Vale of Glamorgan Council

RISK MANAGEMENT POLICY

2024 - 2028

Managing Risk in the Vale of Glamorgan Council

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Risk Management Policy Statement

Effective Risk Management allows us to make the most of our opportunities, make the right decisions and achieve our objectives once those decisions are made. Our policy is one of embedding risk management into every aspect of the organisation. A proper knowledge and awareness of risks creates an environment in which significant changes can be achieved with confidence.

The Corporate Plan defines both our Well-being Objectives and our organisational values. These values are the guiding principles for shaping our culture and attitudes and explain what is important to the Council. Our values are:

- **Ambitious**-Forward thinking, embracing new ways of working and investing in our future.
- **Open**-Open to different ideas and being accountable for the decisions we take.
- **Together**-Working together as a team that engages with our customers and partners, respects diversity and is committed to quality services.
- **Proud**-Proud to serve our communities and to be part of the Vale of Glamorgan Council.

These values have been aligned with the five ways of working to underpin the sustainable development principle that is fundamental to the Well-being of Future Generations Act. Developing an organisation that fosters these values and ways of working will only be successful if we can effectively manage our risks. Therefore, having in place a Risk Management Policy that clearly sets out how we define, manage and monitor our risks corporately is essential.

It is vital that our approach is open and demonstrates integrity and accountability.

Our Risk Management Policy will:

- Help us to identify and achieve our Corporate Plan Well-being Objectives
- Enhance corporate governance
- Allow us to make informed decisions based on accurate and timely insight
- Enable effective use of resources
- Prevent injury, damage and loss and reduce the cost of risk
- Ensure legislative and regulatory compliance
- Reduce actions against the Council
- Promote continuous improvement
- Integrate risk management into our culture
- Raise awareness of the need for proactive management of risk by all who are involved in delivering our services

This policy has the full support of elected members (including Governance & Audit Committee), the Strategic Leadership Team and the Strategic Insight Board.

1. Introduction to Risk

1.1 What is Risk?

Risk is the possibility of something happening that results in an unwanted event that could affect the Council in an adverse way. This could mean that:

- Our objectives are not achieved;
- Our assets are not safeguarded from loss;
- We don't comply with organisational policies and procedures or external legislation and regulation;
- Our resources are not used in an economic, efficient and effective manner;
- The integrity of our management and financial information is open to question and is not reliable;
- The customers / clients we serve / support are put at risk.

1.2 What is Risk Management?

The Institute of Risk Management defines risk management as "understanding, analysing and addressing risk to make sure organisations achieve their objectives". Effective risk management can therefore be seen to minimise the threats presented by risks and, through careful management, maximising the potential the opportunities present. Risk management means identifying and analysing potential risks and determining ways of minimising either the likelihood of that risk happening or the impact that it could have on the Council.

1.3 How we manage risk in the Vale of Glamorgan Council

This Risk Management Policy describes how we analyse and manage risk using a seven-step process[1] shown below:

1. Identifying Risk
2. Analysing Risk
3. Profiling Risk
4. Prioritising Action
5. Determining Action
6. Controlling Risk
7. Monitoring and Reporting Progress

Risk Analysis (steps 1–3)

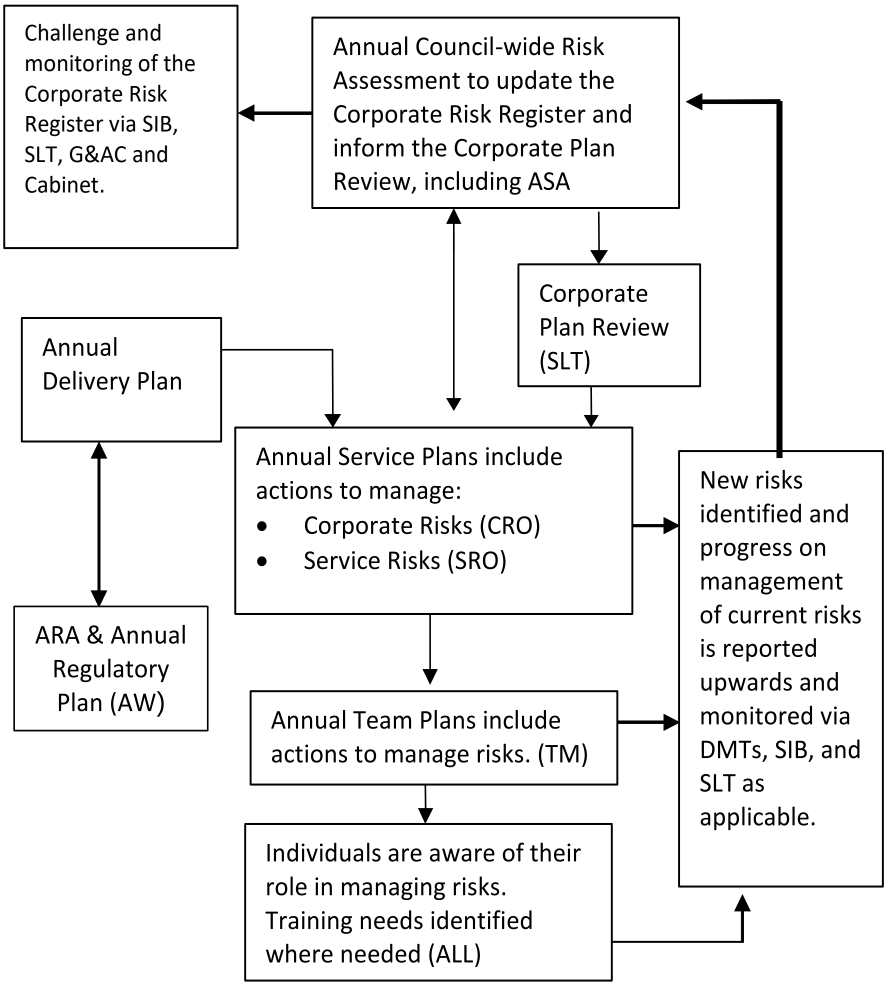
Risk Management (steps 4–7)

This Policy outlines how this process is used to analyse and manage Corporate Risks (cross-cutting and long term risks), Service Risks (service specific and day-to-day risks) and Project Management Risks (temporary risks associated with delivery of a project) and clarifies the responsibilities of individuals and groups for risk management.

Our Risk Management Framework sets out the way in which we manage our risk across the Council and is an integral part of performance management. The framework provides a mechanism by which we can identify record, assess, manage and monitor and review risks.

[1] Zurich Municipal & SOLACE (2000) *Chance or Choice – Risk Management and Internal Control*

Figure 1– Risk Management and the Performance Management Framework



Glossary:

SIB – Strategic Insight Board	AW– Audit Wales
SLT- Strategic Leadership Team	
DMT- Department Management Team	ASA – Annual Self-Assessment
CRO- Corporate Risk Owners	SRO- Service Risk Owners
TM- Team Managers	ALL- All members of staff

1.4 The Cost of Managing Risk

When deciding how to manage risks, officers must consider the possible costs of relevant options, including the option of maintaining the status quo. The cost of managing risk will be allocated from within existing resources or through revenue and capital bids.

1.5 Risk and Decision Making

As part of the Council's ongoing business, the Cabinet must make decisions on different policy options. The potential risks associated with these options should be included as relevant issues and options within any Cabinet and Strategic Leadership Team reports.

1.6 Supporting Policies and Procedures

The following policies and procedures support this risk management framework:

- Performance Management Framework & Annual Performance Calendar
- Project Management Methodology

- Code of Corporate Governance (CIPFA/ SOLACE Framework)
- Anti-Fraud and Bribery Policy
- Corporate Health & Safety Policy
- Corporate Asset Management Plan
- Procurement Policy & Strategy (and associated Constitution requirements)
- Strategic Equality Plan and Equality Impact Assessments
- Project Zero Climate Change Challenge Plan
- Financial Regulations Guidance
- Internal Audit risk based work plan reflecting internal and external audit risks

1.7 Training and Development

Risk Management training is delivered as and when required (identified via Member Induction/Member Development work and via annual #itsaboutme staff appraisals) to equip all employees and elected members with the necessary knowledge and skills to:

- Manage all types of risk within their remit.
- Develop their understanding of what risk management is and how the authority aims to manage risk effectively.
- Understand their responsibilities for managing risks at all levels and have the necessary skills and knowledge to meet these.

Training and development is offered in the form of briefings, workshops as well as the provision of more specialist training as required. Officers and members can access specialist training through the Council's ALARM membership and via networks such as the Audit Wales Best Practice Networks and the WLGA Risk Officers Group. This Policy is also supported by a Risk Management Guide that is accessible to both elected members and officers to provide a brief and concise overview of our risk management approach as an easy read quick guide.

2. Our Risk Management Approach

The risk management approach has 3 main stages:

1. Identification of a risk and its definition
2. Evaluation of the inherent risk, effectiveness of controls and the residual risk.
3. Management of risk.

Outlined below is an overview of each of these risk stages.

2.1 Identifying & Defining Risks

Every activity the Council engages in contributes to achieving one or multiple Corporate Plan well-being objectives, and so any risks that might affect the successful completion of an activity must be taken seriously. The risk assessment approach starts with the identification of any potential issues, challenges or risks that could impact on the achievement of our Well-being Objectives, and this can be either negative or positive.

The following opportunities enable us to anticipate and identify potential risks.

The Strategic Leadership Team's work.

- Annual Self-Assessment of the Council's performance involving Departmental Management Teams, the Strategic Leadership Team, Strategic Insight Board, Cabinet members, Scrutiny Chairs, Governance & Audit Committee and elected members.
- Performance monitoring and reporting identifies challenges and emerging areas of concern and risks.
- Service Planning process - undertaken by Heads of Service and their senior managers.
- Team Plans - present an opportunity for managers to identify and discuss with their teams any emerging risks.
- Departmental Team Meetings - undertaken by Team Managers where risk should feature as a standing item on agendas.
- Programme boards and project teams identify risks associated with the delivery of key council projects.
- Assurance and Risk Assessment processes with external Regulators and Internal Audit identify an annual risk based audit plan.

The Council faces different types of risks and the approach to managing them will differ. Once identified, council risks are categorised using the definitions in Table 1 below, to enable us to understand and analyse what information is required to manage the risks and potential opportunities effectively. Through this process we are better able to understand why the risk is happening and what will happen if the risk realises.

Table 1 defines our risk categories

Risk Categories	Description

Political & Legislative	Legislative risks are associated with current and future changes in Law, regulatory requirements and the council's own legal and regulatory powers. These risks can pose a direct threat or present opportunities to the organisation in complying. Political risks are those that pose direct threats/ opportunities to council direction, delivery of key council policies, strategic priorities and manifesto commitments. **Can we meet our stated objectives and legislative requirements?**
Resources	These are risks that pose direct threats/opportunities to our assets as an organisation whether it is in relation to our workforce, technology, property/buildings and /or finance. **Have we got sufficient resources for the task – is the level of resource required too high?**
Service Delivery and Well-being	These are risks that pose direct threats/opportunities to our ability to deliver services as well as impact on our ability to safeguard the well-being and improve outcomes for our citizens. **Can we deliver the services needed acceptably?**
Reputation	These can be defined as risks that pose direct threats/opportunities to the reputation of the Council. These risks could have a damaging/ positive impact on the Council's perception by citizens as well as external regulators, partners and public bodies. **Is there trust and confidence in the Council?**

2.2 Risk Evaluation

The scale of risk is measured by two variables, the likelihood of the risk occurring and the possible impact of the risk. **Likelihood** is the probability of a particular outcome happening. When assessing the likelihood, Risk Owners should identify if and how often the risk has occurred in the past. For example:

	Likelihood			
Measure	**Very unlikely**	**Possible**	**Probable**	**Almost certain**
Probability	Less than 10% chance of occurring	Less than 50% chance of occurring.	Greater than 50% chance of occurring.	90% chance of occurring.

Impact is the significance of the event, i.e. how bad would it be? Some risks such as financial risk can be evaluated in numeric terms. Others, such as adverse publicity, can only be evaluated in subjective ways.

Table 2 below is an assessment grid for evaluating impact of a risk.

Risk Categories	Impact			
	Low	Medium	High	Catastrophic
Political & Legislative	Stable political leadership. Very minor fluctuations in political composition (E.g. due to a By-Election or planned changes to Scrutiny Committee Membership and/or Executive Roles).	Some minor instability in political leadership due to unplanned change to Executive Roles which could impact on the perspective and reputation of the political party.	High levels of political instability due to a sudden change in administration due to events/incidents that triggers a vote of no confidence.	Complete failure of political infrastructure resulting in the organisation going into ‘Special Measures’. Welsh Ministers take control of the decision making for the organisation.
	Organisation is in a strong position to respond to changing policy and legislative environment.	Inability to meet some aspects of our new legislative requirements that causes some level of service disruption.	Very high levels of service disruption and failure to meet key requirements of new legislation resulting in some litigation and fines.	Council is no longer able to operate its services to meet its most basic statutory requirements.
Resources	Less than £50K	£50K-£250K	£1Million	More than £1Million
	Minor workforce pressures affecting a small number of staff.	Short-term workforce pressures affecting one or more teams impacting on staff capacity and availability.	Longer term workforce pressures impacting on our capacity operate sustainable services. This could result in redundancies for the service area/s affected.	Large scale workforce pressures across multiple Directorates/whole Council that impacts on our ability to deliver statutory services. Potential for mass redundancies.
	Minor ad hoc disruption to ICT systems due to network issues and/or system issues.	Some short-term disruption over a period of days (interim failures) in ICT systems due to network and/or system issues.	Large scale ICT system failures over an extended period of time or affecting multiple systems.	Complete failure of multiple systems with no business continuity in place resulting in the Council unable to operate and deliver multiple services.
	Very low level data breaches that do not require investigation from the Information Commissioner’s Office.	Low level of data breaches that are investigated with no further action required.	High level of data breaches of highly sensitive personal data/information resulting in Information Commissioner’s Office intervention.	Very high levels of data breaches across the whole Council that are impacting on our ability to process and manage data effectively and

Risk Categories	Impact			
	Low	Medium	High	Catastrophic
				operate our services.
	Minor building compliance breaches detected that are resolved and have little or no effect on service delivery and no harm to the public/staff.	Low level building compliance breaches that cause short-term disruption to service delivery with minor level of harm/injury to the public/staff.	High/Multiple building compliance breaches causing longer term disruption to service with some incidences of harm/injury to the public/staff.	Wider spread building compliance breaches resulting in service failure and or serious harm/injury or death of an individual/s.
Service Delivery & Well-being	Minor disruption to service for a small number of people. No lasting detrimental effect on the environment, community and local economy. Minor injury to an individual.	Short-term service failure having minor effect on public well-being. Short-term local detrimental effect. Minor injury to several people.	Large scale service failure without effect on well-being or small-scale failure having significant effect on individuals. Long-term detrimental effect on environment, community and the local economy. Serious injury to one or more people resulting in hospitalisation.	Total shutdown of service having serious detrimental effect on well-being. Extensive detrimental impact on the environment, community and the local economy. Fatality
Reputation	Increase in complaints	Local press coverage	National press and complaints upheld by Ombudsman.	Intervention by external regulators.

In order to effectively assess the scale of a risk we have developed a three step evaluation process.

This involves:

1. Assessing inherent risk – what the risk would look like if there were no controls in place
2. Assessing the effectiveness of controls – what is the impact of what we are currently doing.
3. Evaluating residual risk – what is the risk after we have applied controls

2.2.1 Assessing Inherent Risk

Please refer to the Risk Management Guidance at (**Annex B**) which uses an example to demonstrate how to complete a risk profile, evaluate and score the risk and develop a risk management plan.

Before we consider what arrangements we've got in place to manage the risk, we think about the impact/magnitude and likelihood/probability of the risk occurring. This will enable us to define a risk score in a pre-control environment – **inherent risk**.

Table 3 Traditional risk scoring matrix

Inherent risk can be scored using a traditional risk matrix (table 3 below) where the higher the score allocated to the risk, the higher the overall scale of the risk. To calculate the inherent risk score, we multiply the likelihood score by the impact score. So for example, a likelihood/probability score of 3 and an impact/ magnitude score of 3 will give an overall inherent risk level of (3x3) 9 putting the risk in the medium/high (amber) category.

Using the above approach, the risk is then scored within the context of the 4 broad risk categories of Political & Legislative, Resource, Service Delivery & Well-being and Reputation identified in the Council's Risk Management Policy. An inherent risk score is then calculated by multiplying the average likelihood/probability x average impact/magnitude score as below.

Possible Impact or Magnitude of Risk	**Catastrophic**	**4 MEDIUM**	**8 MEDIUM/HIGH**	**12 HIGH**	**16 VERY HIGH**
	High	**3 MEDIUM/LOW**	**6 MEDIUM**	**9 MEDIUM/HIGH**	**12 HIGH**
	Medium	**2 LOW**	**4 MEDIUM**	**6 MEDIUM**	**8 MEDIUM/HIGH**
	Low	**1 VERY LOW**	**2 LOW**	**3 MEDIUM/LOW**	**4 MEDIUM**
Low 1-2 Low/Medium 3 Medium 4-6 Medium/High 8-9 High 12-16		**Very Unlikely**	**Possible**	**Probable**	**Almost Certain**
		Likelihood/Probability of Risk Occurring			

Risk Categories	Likelihood/ probability	Impact/ magnitude	Inherent risk
Political & Legislative	3	3	9
Resources	3	3	3
Service Delivery & Well-being	2	2	4
Reputation	3	3	9
Average risk score	**3**	**3**	**9**

2.2.2 Assessing the effectiveness of controls

We think about the existing controls that are in place to manage or mitigate the risk and the impact these have in terms of reducing the likelihood of the risk occurring or the impact it would have.

The effectiveness of our controls is based on evaluating how effective the controls are at reducing a) the likelihood/probability of and b) the impact/magnitude of the risk occurring. For example, a score of zero would imply a poor control of the risk whereas a four would suggest that the controls in place are highly effective. To calculate the overall effectiveness of controls score, we multiply the likelihood/probability score by the impact/magnitude score (this is the likelihood/probability and impact/magnitude scores attributed as a result of the assessment of how effective the controls in place have been). We use the effectiveness of control chart below (table 4) to do this. So if we have attributed a likelihood/probability score of 2 and an impact/magnitude score of 2 upon assessing the effectiveness of risk controls, that would give an overall effectiveness of control score of (2x2) 4.

Table 4 below shows our effectiveness of control scoring mechanism.

Score	Effectiveness of control*
0	Very Low control of the risk
1	Low control of the risk
2	Medium control of the risk
3	High control of the risk
4	Very high control of the risk

*Applied to both the effectiveness to impact the likelihood and impact of the risk.

As described in the above section on calculating inherent risk, effectiveness of controls must be scored within the context of the 4 broad risk categories of Political & Legislative, Resource, Service Delivery & Well-being and Reputation identified in the Council's Risk Management Policy. Multiplying the average likelihood/probability x average Impact/magnitude gives us the effectiveness of control scores.

2.2.3 Evaluating Residual Risk

This can be described as the subsequent risk score as a result of applying the controls to mitigate the risk. Like inherent risk, residual risk can be scored using the traditional risk matrix where the higher the score the higher the overall scale of the risk.

In order to derive the Residual Risk score from the interaction between the inherent risk and the effectiveness of controls, the inherent risk scores for likelihood/probability and impact/magnitude are divided by the likelihood/probability and impact/magnitude scores for the effectiveness of controls. This provides a measure by which we can demonstrate the mitigating effect the controls have had on managing the risk. The overall residual risk status is then calculated by multiplying the overall residual likelihood score by the overall residual impact score.

The stages for calculating the residual risk are as follows:

Inherent likelihood/probability risk score (3)
Effectiveness of controls likelihood (2) = 1.5 rounded up to 2

Inherent impact/magnitude score (3)
Effectiveness of controls impact score (2) = 1.5 rounded up to 2

This attributes an overall residual risk score of 4 that is likelihood/probability score (2) multiplied by impact/magnitude score (2).

As previously described, residual risk must be scored within the context of the 4 broad risk categories of Political & Legislative, Resource, Service Delivery & Well-being and Reputation identified in the Council's Risk Management Policy.

2.3 Managing Risks and Risk Appetite

Some risks may be amenable to effective management whilst others may be partially or wholly beyond the control of the Council.

Our approach to managing risk will depend on whether we wish to avoid, eliminate/ reduce, transfer or accept these risks. Our risk appetite will inform how we manage the risk.

Table 5 defines the ways in which we can respond to risk in terms actions we take to manage risk.

Avoid	Terminate the risk – by doing things differently and thus removing the risk where it is feasible to do so. Countermeasures are in place that either stop the threat or problem from occurring or prevent it having any impact on the project or business.
Eliminate or Reduce	Treat the risk – take action to control it in some way where the actions either reduce the likelihood of the risk developing or limit the impact on the project to acceptable levels.
Transfer	This is a specialist form of risk reduction where the management of the risk is passed to a third party such as an insurance policy or penalty clause so that the impact of the risk is no longer an issue for the project. Not all risks can be transferred in this way however.
Accept	Tolerate the risk - because nothing can be done at a reasonable cost to mitigate it or the likelihood and impact of the risk occurring are at an acceptable level.
Take the opportunity	Whilst taking action to mitigate risks, an informed decision is made to exploit an opportunity. This provides an opportunity for benefits (financial / non-financial) from taking on the risk/opportunity.

Where actions to avoid, eliminate, reduce or transfer the risk are determined, an action plan will be developed to manage the risk. An action plan will also be required to manage the risks associated with a decision to take the opportunity to ensure achievement of benefits. Actions (controls) to manage the risk can be classified as either 'current controls' or 'countermeasures'. Current controls are existing actions/initiatives that are in place to manage the risk whereas countermeasures are actions that need to be progressed in order to further mitigate the risk. Counter measures will be progressed over a period of time. For Corporate Risks, these are incorporated into a summary of ongoing mitigating actions risk management action plan (Corporate Risk Profile Template) for delivery and for Projects these are incorporated into a Project Risk and Issue Log. For service/team plan risks, the counter measures to mitigate identified risks are incorporated within the action plan section of both plans and may be used to manage identified risks. Actions to control a risk may include better communication, new policies or procedures, training, market research or external assistance. It is vital that all relevant staff have clear ownership of the key risks, and a named person or group of persons should have the responsibility for implementing each action. Where applicable, a task and finish group may be created to control the key risk and report on progress.

Risk appetite is the level of risk with at which an organisation aims to operate and our approach to managing risk will be informed by our risk appetite. When considering how we manage the risk it is important to determine our attitude to the risk. This will vary from risk to risk. The risk appetite scale provided below is based on successful practice collated from the Civil Service Risk Community.

Risk Appetite	Description	Threat
Opposed	Avoidance of risk and uncertainty is key objective	
Minimalist	Preference for safe options that have a low degree of inherent risk	
Cautious	Preference for safe options that have a low degree of residual risk	
Mindful	Willing to consider all options and choose one that is most likely to result in successful delivery	
Eager	Eager to be innovative and to choose options that suspend previous held assumptions and accept greater uncertainty	**Opportunity**

As an organisation having considered the following scales, we have determined that our appetite for our four risk categories is as below. Our determinations have been informed by the recognition of the challenges we face with ever reducing resources and the need to embrace change. However, we are also mindful of our statutory responsibilities, the need to be prudent and to retain the confidence of our residents, partners, business and staff. We will review our appetite for risk as part of our annual assessment processes.

Risk Category	Risk Appetite Level Statements
Political & Legislative	The Council has an **opposed** stance to non-compliance with legislative, regulatory and safeguarding risks and will ensure sufficient controls through its policies and procedures to manage the risk to their lowest reasonable levels of impact and likelihood. Additionally, it is **opposed** to any risks associated with breaches of ethics, fraud or corruption.
Resources	The Council has a **cautious to mindful** risk appetite in pursuit of its Corporate Plan Well-being Objectives. It is however **opposed** to any risks associated with impairing financial stewardship, internal controls, and financial sustainability. The Council takes a **mindful** stance on short-term risks that support financial performance and mitigate negative external factors. It has a **mindful to eager** appetite for longer term capital and financial investments provided that the risks are well managed and demonstrate realisable future benefits for delivering the Council's priority outcomes and intentions.

Risk Category	Risk Appetite Level Statements
	There is a **mindful to eager** stance on technology, physical assets, the Reshaping Programme and associated project risks where these support and facilitate strategic delivery, improved organisational capability and facilitate sustainable services and make best use of our assets and infrastructure. To keep pace with the changing public sector landscape, the Council recognises that change is inevitable, and that large scale service redesign is necessary in some areas to meet our critical challenges. A **mindful** stance is taken on associated risks in terms of workforce capacity, planning, development and performance as the Council transforms services through redesign, collaboration and alternative delivery models. The Council takes an **opposed** stance on information management risks and has strong controls in place to mitigate threats against its technology infrastructure to protect information held and ensure business continuity. The Council has to demonstrate value for money in delivering services to meet its priorities. By taking a **mindful** stance to associated risks, we can procure and contract services in innovative and creative ways to maximise savings and generate income for the Council.
Service Delivery and Well-being	Success of the council depends on effective service delivery. The Council aims to operate with an appetite for innovation and for creating service delivery models and initiatives that redefine the ways in which residents and stakeholders are enabled to achieve their outcomes. An **eager** stance is taken to associated risks to enable us to achieve this. However, the Council takes a **cautious** stance on risks associated with delivering our statutory obligations. To deliver on our priorities, the Council recognises that there will be risks that will be deemed intolerable. These include those that negatively affect the health and safety and well-being of employees, citizens and service users and those that endanger the future operation of the Council. The Council takes an **opposed** stance to these risks.
Reputation	The Council relies on its reputation to ensure engagement with communities, partner organisations and stakeholders in order to

Risk Category	Risk Appetite Level Statements
	deliver its priorities and well-being objectives. The Council has a **cautious** appetite to reputational risk and will accept opposition when its activities and projects will provide longer-term benefits and improvements to service delivery, performance and overall outcomes for service users and the community. We will take steps to ensure that internal processes and the management of Council activities and projects are performed well to minimise the risk of reputational damage as a result of Council actions or activities.

Assessing Opportunities

The Council will pursue new opportunities where there is a justified benefit, and the related risks are acceptable. The same process for assessing risks apply in the case of assessing opportunities but will be the reverse of managing risks. Where we would take steps to reduce the likelihood of a risk happening, in the case of opportunities, we would concentrate on taking steps to increase the likelihood of the benefits to the Council being realised.

All new proposals and business cases should include a full assessment of all risks and opportunities to support informed decision making by senior managers and members. As with risks, an action plan will need to be developed to take forward opportunities (scoring high to very high) where approval has been granted.

2.4 Risk Escalation and De-escalation

The Council's risk management framework is built on the basis of risks being escalated from a service/department level through to a corporate level. As part of risk being managed the framework requires consideration of the mitigation measures being suggested and whether they are appropriate to manage the risk.

The Council's performance and risk management framework requires all corporate and service risk owners to review their risks at least quarterly.

Emerging areas of concern and potential risks arising from the review of service --- progress against delivering our Annual Delivery Plan priorities is included in quarterly performance reports to all Scrutiny Committees and Cabinet.

Any new high to very high service risks, or the escalation of existing service risks to high or very high, should be reported to the Head of Service immediately and reviewed at relevant Directorate Management Team meetings which should consider risk as a standing agenda item. Where appropriate, these risks will then be escalated to the Strategic Insight Board (SIB) and thereafter the Strategic Leadership Team (SLT) for further review and for consideration for inclusion on the Corporate Risk register. Risk escalation to the Corporate Risk Register is the responsibility of the Head of Service / Service Director.

Upon consideration by the SIB and SLT, risks will either be retained within Directorates with revised risk management plans including additional mitigations/effective controls to manage the risk or be escalated to the Governance & Audit Committee for consideration for inclusion on the Corporate Risk Register with Cabinet approval sought thereafter.

Outside of the quarterly risk reporting process, ad-hoc reports are also provided to the SIB and SLT where new and significant risk issues arise. These may include risks associated with major council programmes/projects.

The same process applies for the de-escalation of Corporate risks to operational level risks where risk management plans have successfully reduced risks to acceptable levels.

3. Risk Management Roles and Responsibilities

The Council expects all of its employees, officers and elected members to have a level of understanding of how risks and opportunities could affect the performance of the Council and to regard the management of those risks / opportunities as part of their everyday activities. This could be the management of strategic risks (those risks that need to be taken into account when making judgements about medium to long-term priorities), or operational risks that managers and staff will encounter in the daily course of their work.

Cabinet act as 'Risk Champions' for the Council and have oversight of all corporate risks with cabinet members also having further oversight of the service risks within their portfolio areas.

The Council's Strategic Leadership Team, Strategic Insight Board, Directorate Management Teams and Programme / Project Boards are set up to have effective oversight and escalation points to enable well-informed decision making relating to the management of risks, including sharing good practice.

Governance & Audit Committee review, challenge and assess the effectiveness of the Council's risk management arrangements.

Corporate Risk Owners (CROs) and Service Risk Owners (SROs) have responsibility for ensuring risk control measures are implemented and monitor overall management of the risk at their respective levels.

The Corporate Strategy & Insight Strategic Advisory Group facilitates the risk management process within the Council, assisting the Council in developing and embedding its risk management processes.

Internal Audit has a central role in assisting with the preparation of the Annual Governance Statement and providing assurance to Cabinet and the Governance & Audit Committee on the 'health' of the Council's risk management processes. Whilst

All managers have a general responsibility to ensure that risks are being managed and where their staff have specific risk management responsibilities, ensure that this is reflected in their work objectives and job descriptions.

Further information on roles and responsibilities is outlined in **(Annex F).**

4. Risk Levels

Due to the complexity of risk, there are different levels of risk that can be categorised by the Council. These are:

- **Corporate Risks -** These are the high profile risks that could have a direct impact on the achievement of the medium to longer term objectives of the Council (Corporate Plan Well-being Objectives and priorities including the Reshaping Programme). These risks tend to be of a cross-cutting nature (or have major potential consequences) in terms of the potential impact they could have across the whole council and/or wider communities. It is the role of the Strategic Insight Board, Strategic Leadership Team, Governance & Audit Committee and Risk Owners to be constantly scanning the horizon for the emergence of Corporate Risks as well as effectively identify and manage those risks that no longer warrant a corporate risk status.
- **Service Risks -**These are risks that we face on a day to day basis as a Council that may affect our ability to deliver services. These risks tend to be service specific or team specific that do not usually have a wider impact on other types of service delivery. Such risks are identified through the service planning process.
- **Project Management Risks -**These are risks associated with the delivery of a project. Such risks are identified via the Project Management Toolkit as part of the project documentation (e.g. business cases, project briefs and risk & issue logs).

4.1 Corporate Risk

Corporate Risks are high profile risks that take into account the medium to long-term outcomes and objectives of the Council (aligned to the Corporate Plan and the Reshaping Programme). These Corporate Risks tend to be of a cross-cutting nature (or have major potential consequences) in terms of the potential impact they could have across the Council and the wider community. The Corporate Risk Register is a fundamental element of our integrated planning processes. It will be used to inform the Corporate Plan each time it is reviewed. It is vital that we consider risk when we are setting our corporate priorities.

Corporate Risks are defined/identified in our Risk Register through the completion of our annual self-assessment process and as part of service planning as well as by regular horizon scanning undertaken by Risk Owners (at Strategic Insight Board or Strategic Leadership Team) to identify new and emerging risks.

The Corporate Risk Register provides a detailed outline of all the Corporate Risks facing the Council at any given point in time. Each Corporate Risk is profiled and analysed using the Corporate Risk Register profile template shown in **Annex A.**

The key sections of the risk template include:

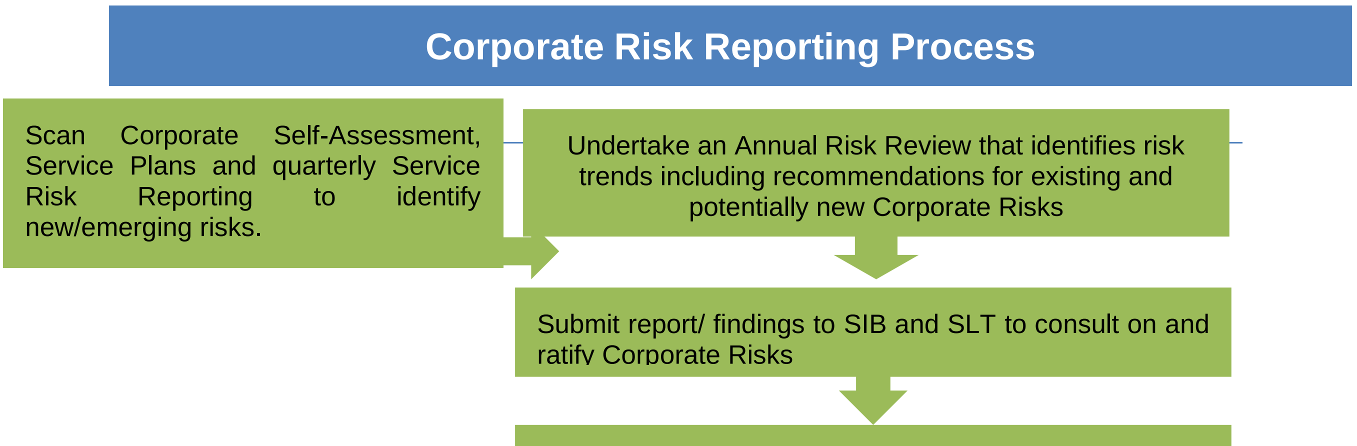
1. **Risk Definition** - High level description of risk
2. **Risk Owner**- Lead officer for managing, reporting and monitoring the risk.
3. **Risk Governance arrangements -** How the risk is managed e.g. Climate Change and Nature Emergency corporate risk is managed through the Project Zero Board.
4. **Impact on our Contribution to the Well-being Objectives of the Council**- Shows the alignment of the Corporate Risk to the Well-being Objectives to indicate the potential impact this risk could have on our ability to deliver/meet the Well-being Goals.

5. **Risk Categories**- There are multiple facets to risk. Considering each Corporate Risk by the four risk categories enables us to better define and understand all aspects of the risk. The four risk categories we use are:
    - Political and Legislative,
    - Resources,
    - Service Delivery and Well-being
    - Reputation.

6. These categories have been identified as the key risk considerations for our organisation that have a significant influence/effect over the effectiveness of service delivery. For example, any changes in the legislative environment such as the introduction of a new Act will place more duties on us to meet legislative requirements. Therefore, when thinking about the risk from a 'Political & Legislative perspective, this can be defined as the 'repercussions of us not meeting our new legislative requirements' which has an influence/impact on the Corporate Risk overall.

7. **Risk Evaluation**- There are three parts to the risk evaluation process. We consider the risk in different stages:
    - ***Inherent risk*** – i.e. before we consider what arrangements we have got in place to manage the risk, we think about the impact and likelihood of the risk occurring.
    - ***Controls*** – we think about the controls that are in place to manage or mitigate the risk and the impact these have in terms of reducing the likelihood of the risk occurring or the impact it would have.
    - ***Residual risk*** – we evaluate how effective the controls are at managing or mitigating the risk and the result this has on the risk. The methodology for our risk evaluation is set out in **Annex B** of the Corporate Risk Management Guide.
8. **Risk Management Plan** - This section documents in the form of a summary the ongoing mitigating actions to further manage the risk. Where appropriate, linkages should be made to any existing actions plans that will serve to mitigate the risk. For example, the People Strategy action plan has actions that will contribute to mitigating the corporate Workforce and Organisational risk. Monitoring of this action plan alongside other risk monitoring arrangements at service/ corporate level will inform both the People Strategy action plan and subsequently a position statement on the corporate risk. Where there are no existing action plans in place, then there is a need to create an action plan to manage the risk. See **Annex B** of the Corporate Risk Management Guide for more detail regarding the Risk Management Plan.

The flow chart below outlines Corporate Risk governance arrangements in more detail.



4.2 Service Risk

Service Risks describe the operational risks that may impact on our ability to deliver service plan actions and ultimately impact the delivery of our Annual Delivery Plan commitments and the Corporate Plan Well-being Objectives. Although these risks are localised to service plans their impact and effect could be far reaching if not effectively controlled and managed. Like Corporate Risk, our service risks can be defined by the four risk categories: Political and Legislative, Resources, Service Delivery and Well-being and Reputation. Since service risks are closely aligned to delivery of our Annual Delivery Plan commitments and Corporate Plan Well-being Objectives, we consider the Sustainable Development principle and five ways of working when developing our mitigating actions.

Annually, Service managers are asked to identify their service risks when assessing the service challenges and priorities as part of the council's annual self-assessment and service planning cycle. This retrospectively evaluates the status of service risks and corporate risks aligned to each service area, whilst Service Plans identify the service risks impacting on service areas going forward.

Service risks are evaluated following the same three step risk evaluation process used for Corporate Risk. This involves evaluating and scoring the inherent risk (risk in a pre-control environment), the effectiveness of controls at managing the risk and the residual risk in terms of the impact these controls are having on mitigating the risk.

The Service Risk Owner is responsible for ensuring there are appropriate controls (actions) in place to manage the service risks (which are documented in the Service Plans) and that any further mitigating actions are outlined as actions in their relevant Service Plans or at Team Plan level. Service Risk Owners are responsible for reviewing and updating their Service Plan risks each quarter. These Service Risks are reported via our quarterly performance reports to Scrutiny and Cabinet. Service risks of a cross-cutting nature can impact on the delivery of Corporate Plan activity or Council business. Where these risks escalate over time, Service Risk Owners can request that these risks are evaluated by the Strategic Insight Board for inclusion on the Corporate Risk Register**.** **Annex C** is the Service Risk Template.

The flow chart below outlines Service Risk arrangements in more detail.

Service Risk Reporting

Undertake an Annual Review of the existing Service Risks as part of the Council's Annual Self-Assessment. This is undertaken via Directorate Self-Assessments.

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As part of the annual service planning, Heads of Service identify their service risks for the forthcoming year and horizon scan for new and emerging risks. These are then documented in all Service Plans along with existing controls in place to manage the risks. Corporate Risks are also aligned to the relevant Service Plans. All Service Risks are evaluated and scored at that point in time and any further mitigating risk actions identified in the accompanying action plan.

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Service Plans containing service risks for the forthcoming year are submitted to Scrutiny and Cabinet for final approval.

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Service Risks are reviewed and evaluated by Risk Owners every quarter using a service risk template. These risk scores are then collated into the corporate performance reports reported each quarter to Scrutiny and Cabinet.

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Scrutiny, Cabinet or the Risk Owner may identify service risks that have escalated over time that have a more cross-cutting impact on our ability to meet our ADP/Corporate Plan commitments. Where this is the case they can request that the risk is evaluated for inclusion in the Corporate Risk Register. This risk is then reported to the SIB for consideration, with SIB recommendations to SLT and G&AC if deemed suitable for inclusion.

4.3 Project Risks

Generally, a project is a one-off work activity that introduces change through the delivery of its objectives. It is a temporary work activity that only exists to deliver improved services to support the aims of the Council. Projects have important differences from day-to-day work as they:

- Create change
- Are unique and non-repetitive
- Are limited in time and scope
- Operate within an agreed budget
- Have specific end products
- Require different skills at different times

- Involve risks
- Involve a variety of human resources with different skills, responsibilities and competencies that may be drawn from both internal and external sources

Our Project Management Toolkit sets out the ways in which we can manage these different types of project. The type of project determines what type of project methodology we adopt. For example, capital projects (high and low cost) and high risk revenue projects require a more detailed approach. In order to define whether a revenue project is high or low risk we use a Project Risk Matrix (See **Annex D**)

Risk is a major factor to be considered during the management of a project. Every project regardless of its size will have risks associated with it. Therefore, it is essential that we identify and manage our risks to minimise issues and maximise the chances of success. Project risks can be financial, economic, legislative, environmental, customer and or reputational risks among others. Therefore, project management must control and contain these risks if a project is to be successful.

The Project Manager, along with the Project Board, is responsible for ensuring that all risks are identified and proactively managed throughout the project. The Project Manager should work with the Project Board and Project Sponsor to identify and assess the risks associated with the project and ensures that where appropriate countermeasures are in place to address these. The Project Manager must also ensure that all risks have an owner. For projects involving external organisations or partnerships it is essential that risks are identified jointly with our partners, and it needs to be clearly documented how the risks are to be shared between partners.

Risks are initially outlined in the Capital Bid Proforma (for high and low value capital projects) or through the completion of a Project Brief (for both high and low risk revenue projects) prior to the onset of any project work (or equivalent documents containing as a minimum the same information as those described). All risks should be regularly reviewed and updated during the course of the project and the Project Board/Sponsor must be updated on the management of project risks.

Project Managers are required to maintain a Risk and Issues Log (See **Annex E**) for all types of project. The purpose of the Risk and Issue Log is to provide information about the encountered issues and potential risks to the project and countermeasures put in place to mitigate/eliminate these risks/issues and to provide a risk status on them. The Risk and Issues Log is completed once the Capital Bid Proforma/Project Brief (as appropriate) is approved. The Risk and Issues Log is updated and is reported to the Project Board (as a monitoring tool) on a monthly basis for the duration of the project.