

# Risk Management Toolkit



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## 1. Introduction

This Toolkit has been prepared provide a methodology to help officers prepare and maintain service, corporate, service, team and project risk registers. It should be used in conjunction with the Council's **Risk Management Policy Statement and Strategy**. These can be found on the council's intranet under 'Risk Management'.

Using the same approach across the Council helps with consistency of approach, and common level of understanding, however, other approaches to risk registers/matrices may be more appropriate for particular plans and projects. This toolkit, therefore, provides a framework to be used by service areas appropriate to their circumstances.

## 2. Purpose of this Toolkit

The purpose of this Toolkit is to help identify and manage key risks and opportunities that services may face. The information included in service risk registers is designed to incorporate key risks and opportunities relating to service delivery and service improvement as well as directorate and corporate risks which will be identified by coding and extracted separately to produce the Corporate Risk Register.

## 3. Why manage Risk?

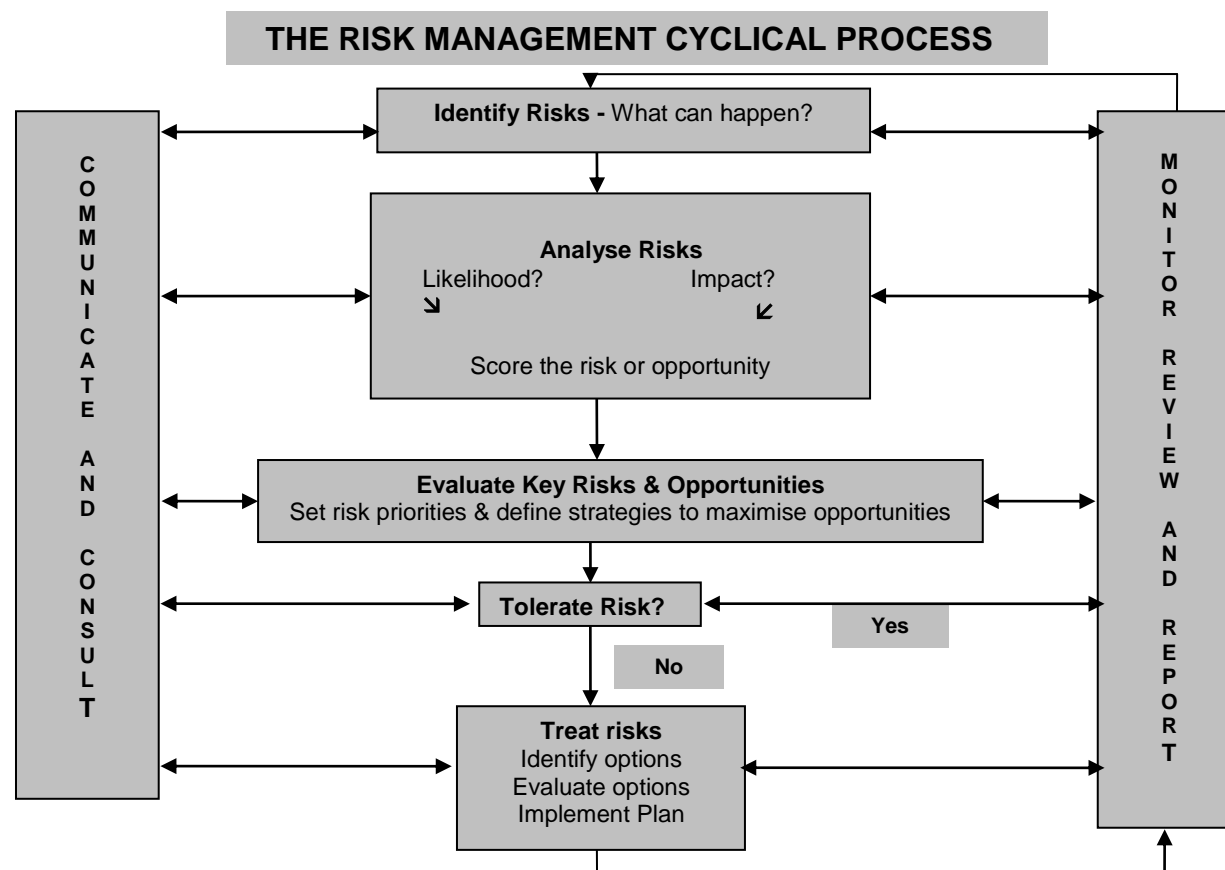
Risk is ever present and some amount of risk taking is inevitable if the Council is to achieve its aims and objectives. As well as focusing on the more negative aspects of what could go wrong, risk management is also about making the most of opportunities and ensuring that officers are capitalising on the key possibilities for moving the Council forward.

Drawing up a Risk Register will help to proactively manage the major risks and opportunities that services or projects face. Effective risk management should mean fewer things go wrong and lower costs for the organisation. It also stimulates a debate about what level of risk the Council is willing to accept and why – that is, the levels of risk appetite and tolerance.

Many managers intuitively undertake risk management as part of their day-to-day business. Identifying the main risks to services also helps the council identify and manage those risks that affect the whole organisation, including those that feed directly into the Corporate Risk Register.

## 4. The Council's Risk Management Cycle

The cyclical risk management process comprises a number of stages that need to be completed to carry out a full risk assessment. Risk assessments are best carried out as a group or team, with the Head of Service or senior managers and any relevant team or project members who can add knowledge and value to the process.



The Council's risk management process comprises of 3 stages incorporating assurance on risk controls into the risk register.

The starting point for preparing your Risk Register is the consideration of the risks to your Service not achieving its objectives. Therefore risk identification should be undertaken only after service objectives and the activities which will support the achievement of these objectives are known.

## 5. Risk Identification and Control

### Stage 1 – uncontrolled risk

Your starting point should be the corporate priorities and related actions set out in the Corporate Plan and your service objectives as set out in your service or team plan.

Once the objectives have been established think about what may prevent, or threaten, the objective from being fully or partially met. These are your 'risks'. You will also need to consider the possible opportunities that may be available to meet that objective, which ensures that you minimise the risk of missing any exploitable openings. These are your 'opportunities'. Remember to look at risks that are associated with improvement actions on your service plans.

Scoping or formalising the wording of risks can be difficult. For example "No resources" is not in itself a completed description. The risk should include both a symptom and a result. There are three sections to scoping a risk:

**Cause > Event > Effect**

Typical phrasing could be:

**Risk that the:**

- Failure to...
- Lack of...
- Loss of...
- Uncertainty of...
- Partnership with...

**Opportunity**

- Development of...
- Opportunity to...



...due to....    ...resulting in...

The example ‘No resources’ would become ‘Risk that the lack of resources due to staff concentrating on day to day duties will result in slippage in the project plan’.

Once the risk or opportunity has been identified and defined it is necessary to establish whether the risk is;

- a) **Strategic** – risks that may be potentially damaging to the achievement of the Councils aims and objectives as set out in the Corporate Plan. These are likely to be included in the Corporate Risk Register.
- b) **Operational** – risks that are faced in the day-to-day delivery of services. If the impact of the risk is great enough, some of these risks could be included in the Corporate Risk Register.

To risk should be categorised using the ten defined categories as set out in **Risk Category Definitions (Appendix 1)**. Chose the one that most applies.

These are:

1. Health & Safety
2. Service Provision / Continuity
3. Financial
4. Project
5. Reputation
6. Environment
7. Service Effectiveness/ Project Effectiveness
8. Value for Money
9. Security
10. Compliance

**Remember to think about the risk of fraud and corruption, which may fall under any of the categories listed above.**

Each risk can then be scored **without** any controls in place to establish the **uncontrolled, or ‘inherent’, risk score**. This means the position the council could potentially face if the risk was to occur and was not managed.

Now you will need to determine the potential impact of the risk on the council by using the **Impact Criteria table (Appendix 2)**. For each of the categories along the top of the chart there is a rating for the following four impacts in the column on the right, the most appropriate one of which can be chosen as an assessment of risk:

1. Catastrophic / Exceptional opportunity
2. Severe / significant opportunity

3. Material
4. Negligible

Once the impact has been established the likelihood of the risk occurring without any controls in place needs to be determined. Use the **Likelihood Criteria** table (**Appendix 3**) for this, by choosing which definition is suitable if the risk was uncontrolled (no adequate procedures, processes or checks). The definition will be one of the following:

1. Almost Certain
2. Very Likely
3. Likely
4. Unlikely

The risk then needs to be scored using the **Risk Matrix (Appendix 4)** and the impact and likelihood definitions that you have just determined. You do this by following the chosen impact and likelihood along the matrix until they intersect to provide the **Uncontrolled, or 'Inherent' Score**. This will be a number from 1 to 16, with 1 being the lowest level risk and 16 being the highest-level risk.

**Risk appetite and tolerance – when scoring, it should be born in mind that the Council will** focus on where it is prepared to take risks to achieve objectives (risk appetite), rather than identifying the extremes beyond which they cannot go (risk tolerance).

Risk appetite and risk tolerance are not fixed values but vary from situation to situation, person to person and over time and this can be set out by including the risk matrix, for each stage, by using the risk matrix in appendix 4.

**Complete Stage 1 of the risk template with the results of the steps above (for project risks a separate template is available on the intranet).**

| Stage 1 – Risk without controls and assurances | Risk Title (It is important to phrase your risk correctly) | Risk Type | Risk Category | Assigned To (Risk Owner) | Impact | Likelihood |
|--|--|-----------|---------------|--------------------------|--------|------------|
| Code   |  |           |               |                          |        |            |
|  |  |           |               |                          |        |            |

## Stage 2 – current risk

Re-assess the risks you have identified by considering what is currently in place to minimise (or ‘mitigate’) it or to maximise the opportunities. These controls include procedures, processes and management checks to manage/mitigate the risk on a daily basis and help ensure that it does not happen. Write the key controls in the ‘risk control measures’ column in Stage 2 of the template.

Identify the ‘assurance’ you have in place to check that those controls are working, appropriately and effectively. Assurance can be gained through performance monitoring or project groups.

Re-score the risk by using the same process you used earlier (i.e. assess likelihood and impact and score in Risk Matrix in Appendix 3). This score will reflect the council’s **current** position in relation to the risk.

You should also identify now what your strategy to managing this risk will be in the future from one of the categories in the table below and enter this in Table 1 in the ‘Risk Strategy’ column.



| Service approach to managing this risk | Actions  |
|--|--|
| 'Terminate' it                         | You will not undertake the activity  |
| 'Transfer' it                          | You will pass the risk on, for example to a contractor e.g. PFI or insurer |
| 'Treat' it                             | You will manage it and put in place effective controls                     |
| 'Tolerate' it                          | You will monitor and re-evaluate it in the future                          |

**Complete Stage 2 of the risk template (shown below) with the results of the steps above.**

| Stage 2 - Current Risk with controls and assurances in place |  | Assurances on controls (what is in place for you to know your controls are working?) | Impact | Likelihood |
|--|--|--|--------|------------|
| Risk Treatment (Treat, Tolerate, Terminate, Transfer)        | Risk control measures / opportunity strategies (what are you doing now to control the risk?) |  |        |            |
|  |  |  |        |            |
|  |  |  |        |            |
|  |  |  |        |            |
|  |  |  |        |            |

### Stage 3 – target risk

Establish whether the risks identified are adequately controlled to an acceptable level. If further actions are needed then they should be evaluated to decide whether they are likely to help mitigate the risk further. When the mitigating actions have been agreed add them to Stage 3 on the risk template, noting who is responsible and when they will be carrying out the action.

The risk should then be re-scored. Take into account all controls identified in Stage 2 and the agreed actions from Stage 3. This score is the '**Fully controlled or Target risk**' **Score** and forms a risk profile for the service or project.

**Complete Stage 3 on the risk template (below) with the results of the steps above.**

| Stage 3 - Further Actions (target risk) - If you cannot reduce the risk do you need further actions? |  | Assigned To<br>(Action Owner - Name of person and/or Title) | Action Date<br>(Dates should be specific) | Impact | Likelihood | Risk Links to the following Performance Indicators: | Risk Links to the following Corporate Priority | Risk Review Date (if applicable) |
|--|--|---|---|--------|------------|---|--|----------------------------------|
| Code   | Actions to reduce the risk or maximise the opportunity |   |   |        |            |   |  |                                  |
|  |  |   |   |        |            |   |  |                                  |
|  |  |   |   |        |            |   |  |                                  |

## 6. Risk Monitoring and Review

As part of the continuous risk management process it is vital that all service and project risk profiles are kept up to date. This means that regular reviews of their risk profiles should be undertaken:

Updates of corporate, service and project risks should be undertaken at least quarterly and reviewed at corporate, departmental, service group and team meetings appropriately.


Risk registers can be monitored through the Covalent performance management software – support for this can be provided by the Policy, Engagement and Communications Team.


## 7. Risk Register Maintenance


The Corporate Assurance Risk Register is reported to Corporate Management Team quarterly and Audit Committee every 6 months. Updates should:

- Review the actions which have been identified to further mitigate risk or maximise opportunities;
- Provide an update on the progress to achieving the action;
- Give a red, amber, green (RAG) rating the action being able to maintain the stage 3 risk score, defined

### Performance Rating Guidance

**Red**  The action will not be achieved, therefore, affecting the ability to control the risk and / or the risk score.

**Amber**  The action is in danger of not being achieved affecting the ability to control the risk and/ or the risk score.

**Green**  Action has not missed any target dates and will be achieved.

Actions which have been completed and can add assurance to the risk can be moved from stage 3 to stage 2.

## Appendix 1 – Risk category definitions

|    | <u>RISK TYPE</u>                       | <u>EXPLANATION</u>   |
|----|--|--|
| 1  | <b>Health and Safety</b>               | Risks relating to the health, safety and well being of staff and the public.   |
| 2  | <b>Service Provision/ Continuity</b>   | Risks that would adversely affect/improve service delivery   |
| 3  | <b>Financial</b>                       | A risk that would cause financial loss/gain to the Council   |
| 4  | <b>Project</b>                         | Risks that would stop a project delivering within budget, on time and to the required quality or standard.             |
| 5  | <b>Reputation</b>                      | Risks that could cause the Council to be poorly/well regarded  |
| 6  | <b>Environment</b>                     | A risk that would cause any type of pollution including noise and damage to the environment or improve the environment |
| 7  | <b>Service / Project Effectiveness</b> | Risks that would prevent the service/project failing to meet the needs of the target customers                         |
| 8  | <b>Value for Money</b>                 | Risks that would lead to waste/inefficiency or improvements/cost savings   |
| 9  | <b>Security</b>                        | Risks that would cause a breach or loss of any asset of value to the council including data or enhance security        |
| 10 | <b>Compliance</b>                      | Risks that would cause a breach of legislation or standards or lead the way in good practice and attaining excellence  |

## Appendix 2 – Impact criteria

|                      | 1. Health & Safety   | 2. Service Provision / Continuity  | 3. Financial  | 4. Project   | 5. Reputation  | 6. Environment   | <u>Impact</u>         |
|----------------------|--|--|---|--|--|--|-----------------------|
| <b>Risks</b>         | Fatality   | Service delivery affected by over 3 months.<br>Statutory / critical service delivery will cease for a period of time without any affective contingency. (e.g. Housing Benefits etc.) | Over £1m<br>> 20% of total budget individually or cumulatively                | 20% over budget / schedule slippage.<br>Doesn't meet primary objectives                      | National Publication (name & shame) by external audit, inspectorates leading to a loss of control over the running of Council operations.<br>Front page of national newspaper.             | Major widespread pollution including flooding, ecology, landscape and damage to the environment. | <b>'Catastrophic'</b> |
|                      | Permanent Injury   | Delivery affected between 1 & 3 Months.<br>Loss of a non-critical service for a significant period of time (Leisure, Corporate Communications, HR etc.)                              | Between £500k - £1m<br>10 – 20% of total budget individually or cumulatively  | 10 – 20% over budget / schedule slippage. Failure to meet secondary objectives               | National or local front-page press article leading to a reduced ability to affectively deliver one or more services.<br>National press article   | Major local pollution including flooding, ecology, landscape and damage to the environment.      | <b>'Severe'</b>       |
|                      | HSE Reportable Incident  | Delivery affected by up to 1 month.<br>Minor disruption or inconvenience to service delivery & customers. (Reduced staffing, late opening, temporary loss of IT).                    | Between £50k - £499k<br>5 – 10 % of total budget individually or cumulatively | 5 – 10% over budget / schedule slippage. Reduction in scope or quality                       | Disgruntled local groups or individuals possibly leading to internal complaints & time consuming research into the cause of complaints.<br>Local press article and / or ombudsman enquiry. | Minor widespread pollution including flooding, ecology, landscape and damage to the environment. | <b>'Material'</b>     |
|                      | 1 <sup>st</sup> Aid Given  | Minor disruption   | Under £50k<br>< 5% of total budget individually or cumulatively               | < 5% over budget / schedule slippage. Minor reduction in quality or scope                    | Rumour and gossip  | Localised pollution including flooding, ecology, landscape and damage to the environment.        | <b>'Negligible'</b>   |
| <b>Opportunities</b> | Major improvement to the health, welfare and safety of stakeholders        | Major improvement to service provision generally or across a broad range.  | Producing more than £500k   | The project realises greater benefits than originally anticipated by over £500k              | Positive national press<br>National award or recognition/elevated status by national government.   | Major improvement to the environment.  | <b>'Exceptional'</b>  |
|                      | Significant improvement to the health, welfare and safety of stakeholders. | Major improvements to service provision or significant improvement to critical service area.   | Producing between £100k - £500k   | The project realises greater benefits than originally anticipated by between £100k and £500k | Recognition of successful initiative.<br>Sustained positive recognition and support from local press.  | Significant improvement to the environment.  | <b>'Significant'</b>  |

## Appendix 2 – Impact criteria table (continued)

|                      | 7. Service or project effectiveness  | 8. Value for Money  | 9. Security   | 10. Compliance  | <u>Impact</u>         |
|----------------------|--|---|---|---|-----------------------|
| <b>Risks</b>         | The Service/ Project is almost entirely failing to meet the needs of the target customers.   | The service is grossly inefficient and wasteful of resources (staff time and money). Substantial improvements or cost savings could be possible.<br><br>30% or more | An event that could cause a major loss or damage resulting in widespread or total service disruption. Assets may not ever be fully recoverable e.g. loss of life through negligence, uninsured cash, documents, electronic data.            | The Council faces serious penalties or prosecution & criticism from institutions such as Police, Courts, Ombudsman, Data protection and Freedom of Information Commissioner etc. Customers are treated unfairly & may suffer damage by the council. | <b>‘Catastrophic’</b> |
|                      | The service / project does not meet some significant needs of its customers.<br>The service being provided is only partly effective.                     | Clear resource savings are accessible but are not being exploited.<br><br>10% to 30%  | An event could cause some service disruption or involve the police, insurance company, external audit or other external bodies. Assets are more likely to be recoverable after a period of time.<br><br>Includes injury through negligence. | The council may face criticism and be ordered to comply with legislation by an external body as a result of a breach.   | <b>‘Severe’</b>       |
|                      | Opportunities for improvement are not being exploited. The service / project should be more effective and could better meet its customer’s requirements. | Some efficiency or cost savings could be made for the benefit of the service.   | Temporary loss of a recoverable asset that may and minor service disruption.  | The council may commit largely undetectable breaches in legislation and internal procedures that could have other minor effects on reputation, service delivery etc.  | <b>‘Material’</b>     |
|                      | All other risks below material.  | All other risks below material.   | Minor vandalism.  | All other material risks.   | <b>‘Negligible’</b>   |
| <b>Opportunities</b> | Major improvement to services, generally or across a broad range.  | Major cross cutting efficiencies across the Council.  | Major improvements to security of council buildings or assets.  | Compliance with national best practice, e.g. attaining excellence, leading to major improvements in services.   | <b>‘Exceptional’</b>  |
|                      | Major improvements to service or significant improvement to critical service area.   | Significant efficiencies within services of the Council.  | Significant improvements to security of council buildings or assets.  | Compliance with best practice e.g. Beacon Council status, leading to significant improvements in services.  | <b>‘Significant’</b>  |

## Appendix 3 – Likelihood criteria

| RISKS                              |   | OPPORTUNITIES  |   |                         |
|------------------------------------|---|--|---|-------------------------|
| Description                        | Possible Indicators   | Description  | Possible Indicators   | Likelihood Rating       |
| More than 75% chance of occurrence | Regular occurrence. Circumstances frequently encountered – daily/weekly/monthly.                                    | Favourable outcome is likely to be achieved in one year or better than 75% chance of occurrence. | Clear opportunity, which can be relied on with reasonable certainty, to be achieved in the short-term, based on current management processes.                                       | <b>‘Almost Certain’</b> |
| 40%-75% chance of occurrence       | Likely to happen at some point with the next 1-3 years<br>Circumstances occasionally encountered (few times a year) | Reasonable prospects of favourable results in one year 40% to 75% chance of occurrence.          | Opportunities that may be achievable but which will require careful management. Opportunities that arise over and above the plan.   | <b>‘Very Likely’</b>    |
| 10% - 40% chance of occurrence     | Only likely to happen once every 3 or more years  | Some chance of favourable outcome in the medium term or less than 40% chance of occurrence.      | Possible opportunity that has yet to be fully investigated by management. Opportunity for which the likelihood is low on the basis of management resources currently being applied. | <b>‘Likely’</b>         |
| Less than 10% chance of occurrence | Has happened rarely/never before.   | Less than 10% chance of occurrence.  | Has happened rarely/never before.   | <b>‘Unlikely’</b>       |

## Appendix 4 – Risk matrix

