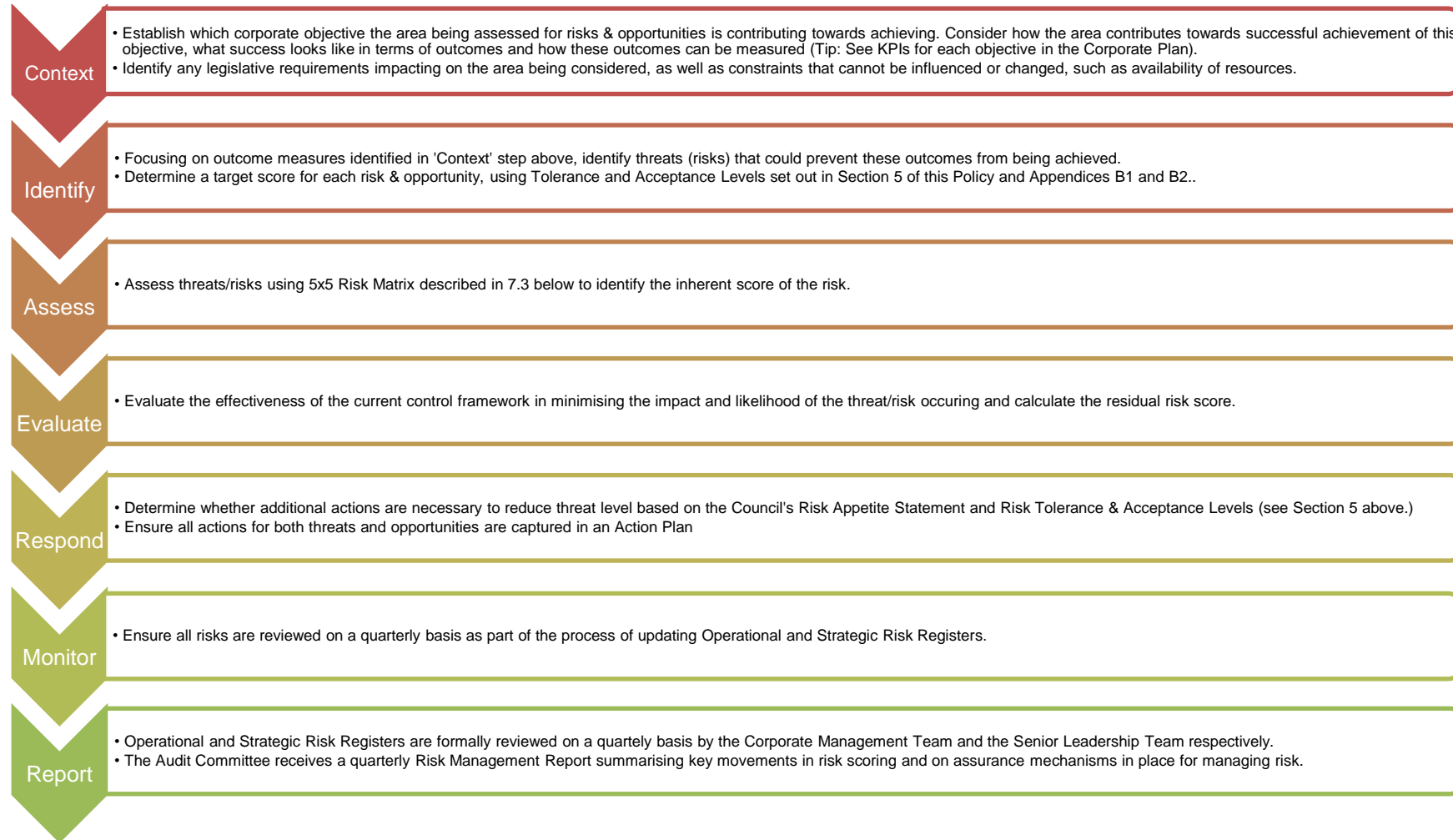
		Impact				
		1	2	3	4	5
Likelihood	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5

Risks in the amber area should continue to be monitored through inclusion on risk registers, with actions being identified as necessary to reduce their score to their target level, as calculated during the risk identification process

Risk Acceptance Level: Risks scoring lower than this level attract minimal effort and resources. Risks in the green area may be removed from risk registers at the discretion of the SLT (for strategic risks) or CMT (for operational risks).

6.0 Risk Management Process Map

The graphic below provides a summary of the tasks involved in the Risk Management process. Further detail on each step is provided in Section 7 below.



7.0 The Risk Management Process

7.1 Establishing the Context of Risks

The first stage in the Risk Management Process is to establish the context within the function being assessed for risks. All processes operating in the Council are contributing towards the delivery of one of the Corporate Objectives and it is important to understand how the area being reviewed is doing this. For example, each year, Service Managers, responsible for establishing the plans for their service areas for the forthcoming year will be required to assess service-level and operational risk. Likewise, a Project Manager will want to assess project specific risks. In contrast, the organisation needs to manage its strategic risk, in its capacity as a council.

As such, it is necessary to identify outcome measures that demonstrate achievement of the objective relative to the area being assessed. To do this, consideration should be given to which key objective within the Council's Corporate Plan, the risk identified relates to.

7.2 Identifying & Documenting Risks

The second stage of the Risk Management process is to identify risks which may prevent service/project/organisational delivery.

For service related and project risk, this is best undertaken by engaging staff working in the area as possible to ensure that all potential risks are captured for assessment. Such risks will be recorded in the Operational Risk Register, if relating to business-as-usual activities within services, or within a newly created and dedicated project risk register. Each Service within the Council will maintain its own Operational Risk Register, which is subject to review by relevant Heads of Service (see Appendix B) and all corporate projects will maintain a project risk register.

Organisational risks will be recorded on the Strategic Risk Register (see Appendix A). This register is monitored and reviewed by the Risk Management Group (RMG). The Senior Leadership Team maintain overall responsibility for this register and review the recommendations of the RMG on a quarterly basis.

Responsibility for managing risks are allocated to specific risk managers to provide accountability.

7.3 Assessing Risks

The Council utilises a 5x5 risk matrix to assess the impact and likelihood of risks in accordance with internationally recognised methods of risk assessment. Appendix C provides further detail on how impact and likelihood scores are defined and scored for risks.

All risks are assessed twice. The first assessment involves a calculation of an overall inherent score, essentially evaluating the risk before controls in place to either minimise the threat are applied. The second assessment takes place after the control environment has been evaluated and is referred to in 7.4 below.

The direction of travel of the mitigated risk will be recorded to show whether the risk trend is increasing, decreasing or remaining the same.

7.4 Evaluating the Control Environment

After the inherent risk score has been calculated the control environment in place in the area being assessed is evaluated to determine the extent to which risk scores are reduced by controls in place.

The calculated residual score is then compared to the Risk Tolerance level to determine whether any further action is required to reduce the score (see 7.5 below).

7.5 Responding to Risks

In preparing its Risk Appetite statement the Council has established Risk Tolerance and Risk Acceptance Levels to assist management in making decisions about actions necessary to minimise risk. Where the residual score of risks is above the Risk Tolerance Level, further action will need to be identified and detailed within an Action Plan for subsequent implementation and monitoring. Once the residual risk score is reduced to a level that is below the Tolerance Level no further additional actions are necessary.

Where residual risk scores are determined to be below the Risk Acceptance level, those responsible for assessing the risk, may (in agreement with their Head of Service) remove it from their Operational Risk Register.

7.6 Monitoring Management of Risks

All Risk Registers are reviewed by responsible officers on a monthly and quarterly basis to determine whether any amendments are required in risk scores as a result of changes in circumstances and/or implementation of actions.

7.7 Reporting Arrangements

Operational Risk Registers are reviewed on a monthly and quarterly basis by Heads of Service for their relevant service areas and as part of reviewing service performance. All risks with a residual score of 10 or above will be escalated to the Risk Management Group for review and consideration in respect of whether they should be added to the Strategic Risk Register.

The Strategic Risk Register is reviewed on a quarterly basis by the Risk Management Group (RMG) who then report their recommendations to the Senior Leadership Team who make the final decision. Following this review, a Risk Management Quarterly Report is prepared and submitted to the Audit Committee. The Audit Committee will escalate any risks it considers appropriate to the full Council.

8.0 Roles & Responsibilities

	Role/ Responsibility
Audit Committee	<ul style="list-style-type: none"> • Agree the Risk Management Policy and review its effectiveness. • Receives and reviews the Strategic Risk Register on a quarterly basis; • Seeks assurance that the Council is managing its risks in line with Policy; and • Reviews the Annual Governance Statement to ensure it properly reflects the risks faced by the Council.
Risk Management Group (cross-organisational officer group)	<ul style="list-style-type: none"> • On behalf of the Senior Leadership Team: <ul style="list-style-type: none"> - Maintains and reviews the Strategic Risk Register for review and sign off by SLT; - Makes recommendations for the assessment of risk and timing and nature of mitigating actions; - Challenges specific officers responsible for taking action to manage risks. •
Senior Leadership Team	<ul style="list-style-type: none"> • Has overall responsibility for maintaining & reviewing the Strategic Risk Register; • Challenges (and holds accountable) specific officers responsible for taking action to manage risks; • Ensures Partnership and Programme Boards make appropriate provision for risk management in their respective areas of control; and • Makes sure reports to members seeking approval for decisions include appropriate reference to relevant risk management arrangements. • Reviews Operational Risk Registers for their relevant service areas
Service Managers (Corporate Management Team Level)	<ul style="list-style-type: none"> • Has overall responsibility for maintaining & reviewing the Operational Risk Register and risk registers for projects within their service areas for which they are project manager
Members	<ul style="list-style-type: none"> • Understand the strategic risks faced by the Council. • Oversee the effective management of these risks by officers. • Ensure that risks have been considered in decision-making.
Project and Programme, and partnership boards	<ul style="list-style-type: none"> • Identify and manage key risks to programme/project or shared partnership objectives; & • Obtain assurances that these risks are being effectively managed.

Risk Management Lead Role	<ul style="list-style-type: none"> • Co-ordinates updates to the Operational and Strategic Risk Registers; • Reports on risk management arrangements to the Senior Leadership Team; and • Provides training on risk management.
Internal Audit	<ul style="list-style-type: none"> • Provides independent assurance on the adequacy and effectiveness of arrangements for managing risk.
Health & Safety	<ul style="list-style-type: none"> • Ensures the Council has appropriate arrangements in place to manage health and safety risk.
Data Protection Officer	<ul style="list-style-type: none"> • Assists in the identification of areas of information risk; and • Co-ordinates all information management activity
All Employees	<ul style="list-style-type: none"> • Identify and manage risks in their role and report risks to their manager.


9.0 Risk Management Training

- 9.1 For the benefits of Risk Management to be realised, it is necessary for the process to be embedded in the culture and operations of the Council. To facilitate this, regular training will be included in the council's workforce development plans to ensure staff have the necessary knowledge and skills to effectively manage risk. Initial emphasis will be placed on the provision of training to the Senior Leadership and Corporate Management Teams, with further training to be rolled out where this is considered necessary.

10.0 Validity of this Policy

- 10.1 This Policy will be reviewed on an annual basis by the Risk Management Group and SLT.

APPENDIX A: STRATEGIC RISK REGISTER FORMAT

Ref	Risk What is the headline risk/issue?	2019-2024	Root Cause: What is the root cause or problem? What could go wrong?	Consequence effect: What could occur as a result, how much of a problem	Inherent Risk (no controls)			Mitigated Risk (with controls)			Further management actions/controls	Target Implementation date for further mgt actions	Target Score with further management actions!			Risk Owner	Review Date	Review Commentary	Direction of Travel of mitigated risk score
					Likelihood	Impact	Overall risk rating	Likelihood	Impact	Overall risk rating			Likelihood	Impact	Overall risk rating				
Unique reference beginning with CR	Identify risk/issue with a few key words	Specify the Corporate Objectives that would be impacted if risk is not managed appropriately. Risks can impact more than one objective	Include detail on the circumstances that could cause the risk to become an issue	Identify impact on desired outcomes if risk is not managed effectively.	Score between 1 - 5 using risk matrix	Score between 1 - 5 using risk matrix	Calculate score by multiplying likelihood and risk	Summarise the controls currently in place which are managing this risk	Score between 1 - 5 using risk matrix	Score between 1 - 5 using risk matrix	Calculate score by multiplying likelihood and risk	Where the residual risk score is higher than the target risk score, identify additional actions that will be implemented to further reduce the residual risk	Identify a target date for the implementation of targets	Score between 1 - 5 using risk matrix	Score between 1 - 5 using risk matrix	Calculate score by multiplying likelihood and risk	Identify relevant SLT member Specify date of review	Summarise outcome of review and updates	Insert graphical representation of direction of travel of mitigated risk 

APPENDIX B: OPERATIONAL AND PROJECT RISK REGISTER FORMAT

Risk No.	Major Heading	Risk	Brief Description	Likelihood	Impact	Score	Mitigating action	Update	Risk Owner	Action Completion by	Likelihood	Impact	Score	Likelihood	Impact	Score	Date Updated (mm/dd/yy)	Update By:	Days since last review
Reference to indicate service area or relevant project	Determine the underlying risk - e.g. financial, operational, reputational, compliance	Identify risk/issue with a few key words	Provide a brief description	Score between 1 - 5 using risk matrix	Score between 1 - 5 using risk matrix	Calculate score by multiplying likelihood and risk	Summarise the mitigations currently in place which are managing this risk	Provide a status update	Determine relevant manager	Target date	Score between 1 - 5 using risk matrix	Score between 1 - 5 using risk matrix	Calculate score by multiplying likelihood and risk	Score between 1 - 5 using risk matrix	Score between 1 - 5 using risk matrix	Calculate score by multiplying likelihood and risk	date of review	Name of reviewer	Days since last review

APPENDIX C: RISK IMPACT & LIKELIHOOD DEFINITIONS

Likelihood	Score	Risk Likelihood Definition
Rare	1	Risk may occur in exceptional circumstances.
Possible	2	Risk may occur within the next three financial years.
Likely	3	Risk is likely to occur within this financial year.
Almost Certain	4	Indication of imminent occurrence.
Certain	5	Risk has occurred and will continue to do so without immediate action being taken.

Impact	Score	Risk Impact Definition
Negligible	1	<ul style="list-style-type: none"> • Negligible loss, delay or interruption to services. • Can be easily and quickly remedied. • No financial loss.
Minor	2	<ul style="list-style-type: none"> • Minor loss, delay or interruption to services. • Short term impact on operational efficiency and performance. • Low level financial loss. • Failure to meet internal standards. • Affects only one group of stakeholders. • No external interest. • Isolated complaints.
Significant	3	<ul style="list-style-type: none"> • Significant loss, delay or interruption to services. • Medium term impact on operational efficiency and performance. • Significant financial loss. • Failure to meet recommended best practice. • Affects more than one group of stakeholders. • May attract short-term attention of legislative or regulatory bodies. • Significant complaints

Major	4	<ul style="list-style-type: none"> • Major loss, delay or interruption to services. • One off events which could de-stabilise the Council. • Widespread medium to long term impact on operational efficiency, performance and reputation. • Major financial loss. • Breach of legal or contractual obligation. • Affects more than one group of stakeholders.
Catastrophic	5	<ul style="list-style-type: none"> • Total sustained loss or disruption to critical services. • Long term impact on operational efficiency, performance and reputation. • Critical financial loss. • Serious breach of legal or contractual obligation. • Affects all groups of stakeholders • National impact with rapid intervention of legislative or regulatory bodies. • Extensive adverse media interest. • Loss of credibility