Risk Management Toolkit

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1. Introduction

This Toolkit provides a methodology to help officers prepare and maintain service, departmental and corporate, 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 page: 'Risk Management'.

A consistent approach to Risk Management helps to promote common levels 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 that services and departments may face. The information included in departmental risk registers (one register per Executive Director) is designed to incorporate key risks relating to service delivery and service improvement which impact on the directorates ability to meet its core objectives. When those risks become wider reaching and/or impact on the Council's ability to meet its strategic priorities (as outlined in the Corporate Plan), these risks will be escalated to the Corporate Risk Register.

3. Why manage Risk?

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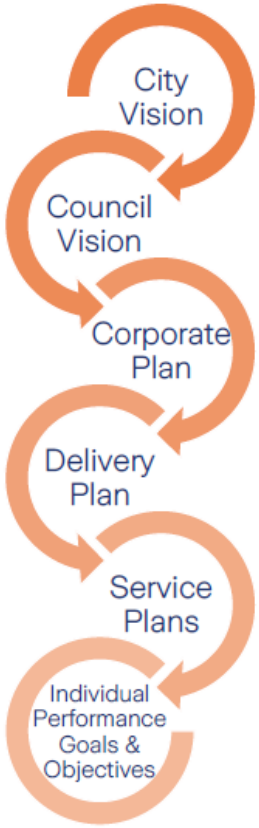

"Risk management involves understanding, analysing and addressing risk to make sure organisations achieve their objectives"

Institute of Risk Management

Risk is ever present and some amount of risk taking is inevitable if the Council is to achieve its aims and objectives.

Creating and maintaining a Risk Register will help to proactively manage the major risks that services or projects face. Effective risk management should mean fewer things go wrong and lower costs for the organisation. The process also stimulates 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 activities. However, identifying and recording 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 and business continuity plans.

4. The Council's Risk Management Cycle

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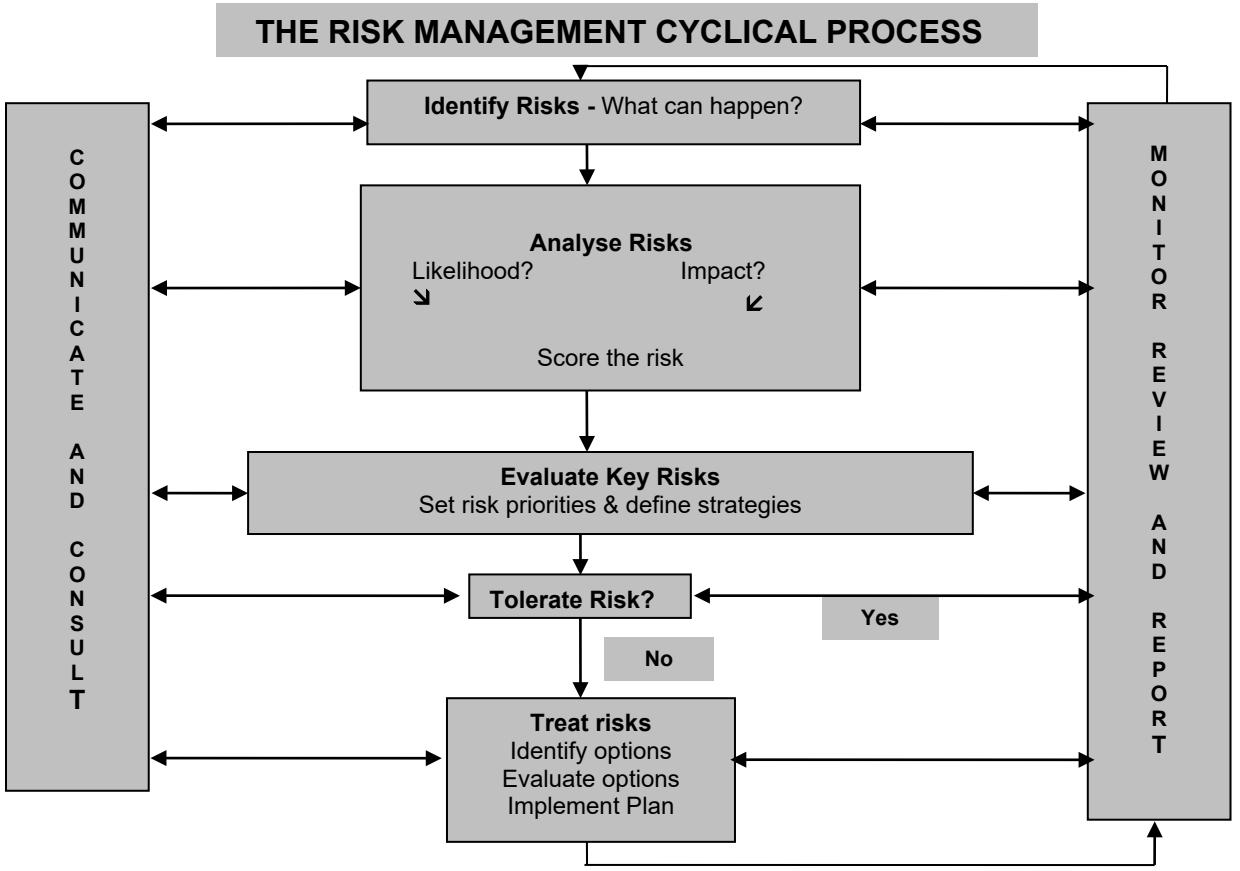
The cyclical risk management process comprises a number of stages that need to be completed to carry out a full risk assessment. Risk assessments are best carried out as a group or team, with the Head of Service or senior managers and any relevant team or project members who can add knowledge and value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



5. Risk Identification and Control

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Identification of risk

The Risk Register should not record incidents or issues:

- An **incident** is present, is causing disruption now and we are currently responding
- An **issue** is ongoing, the impact is certain, and we are adapting our approach in response.

Your starting point should be the corporate priorities and related actions set out in the Corporate Plan and how these interact with your service objectives as set out in your service or team plan. Risk identification should be undertaken only after service objectives and the activities which will support the achievement of these objectives are known.

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'. Remember to look at risks that are associated with improvement actions on your service plans.

Horizon Scanning

An important feature of risk identification is horizon scanning, both within and alongside other teams and departments.

Horizon scanning is a systematic method for:

- spotting potential causes of uncertainty
- ensuring adequate preparation and
- surviving threats.

It is NOT about predicting the future.

Horizon scanning supports the process of building organisational resilience and is one part of a suite of tools which can help practitioners understand and prepare for future risks.

Horizon scanning works as an "alerting and creative activity" to identify emerging issues to pick up early warning signals, and to provide insights into how to organise and explore weak signals.

Articulating your risk

When identifying a risk consider the Political, Economical, Social, Technological, Legal and Environmental (PESTLE) factors which might impact on your ability to achieve your objectives.

When articulating your risk, include both a symptom and a result. There are three sections to scoping a risk:

Stage	1. Cause	2. Event	3. Effect
Key question	How and Why?	What, Where?	How big, How bad?
Typical phrasing	**Risk** Failure to… Lack of… Loss of… Uncertainty of… Partnership with…	…due to…	…resulting in …

Be specific on why there is a risk, avoid assumptions and generalisations.

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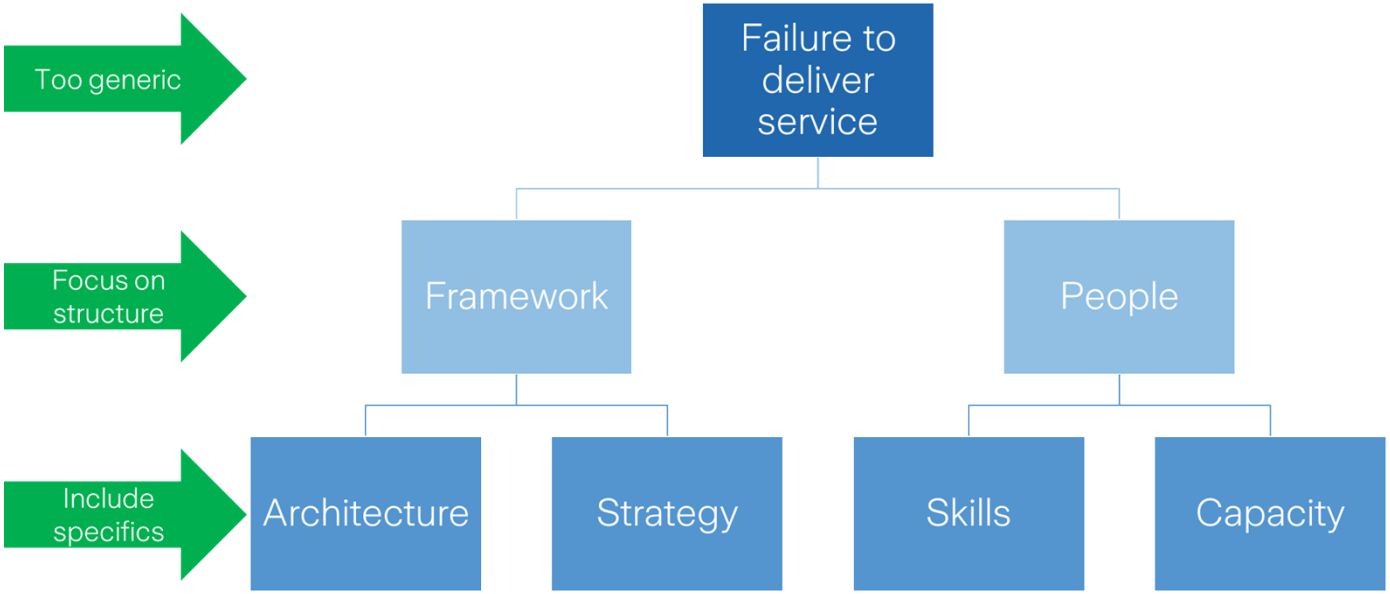

Once the risk has been identified and defined it is necessary to establish whether the risk is;

a) **Strategic** – risks that may be potentially damaging to the achievement of the Council's 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, but most will be recorded and monitored on the Departmental Risk Register

Think about the most appropriate timeframe for your risk materialising and seek constructive challenge from colleagues and others about your assumptions.

Remember to think about the risk of fraud and corruption as part of your considerations.

Key Controls currently in place

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Consider which controls (and assurance) are currently in place and helping you to manage your risk, record these in the Risk Register.

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.

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.

The current controls should not include any future actions. Listing the current controls only allows us to assess the residual risk and challenge whether those controls are in fact a good use of resources.

Scoring residual risk

Assess the risks you have identified by considering what is currently in place to minimise (or 'mitigate') it.

As part of this you will need to determine the potential impact of the risk on the council by using the **Impact Criteria** table **(Appendix 1)**. 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. Negligible
2. Material
3. Severe
4. Catastrophic

Once the impact has been established the likelihood of the risk occurring with current controls in place needs to be determined. Use the **Likelihood Criteria** table **(Appendix 2)** for this, by choosing which definition is suitable. The definition will be one of the following:

1. Unlikely

2. Likely
3. Very Likely
4. Almost Certain

The risk then needs to be scored using the **Risk Matrix (Appendix 3)** 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 **The Residual Risk Score** 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, using the risk matrix in Appendix 3.

Key Actions and Target Impact Score

Record in the register the key activity that you will undertake to manage and mitigate your risk. Consider a timeline for taking this action.

With the key actions in mind, now rescore the impact and likelihood based on the criteria in Appendix 3 and 3.

A risk manager and owner should be identified. These roles will ensure that controls and actions are owned and reviewed for effectiveness.

6. Risk Monitoring, escalation and de-escalation

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

Updates of departmental and corporate risks should be undertaken at least quarterly (or in line with governance reporting) and reviewed at corporate, departmental, service group and team meetings appropriately.

Things to bear in mind:

- Previously identified risks will change over time; It may be appropriate to deactivate risks.
- It may become necessary to escalate a risk if the situation has changed or the initial assessment has proven to be inaccurate. On the other hand, it may be possible to downgrade a risk.
- New risks identified will need to be added.

Constructive challenge should take place to ensure that listed controls and actions are effective. Any reassessment of a risk should be recorded with a direction of travel. This enables an ongoing indicator as to whether risks are being successfully managed.

When challenging consider:

- Are risks stale, staying the same or getting worse without explanation?
- Is this risk still relevant?
- Is the scoring reflective of the current environment?
- Are the controls still addressing the root cause of the risk?
- Is the risk over or under controlled in relation to risk appetite?
- Do any of these risk require escalation?
- Have I spoken to other service leads to co-ordinate approach?
- Does the risk rating seem right compared to other listed risks?

Risk registers can be monitored through the Pentana performance management software – support for this can be provided by the Policy & Performance Team.

The monitoring, escalation and de-escalation process is set out below.

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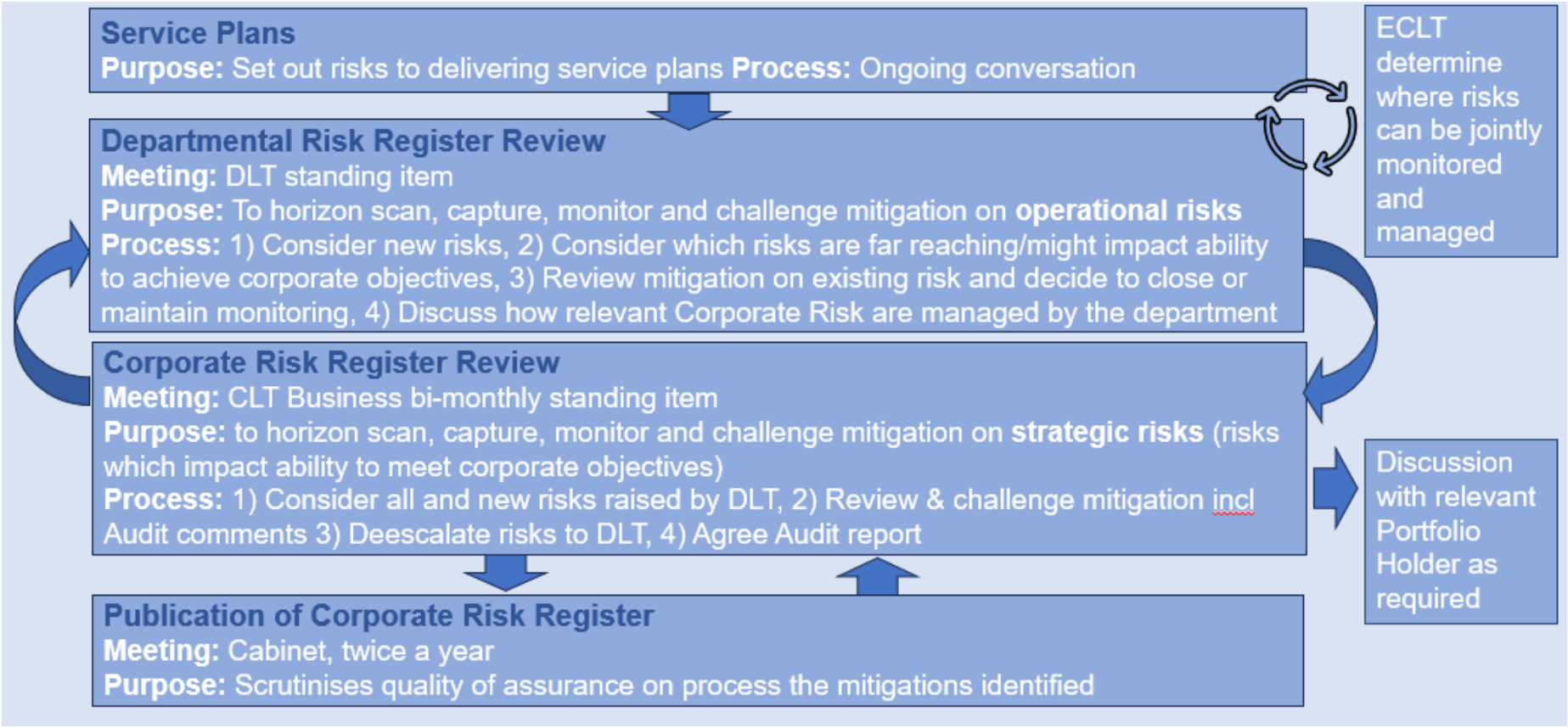

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7. Risk Register Maintenance

The Corporate Risk Register is regularly monitored and reviewed by the Corporate Leadership Team and then Cabinet every 6 months. Updates should:

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

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Appendix 1 – Impact criteria

	1. Health & Safety	2. Service Provision /Business Continuity	3. Financial	4. Project	5. Reputation	6. Environment	Impact
Risks	Fatality	Service delivery affected over one month (up to 50% of residents affected or aware) Statutory / critical service delivery will cease for a period of time without any affective contingency. (e.g. Housing Benefits etc.)	Over £1m or > 10% of total budget individually (service area) or cumulatively (departmental)	>10% over budget / schedule slippage. 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. Front page of national newspaper.	Major widespread pollution including flooding, ecology, landscape and damage to the environment.	**'Catastrophic' 4**
	Permanent Injury	Delivery affected up to one month (up to 25% of residents affected or aware) Loss of a non-critical service for a significant period of time (Leisure, Corporate Communications, HR etc.)	Between £500k - £1m or 6 – 10% of total budget individually (service area) or cumulatively (departmental)	6– 10% over budget / schedule slippage. Failure to meet secondary objectives	Minor coverage in national press or local front-page press article leading to a reduced ability to affectively deliver one or more services.	Major local pollution including flooding, ecology, landscape and damage to the environment.	**'Severe' 3**

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	HSE Reportable Incident	Delivery affected by 1 – 2 weeks (up to 10% of residents affected or aware). Some disruption or inconvenience to service delivery & customers. (Reduced staffing, late opening, temporary loss of IT).	Between £50k - £499k or 2 – 5% of total budget individually (service area) or cumulatively (departmental)	2 – 5% 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. Local press article and / or ombudsman enquiry.	Minor widespread pollution including flooding, ecology, landscape and damage to the environment.	**'Material'** **2**
	1st Aid Given	Minor disruption to service up to 5% of residents affected or aware.	Under £50k or <=1% of total budget individually (service area) or cumulatively (departmental)	< 1% over budget / schedule slippage. Minor reduction in quality or scope	Rumour and gossip	Localised pollution including flooding, ecology, landscape and damage to the environment.	**'Negligible'** **1**

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Appendix 2 – Impact criteria table (continued)

	7. Service or project effectiveness	8. Value for Money	9. Physical infrastructure	10. Digital infrastructure	11. Compliance	Impact
Risks	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. 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.	A total cyber or failure event that could cause major loss or damage, reputational damage, resulting in total service failure and long-term outages. Key electronic information could be irretrievably lost or carry a huge cost of retrieval/ replacement. Financial impact could be huge in terms of loss of income, repair or fines.	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.	**'Catastrophic' 4**
	The service / project does not meet some significant needs of its customers. The service being provided is only partly effective.	Clear resource savings are accessible but are not being exploited. 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. Includes injury through negligence.	A widespread cyber or failure event that could cause major loss or damage, reputational damage, and almost total service failure for an extended period of time or at a critical time. Some electronic information could be irretrievably lost or carry a large cost of retrieval/ replacement. Financial impact could be large in terms of loss of income, repair or fines.	The council may face criticism and be ordered to comply with legislation by an external body as a result of a breach.	**'Severe' 3**

	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.	A cyber or failure event that could cause material outages to some key service areas for an extended time. Key electronic information could be lost or carry a cost of retrieval / replacement. Financial impact could be material in terms of repair, or fines.	The council may commit largely undetectable breaches in legislation and internal procedures that could have other minor effects on reputation, service delivery etc.	**'Material' 2**
	All other risks below material.	All other risks below material.	Minor vandalism.	A minor cyber or service failure with no loss of electronic information, and for a short period only. Key systems recoverable with no loss and minor financial implications.	All other material risks.	**'Negligible' 1**

Appendix 2 – Likelihood criteria

RISKS		
Description	**Possible Indicators**	**Likelihood Rating**
More than 75% chance of occurrence	Regular occurrence. Circumstances frequently encountered – daily/weekly/monthly.	**'Almost Certain' 4**
40%-75% chance of occurrence	Likely to happen at some point with the next 1-3 years Circumstances occasionally encountered (few times a year)	**'Very Likely' 3**
10% - 39% chance of occurrence	Only likely to happen once every 3 or more years	**'Likely' 2**
Less than 10% chance of occurrence	Has happened rarely/never before.	**'Unlikely' 1**

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Appendix 3 – Risk matrix

Impact / Consequence						
	Catastrophic	4	4 (Medium)	8 (High)	12 (Very High)	16 (Very High)
	Severe	3	3 (Low)	6 (Medium)	9 (High)	12 (Very High)
	Material	2	2 (Low)	4 (Medium)	6 (Medium)	8 (High)
	Negligible	1	1 (Low)	2 (Low)	3 (Low)	4 (Medium)
			1	2	3	4
			Unlikely <25%	Likely 26-50%	Very Likely 51-75%	Almost Certain >75%
			Likelihood			

Risk tolerance level – Risks above this level will need particular resources and focus

Risk acceptance level (activity below which attracts minimum effort and resources)

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