Risk Management

POLICY STATEMENT AND STRATEGY

Document Details:

Owner/Lead Officer   : Head of Assurance Services, Corporate Resources Department

Created   : 3 January 2019

Review Arrangements   : Annually

Next Review Date   : Spring 2019

Ratified by   : CMT (Annually)

1. Local government's purpose and relationships with its local stakeholders and partners, the UK Government and Europe, continue to be redefined. The uncertainty of the impact of Brexit, continued austerity, future economic uncertainty, escalating costs of social care and pension liabilities, increased expectations alongside concerns about councils having the capacity and capability to respond, are all creating a lasting change.

2. Local authorities have no alternative but to understand and manage risk. Those authorities which stimulate effective and efficient risk management and strive to create an environment of 'no surprises' should be in a stronger position to deliver objectives, sustain services, achieve better value for money, and promote good corporate governance both within the organisation itself and in tandem with stakeholders and partners. Successful risk management should balance a level of control to provide sufficient protection from harm, without stifling development and recognising and grasping opportunity, where calculated risk is accepted and even applauded. New layers of complexity and risk arise, but they open up new opportunities for innovation, collaboration, transformation, community engagement, and new approaches to service delivery. These include prevention and integration strategies, collaborating with communities and other partners, embracing digital technology, and investment in infrastructure to remain sustainable. Authorities are venturing more into commercial property and other income generating activities for the future prosperity of communities. Effective risk management is essential to assist decisions on whether the benefits of taking actions outweigh the risks.

3. Leicestershire County Council remains one of the best performing councils in the country despite its very low funding position. The Council's Strategic Plan 2018-2022 (the Plan) outlines the long-term vision for the organisation and the people and place of Leicestershire. The Plan is underpinned by other key policies and strategies including the Council's Medium Term Financial Strategy and Transformation Programme. The Plan recognises that the future remains uncertain, but brings with it challenges and exciting opportunities for all. The outcomes are aspirational and seek to outline the end results wanted for the people of Leicestershire. Since the Plan was implemented, the Leader of the Council has set out proposals for a new council for Leicestershire.

4. Whilst ensuring that the most vulnerable are protected, in order to continue its own fundamental transformation, the Council will embrace an attitude to risk allowing a culture of creativity and innovation, in which in all areas of the business, risks are identified, understood and proactively managed, rather than avoided. Risk management is at the heart of the Council and its key partners. The Council will not shy away from risk but instead seek to proactively manage it. This will allow it to not only meet the needs of the community today, but also be prepared for future challenges.

5. This Risk Management Policy Statement and supporting documentation form an integrated framework that supports the Council in the effective management of its risk. In implementing the framework, the Council provides assurance to its stakeholders, partners and customers that a consistent identification, assessment, evaluation and management of risks and opportunities of those current, developing and as yet unplanned Council activities, plays a key role in the delivery and achievement of the vision contained in its Strategic Plan and all of its other plans, strategies and programmes

6. This Policy has the full support of Members and Chief Officers, who are committed to embedding risk management throughout the Council and is reliant upon the co-operation and commitment of all management and employees to ensure that resources are utilised effectively.

Signed: Title: Chief Executive   Date: 3 January 2019

Leicestershire Council Risk Management Strategy

1.0   Defining Risk and Risk Management

> Under ISO31000 'Risk management – Principles and guidelines'
>
> Risk is defined as:
>
> '*The effect of uncertainty on objectives, where effect is any deviation from the expected – positive or negative*'
>
> Risk Management is defined as:
>
> *Coordinated activities to direct and control an organisation with regards to risk*

The Council has adopted the following definitions of risk and risk management:

Risk is "an uncertain event (or a set of events) that should it (they) occur, will have a (positive or negative) effect on the achievement of the Council's objectives and/or reputation.
A risk is measured in terms of a combination of the likelihood of a perceived threat or an opportunity occurring and the magnitude of its impact on objectives.

Risk management is the "systematic application of principles, approach and processes to the identification, assessment and monitoring of risks." By managing our risk process effectively we will be in a better position to safeguard against potential threats and exploit potential opportunities to improve services and provide better value for money.

This Risk Management Strategy outlines how Leicestershire County Council (the Council) will use risk management to successfully deliver corporate, departmental and service, objectives and priorities.

2.0   Why undertake risk management?

Statutory requirements

Part 2 of the Accounts and Audit Regulations 2015 (Internal Control) places explicit requirements on the Council around risk, that is: -

- Paragraph 3 (c) - the Council must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk;

- Paragraph 4.4 (a - iii) – the Chief Financial Officer must determine, on behalf of the Council financial control systems which must include measures to ensure that risk is appropriately managed;

- Paragraph 5 (1) the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management processes.

Constitutional requirements

The Council's Corporate Governance Committee has delegated functions[1] regarding risk management namely: -

- the promotion and maintenance within the Authority of high standards in relation to the operation of the Council's Local Code of Corporate Governance[2] and in particular to ensure that an adequate risk management framework and associated control environment is in place

- to monitor the arrangements for the identification, monitoring and management of strategic and operational risk within the Council

[1] These align to the oversight of risk management arrangements as being a core function of a local government Audit Committee as referred to in CIPFA's Guidance on Audit Committees 2013. Revised guidance is due in early 2018 and this will lead to a review of the Corporate Governance Committee's functions regarding risk management.

[2] The Council's Local Code of Corporate Governance (2017) complies with the 'Delivering Good Governance in Local Government; Framework' (2016), specifically Principle F which advises that good governance is promoted when there is management of risks and performance through robust internal control and strong public financial management.

3.0   Benefits of risk management

Risk management is a tool that forms part of the governance system of the organisation. When applied appropriately it can bring multiple benefits as demonstrated in the table below: -

Improved efficiency of operations	Better delivery of intended outcomes	Maximises Opportunities
Protected reputation of the Council	Supports the achievement of the Council's objectives	Reduced losses arising from workplace accidents & illnesses
Better mitigation of key risks	Demonstrates good governance	Enhanced political and community support
Protection of budgets from unexpected financial losses or Increased ability to secure funding	Increased effectiveness of business change programmes and projects	Protection of Council Assets
Fewer unwelcome surprises	Improved management information to inform decision making	Improved planning

4.0   Risk Management Strategy objectives

The objectives of the Council's Risk Management Strategy are to:

- Integrate risk management fully into the culture of the Council and into its corporate and service planning processes;

- Improve the framework for identifying, assessing, controlling, reviewing and reporting and communicating risks across the Council;

- Improve the communication of the Council's approach to risk management;

- Improve the coordination of risk management activity across the Council;

- Ensure that the Corporate Management Team (CMT), Corporate Governance Committee and external stakeholders can obtain necessary assurance that the Council is mitigating the risks of not achieving key priorities and thus complying with corporate governance practice;

- Manage risk in accordance with best practice and ensure compliance with statutory requirements

- Maintain clear roles, responsibility and reporting lines for risk management within the Council.

- Measure and partake in regular comparison and benchmarking activity.

5.0   Risk Appetite and Risk Tolerance

The Council recognises that only by taking risks can it achieve its aims and deliver beneficial outcomes to its stakeholders.

The Institute of Risk Management (IRM) defines risk appetite as "the amount of risk an organisation is willing to seek or accept in the pursuit of its long term objectives" and is about looking at both the propensity to take risk; and the propensity to exercise control. Risk tolerance is defined as the boundaries of risk taking outside of which the organisation is not prepared to venture in the pursuit of its long term objectives.

Risk appetite and risk tolerance help an organisation determine what high, medium and low risk is. In deciding this, the organisation can:

- More effectively prioritise risks for mitigation
- Better allocate resources
- Demonstrate consistent and more robust decision making
- Clarify the thresholds above which risks need to be escalated in order that they are brought to the attention of senior management and/or Members.

Corporate Management Team has collectively agreed that the Council exists in a high risk environment and that this is likely to continue. In reality this will mean continuing to develop an understanding of acceptable risk levels (high, medium or low), depending on their impact and likelihood. Defining levels allows risks to be prioritised and appropriate actions assigned so that the management of identified risks will be proportionate to the decision being made, or the size of the impact on service delivery.

The Council will take risks in a controlled manner, reducing exposure to a level deemed acceptable. In order to take advantage of opportunities, the Council will support innovation and the imaginative use of resources. However, the Council will seek to control all highly probable risks which have the potential to:
- Cause significant harm to service users, staff and the public;
- Severely compromise the Council's reputation;
- Significantly impact on finances;
- Jeopardise the Council's ability to undertake it's core purpose;
- Threaten the Council's compliance with law and regulation
- Create opportunity for fraud and corruption

Taking the above into consideration, the Council's current **overall** risk appetite is defined as **'Open'**. This means that the Council is prepared to consider all delivery options and select those with the highest probability of productive outcomes even where there are elevated levels of associated risk. However, the Council's risk appetite is determined by individual circumstances. There will be areas where greater risk will be taken in supporting innovation in service delivery. These occasions will be offset by times when it maintains a lower than cautious appetite for example, in matters of compliance with law and public confidence in the Council. Risk appetite can therefore be varied for specific risks, provided this is approved by appropriate officers and/or Members.

The Council will review risk appetite and tolerance annually to ensure risks are being managed adequately. Please refer to Annexes 1 (page 17) and 2 for further details.

6.0   Risk Management Maturity

All organisations are on a risk management journey with differing levels of risk management maturity. Risk management maturity refers to how well established risk management is as a discipline across the organisation.
We continue to review our current risk management capability to help us direct our resources in the areas that need improvement and further development, ensuring the risk management arrangements remain fit for purpose in this changing environment.

The Association of Local Authority Risk Managers (ALARM) has developed and published a National Performance Model for Risk Management in Public Services to illustrate what good risk management looks like in a public service organisation. There are 5 levels.

A detailed maturity review[1] was last undertaken and reported in January 2015. This scored the Council's level of risk maturity as between levels 3 ("Working") and 4 ("Embedded and Working"). A number of recommendations were made to further develop risk management processes and an action plan was produced to address the recommendations.

During 2016 and 2017, significant progress was made to implement the recommendations. Nevertheless, the maturity level remained at Level 3/4 – Between Working and Embedded & Working and further development is necessary in some of the core areas. See Action Plan in Annex 4.

The Council also networks and shares information with other similar organisations e.g. East Midland Counties Risk Management Group (7 County Councils) which enables the Council to benchmark its position.
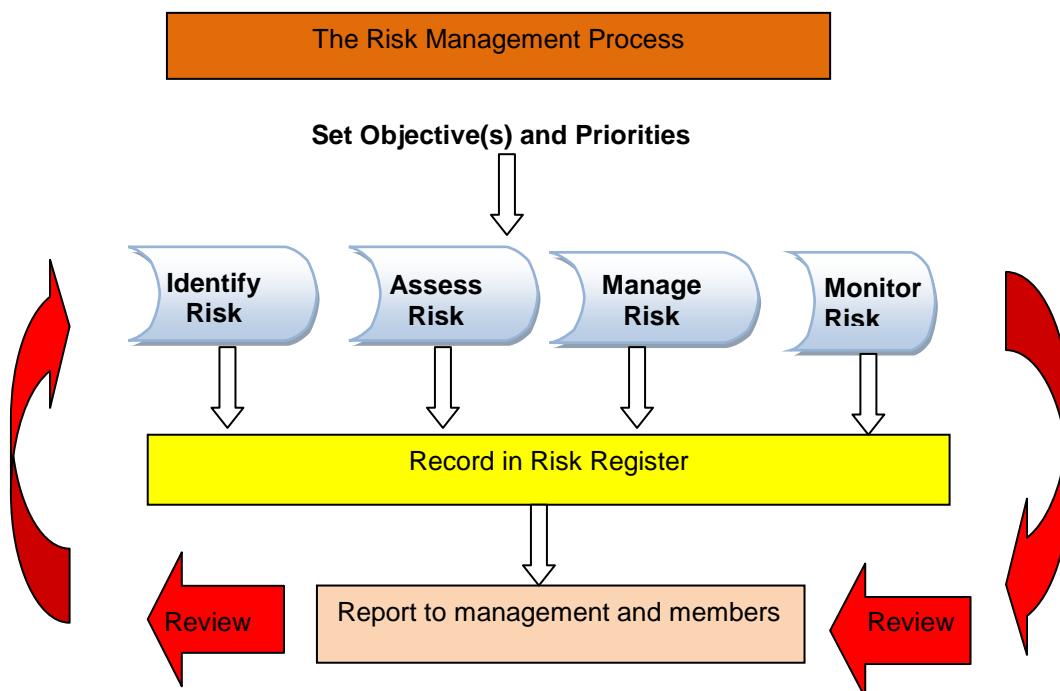
Although the Council planned to evaluate its risk maturity against ALARM guidance on a three-yearly frequency (maximum[2]) with the next review planned for December 2017 this will be undertaken in 2018.

1. Undertaken using the ALARM Performance Model by a Senior Internal Auditor not routinely involved in the Council's risk management framework, reporting to the Finance Manager within Strategic Finance to directly avoid any conflict of interests.

2. CMT will have the opportunity at each annual policy review to determine if, because of future events, the tri-annual risk maturity assessment should be more frequent.

7.0 The Risk Management Approach and Process

Risk management is a continual process involving the identification and assessment of risks, prioritisation of them and the implementation of actions to mitigate both the likelihood of them occurring and the impact if they did.The Council's approach to risk management will be proportionate to the decision being made or the impact of the risk, to enable the Council to manage risks in a consistent manner, at all levels.

The Risk Management Process

Set Objective(s) and Priorities

Identify Risk — Assess Risk — Manage Risk — Monitor Risk

Record in Risk Register

Report to management and members

Review — Review

Explanations of the stages within the risk management process: -

Identify risk	Clarify Objective(s) and Priorities from the Council's Departmental Service Planning process and identify risks (or opportunities) which might prevent, delay (or alternatively escalate) achievement of the Council's objectives and determine what are the consequences if this occurs
Assess risk	Assess the inherent risk (Impact & Likelihood) using the Council's risk assessment criteria prior to the application of any existing/known controls i.e. evaluate the "Original risk score"
	Decide and agree the course of action – treat, tolerate, transfer, terminate or take the opportunity
Manage risk	Identification and assessment of the controls/actions already in place to mitigate each risk to arrive at the "Current Risk score". If Current Risk score is still high even with controls: • Is the score correct? • Determine the best way to manage the risks e.g. terminate, treat, transfer, tolerate or take the opportunity • Determine whether the cost of implementing further mitigating control is merited when compared to the risk reduction benefits achieved. • Development of further SMART actions and assign target dates and responsible officers to achieve the desired "Target Risk score".
Monitor, Review and Report	Use the Risk Management Matrix and Risk Tolerance levels to determine the frequency of review, monitoring, risk escalation and reporting.

Annex 2 provides details of the risk measurement criteria, risk map, risk escalation and reporting arrangements.

8.0   Application - Service, Department, Corporate & Specialist Risks

It is essential that risk management is used as a tool to assist good management and to provide assurances to relevant stakeholders that adequate measures have been taken to manage risks. To support this, risk management has been integrated into the planning process. By using the risk methodology, key risks facing the Council or a particular service area will be identified and managed. The escalation of risks ensures that Senior Management has a clearer picture on risks facing service areas. This helps in overall decision making processes by allowing the allocation of resources or review of areas of concern.

There is an established framework in which consistent application of the process should ensure the flow of appropriate risk information across the Council as follows:

```
┌──────────┐      ┌──────────────┐      ┌──────────────┐
│ Service  │ ──▶  │ Department   │ ──▶  │ Corporate    │
└──────────┘      └──────────────┘      └──────────────┘
```

Emerging Risks

Service and Department Risks:

Services will undertake a risk identification exercise at least annually, as part of service planning. This will include:

- Risks to achieving objectives identified and assessed by managers at service/division area level; this should also include business as usual risks.

- Assessment will identify the risks to be managed within the service/division area and those that may need to be escalated to the next level i.e. Department Risk Register;

- Development of the Department Risk Register including:
    o Department specific risks linked to objectives and priorities
    o Business as usual risks (key system/activities)
    o Risks that may have been escalated up from service areas
    o Relevant risks from programmes, projects and partnerships
    o Any department horizon scanning of emerging risks

- In line with the framework, (risk matrix and risk tolerance levels), key risks should be escalated and reported to Departmental Management Team (DMT) regularly, setting clear accountability for managing risks and undertaking further actions/additional controls within the defined timescales;

- Review of department registers to identify continuing 'high scoring' risks for escalation to the Corporate Risk Register (CRR) either individually or consolidated with other risks.

This exercise will provide senior managers with a central record of departmental risks, with a clear audit trail of where the risk originates from and also provide assurance that risks are being managed.

Corporate (and high ranking Departmental) risks - Corporate Risk Register

This process will provide Directors and Members with a central record of corporate risks, to ensure consideration is given to high ranking, strategic cross cutting (or Departmental) risks that could impact the financial, political or reputational arena.

- Each quarter, Departmental Risk Champions and management teams will review Department Registers to identify and consider risks for escalation to the CRR, either individually or consolidated from Departmental Risk Registers;

- Internal Audit Service will confirm that the quarterly reviews have been consistently undertaken, and co-ordinate the production and reporting of the CRR, through to Corporate Management Team (CMT) and Corporate Governance Committee.

- Whilst most risks are expected to come through this route it might not capture all of the strategic risks facing the Council. Therefore horizon scanning, information from relevant publications and minutes from key meetings will also provide a basis for including additional risks on the CRR.

Specialist areas of risk

Project, Programme and Partnership Risks

Risks which could impact on achieving the objectives of projects, programmes or partnerships will be managed through the appropriate Project, Programme or Partnership Board and associated governance structures. However, where Project, Programme or Partnership risks impact upon strategic or departmental objectives then consideration should be given as to whether those risks should be identified, assessed and escalated to the appropriate Departmental or Corporate Risk Register. In the case of Projects and Programmes, the decision to escalate to a departmental or corporate level, is ultimately the responsibility of the relevant Senior Responsible Officer (SRO) or Sponsor, supported by the appropriate Project, Programme or Partnership Board.

When a project or programme is closed, the relevant closure report should identify any risks (or issues) that need to transfer to Business As Usual (BAU) ensuring specific and appropriate ownership is identified and clearly articulated. Where appropriate these risks may need to be escalated to the relevant Departmental or Corporate Risk Register.

Health, Safety & Wellbeing Risks

The Health, Safety & Wellbeing Service provides advice and guidance to managers and staff on all aspects of Health, Safety and Wellbeing.
In addition to providing advice and support, the Health, Safety & Wellbeing Service also help to monitor the performance of the organisation through audits and inspections, set targets for continual improvement, provide operational training and awareness for staff and also respond to accidents / incidents in order to ensure they are adequately investigated and the likelihood of further harm is reduced.
Regular reports are provided to the Departmental Management Teams, Chief Executive and the relevant Scrutiny Board. A separate risk assessment process is in place.

Resilience and Business Continuity

Business Continuity Management (BCM) is complementary to a risk management framework that sets out to understand the risks to the council, and the consequences of those risks.
By focusing on the impact of disruption, BCM identifies the services which the council must deliver, and can identify what is required for the council to continue to meet its obligations. Through BCM, the council can recognise what needs to be done before an incident occurs to protect its people, premises, technology, information, supply chain, stakeholders, reputation and importantly the services that the council delivers to the people of Leicestershire. With that recognition, the Council can then take a realistic view on the responses that are likely to be

needed as and when a disruption occurs, so that it can be confident that it will manage any consequences without unacceptable delay in delivering its services.

The Resilience and Business Continuity Team co-ordinates the preparation of business continuity and response plans both at a corporate and departmental level. Such plans aim to minimise the likelihood and/or impact of a business interruption by identifying and prioritising critical functions as well as the resource requirements, roles and responsibility requirements in response to allow appropriate planning to take place.

The Resilience and Business Continuity Team will present an annual report to Corporate Governance Committee

Insurance

Insurance acts as a risk transfer mechanism which reduces the financial risk to the Council. The Council is largely self-insured but transfers the larger risks to an insurance company by contributing a premium. In the event of a financial loss, the Council is entitled to indemnity, subject to the terms and conditions that are in place.

The function provides a comprehensive and professional insurance service including arranging insurance provisions and other related insurance activities as well as managing new and outstanding claims.

Insurance activity will be regularly reported to Corporate Governance Committee.

Property and Occupants Risk Management

Following the tragic events of both the Grenfell Tower fire and high profile terrorism attacks during 2017, a group was established, initially to review fire safety risk across the Council's owned and procured properties, but has been widened to incorporate the Council's identification and management of terrorism risk. The group contains a wide breadth of representatives from the Council's services and has regular inputs from the Council's insurers, risk management partners and brokers and links to the emergency 'blue light' services.

The Group will report to the Director of Corporate Resources (quarterly), CMT as and when required if a significant matter arises but also annually to note work undertaken, findings and progress and agree the next year's plan of work and annually to Corporate Governance Committee.

Counter Fraud

The Internal Audit Service undertakes a biennial Fraud Risk Assessment (FRA). This process, along with other intelligence received, for example the results of CIPFA's annual Fraud & Corruption Tracker, seeks to acknowledge the risk of fraud throughout the Council and is an integral step towards how countering the risk of fraud is developed and arranged. Scoring (impact and likelihood) is derived through discussions with individual service leads to give them the opportunity to consider whether scores remain reasonable or whether there have been any changes during the previous year that may lead to necessity to amend scores, e.g. national picture, known frauds, additional controls introduced, and increased or decreased metrics/values.

Recognising fraud in this manner ensures there is a comprehensive understanding and knowledge about where potential fraud and bribery /corruption is more likely to occur and the scale of potential losses. This in turn will direct the Council's overall Anti-Fraud and Corruption Strategy and further allow the Council to direct counter-fraud resources accordingly. Consequently, this influences the internal audit annual planning process. Furthermore, it reiterates responsibility to service managers for managing fraud risk in their service areas.

Regular updates are provided to the Corporate Governance Committee on counter fraud and related initiatives.

Information & Technology (I&T) and Data Protection Risks

A safe and secure I&T infrastructure underpin the working of the Council, both technically and in terms of data protection. To support this, I&T Service holds and maintains its own divisional risk register which, where appropriate will feed through to the Departmental and Corporate Registers. Regarding data protection, the Policy and Assurance Team develop, maintain and monitor compliance with a wide range of policies designed to protect information and data

Support

The above process will be supported by the following:

- Ownership of risks (at appropriate levels) assigned to Directors, managers and partners, with clear roles, responsibilities and reporting lines within the Council;
- Incorporating risk management into corporate, service and business planning and strategic and partnership working;
- Use of the Risk Management Toolkit throughout the Council
- Providing relevant training on risk management to officers and Members of the Council that supports the development of wider competencies;
- Learning from best practice and continual improvement;
- Seeking best practice through inter-authority groups and other professional bodes e.g. the Association of Local Authority Risk Managers (ALARM).

9.0   Risk Management Roles and Responsibilities - structure

The following structure is unique to the Council and is influenced by its risk management maturity, resource capacities, skills sets, internal operations and existing operating structures. The Council's risk management framework aligns to existing structures and reporting lines**.**

Full details of risk management roles and responsibilities can be found in Annex 3.

Leadership	Corporate	Departmental	Assurance Services

Leadership
- Cabinet
- Lead Members
- CMT

Corporate
- Corporate Governance Committee (CGC)
- Corporate Risk Management Group (CRMG)

Departmental
- DMT
- Service Managers
- Programme / Project / Partnership Boards
- Risk Champions

Assurance Services

Risk Management function *
- Review and challenge risk actions
- Provide assurance that the flow of risk information throughout the Authority is working effectively.
- Collates and co-ordinates, RM updates for reporting to CMT and CGG
- Arranges the review of RM maturity

Internal Audit function:
- Review and challenge the effectiveness of the RMF including controls in order to form an independent opinion.

Governance function:
- Review and provide assurance within the Annual Governance Statement that the Authority's Risk Management Policy, Strategy, Guidance and Toolkit are being implemented at all levels

* The Head of Assurance Services (HAS) is responsible for the administration and development of, and reporting on, the Council's RMF. For the purposes of the Public Sector Internal Audit Standards (PSIAS), the HAS fulfils the required role of the Council's Head of Internal Audit Service. The PSIAS require that this 'impairment' to independence and objectivity is recorded in the Internal Audit Charter (approved by CGC in November 2016) and (to avoid any conflict of interests) any audits of the RMF are overseen from a manager outside of the Service.

Cabinet:
- Understands the key risks facing the Authority, determines the level of risk and ensures risk management (RM) is delivered to mitigate risks

Lead Members:
- Have responsibility for understanding the risks facing their areas of accountability and how these risks are being managed.

CMT:
- Manages the level of risk the Authority is prepared to accept.
- Establishes a control environment in which risk can be effectively identified, assessed and managed
- Ensures progress against mitigating actions / controls for risks on the corporate risk register.

CGC:
- Ensures that an adequate risk management framework (RMF) and associated control environment is always in place
- Monitor's the arrangements for the identification and management of strategic and operational risks.

CRMG:
- Provides assurance that the RMF and its processes are effective.
- Helps to deliver a consistent approach

DMT:
- Ensure the RMF is implemented in line with the Councils Risk Management Strategy, and guidance
- Takes full ownership of risks within their departmental risk register. Agree risk mitigation actions, assign defined timescales and responsibilities – including any departmental risks that are also in the Corporate Risk Register (CRR)

Service Managers:
- Take ownership of all risks that fall within their remit
- Provide assurance to DMT's that these risks are being managed effectively.

Programme / Partnerships:
- Providing assurance that risks and their implications are managed effectively and escalated if appropriate.

Risk Champions:
- Ensure consistent application of the RMF within their dept. Provide support and challenge to DMT and Service Mgrs..

Staff:
- Responsibility for gaining an understanding of risks facing their area of accountability and how they are being managed.
- Report promptly perceived failures in existing control measures that could increase risk

10.   Control Environment

This strategy outlines the roles and responsibilities, and governance framework for risk management within Council, demonstrating the arrangements for accountability and responsibility for risk management throughout the organisation. With particular focus on internal control, the Corporate Management Team and the Corporate Governance Committee are the organisation's oversight for risk management, providing check and challenge to the risk management strategy, process and delivery.

Developing, maintaining and reporting conformance with the Council's risk management framework is undertaken by Assurance Services to ensure the principles of good governance are adopted. Auditing of the risk management framework and risks is undertaken by the Council's Internal Audit Service in accordance with their audit plan and recommendations arising are fed back through the Departmental Management Teams to ensure continual improvement.

The Institute of Internal Audit issued a report titled "the three lines of defence in effective risk management and control". This provides a model for clarifying response at both an operational and strategic level. Overall it provides scrutiny and challenge to ensure assurance is achieved.

First Line Managers	Second Line Control / Compliance	Third Line Assurance
• Risk Management • Policies • Performance Data • Management Information • Internal Controls • Staff appraisal	• Section 151 • Risk Management • Health & Safety • Information Governance • Business Continuity • Insurance • Compliance • Governance Framework	Internal Audit

First Line of Defence: Operational managers own and manage risks. They also are responsible for implementing corrective actions to address process and control deficiencies. There should be adequate managerial and supervisory controls in place to ensure compliance and to highlight control breakdown, inadequate processes, and unexpected events.

Second Line of Defence:
Management establishes various compliance functions to help build and/or monitor the first line-of-defence controls. These functions are established to ensure the first line of defence is properly designed, in place, and operating as intended.
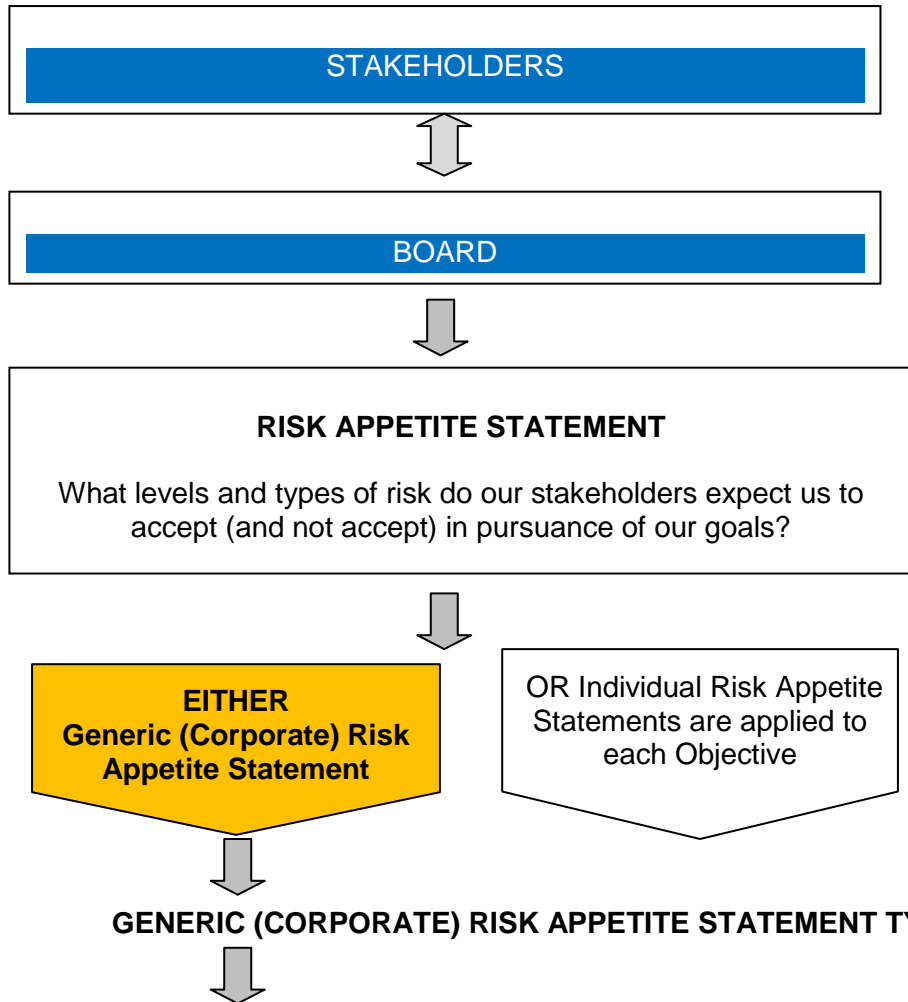
Third Line of Defence:
Internal audit provides assurance on the effectiveness of governance, risk management, and internal controls to Management and ultimately Corporate Governance Committee.

11. Continuous Improvement

Regulators and risk management professionals indicate that it is good practice to continuously improve risk management methodologies in line with recommendations from regular assessments and adapt to changing economic conditions.

To this effect, the Council's Risk Management Policy, Strategy, Guidance and related documents will be reviewed at the specified frequency or after the release of new legislation or government guidance that affects risk governance, internal controls, financial management or the regulatory regime for public service organisations. They will also be reviewed following the results of any audit /review by Internal Audit Service or an external third party.

Risk Appetite

STAKEHOLDERS

BOARD

RISK APPETITE STATEMENT

What levels and types of risk do our stakeholders expect us to accept (and not accept) in pursuance of our goals?

EITHER
Generic (Corporate) Risk Appetite Statement

OR Individual Risk Appetite Statements are applied to each Objective

GENERIC (CORPORATE) RISK APPETITE STATEMENT TYPES

AVOID	No appetite. Not prepared to accept any risks.	Examples:
AVERSE	Prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return.	Health &Safety, Business Critical systems, Customers, Safeguarding, Data Security,
CAUTIOUS	Willing to accept some low risks, while maintaining an overall preference for safe delivery options despite the probability of these having mostly restricted potential for reward/return.	Examples: Delivery partners, Non- critical systems,
MODERATE	Tending always towards exposure to only modest levels of risk in order to achieve acceptable, but possibly unambitious outcomes.	
OPEN	Prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk.	Examples: Leadership; Devolution; Collaboration; Alternative delivery models; Integration; Transformation; Digital; Commercial trading, Property investment, Suppliers; People…
HUNGRY	Eager to seek original/creative/pioneering delivery options and to accept the associated substantial risk levels in order to secure successful outcomes and meaningful reward/return.	

Risk Impact Measurement Criteria

Scale	Description	Departmental Service Plan	Internal Operations	People	Reputation	Financial per annum / per loss
1	Negligible	Little impact to objectives in service plan	Limited disruption to operations and service quality satisfactory	Minor injuries	Public concern restricted to local complaints	<£50k
2	Minor	Minor impact to service as objectives in service plan are not met	Short term disruption to operations resulting in a minor adverse impact on partnerships and minimal reduction in service quality.	Minor Injury to those in the Council's care	Minor adverse local / public / media attention and complaints	£50k-£250k Minimal effect on budget/cost
3	Moderate	Considerable fall in service as objectives in service plan are not met	Sustained moderate level disruption to operations / Relevant partnership relationships strained / Service quality not satisfactory	Potential for minor physical injuries / Stressful experience	Adverse local media public attention	£250k - £500k Small increase on budget/cost: Handled within the team/service
4	Major	Major impact to services as objectives in service plan are not met.	Serious disruption to operations with relationships in major partnerships affected / Service quality not acceptable with adverse impact on front line services. Significant disruption of core activities. Key targets missed.	Exposure to dangerous conditions creating potential for serious physical or mental harm	Serious negative regional criticism, with some national coverage	£500-£750k. Significant increase in budget/cost. Service budgets exceeded
5	Very High/Critical	Significant fall/failure in service as objectives in service plan are not met	Long term serious interruption to operations / Major partnerships under threat / Service quality not acceptable with impact on front line services	Exposure to dangerous conditions leading to potential loss of life or permanent physical/mental damage. Life threatening or multiple serious injuries	Prolonged regional and national condemnation, with serious damage to the reputation of the organisation i.e. front-page headlines, TV. Possible criminal, or high profile, civil action against the Council, members or officers	>£750k Large increase on budget/cost. Impact on whole council

Risk Likelihood Measurement Criteria

Rating Scale	Likelihood	Example of Loss/Event Frequency	Probability %
1	Very rare/unlikely	EXCEPTIONAL event. This will probably never happen/recur.	<20%
2	Unlikely	Event NOT EXPECTED. Do not expect it to happen/recur, but it is possible it may do so.	20-40%
3	Possible	LITTLE LIKELIHOOD of event occurring. It might happen or recur occasionally.	40-60%
4	Probable /Likely	Event is MORE THAN LIKELY to occur. Will probably happen/recur, but it is not a persisting issue.	60-80%
5	Almost Certain	Reasonable to expect that the event WILL undoubtedly happen/recur, possibly frequently.	>80%

Risk Scoring Matrix

Impact

	1	2	3	4	5
5 Very High/Critical	5	10	15	20	25
4 Major	4	8	12	16	20
3 Moderate	3	6	9	12	15
2 Minor	2	4	6	8	10
1 Negligible	1	2	3	4	5
	1	2	3	4	5
	Very Rare/Unlikely	Unlikely	Possible/Likely	Probable/ Likely	Almost certain

Likelihood*

*(Likelihood of risk occurring
over lifetime of objective (i.e. 12 mths)

Risk Tolerance/Reporting Criteria

Tolerance Levels	Original /Current Risk Score	Expected Actions by Risk and Action Owners	
White	1 to 2	Controls	No action required
		Monitoring =	No action required
		Escalation =	No action required
Low	3 to 6	Accept Risk or Maintain Controls	Existing controls may be sufficient. No additional controls are required unless they can be implemented at very low cost (in terms of time, money, and effort). Actions to further reduce these risks are assigned low priority.
		Monitoring =	Review six monthly /Reporting to Service Area
		Escalation =	Service Area manager
Medium	8 to 12	Maintain Controls or Further Controls to reduce rating	Controls required but consider in light of 4 Ts-Consideration should be as to whether the risks can be lowered, where applicable, to a tolerable level, but the costs of additional risk reduction measures should be taken into account (time, money and effort).
		Monitoring =	Continued Proactive Monitoring/Review at quarterly / Reporting to DMT
		Escalation =	Business Partners / Relevant AD / DMT
High	15 to 25	Further Action/Controls to reduce rating	Controls and further actions necessary. Substantial efforts should be made to reduce the risk. Arrangements should be made to ensure that existing controls are maintained. The risk reduction measures should be implemented within a defined time period.
		Monitoring =	Continued Proactive Quarterly Monitoring / Report to CGC
		Escalation =	Chief Officer / CMT / Lead Member

A Departmental risk with a current risk score of 15 or more **must** be escalated into CMT's domain (either as an addition to the CRR, or as an emerging risk for further debate). Directors should not retain any risks with a current risk score of 15 or more in their Department's register without debate and approval from CMT.

<div style="background-color:green; text-align:center">**Risk Management Roles & Responsibilities – Detail**</div>

Leadership:

Cabinet

Understands the key risks facing the Council, determines the level of risk and ensures risk management is delivered to mitigate risks by:

- Ensuring that a risk management framework has been established and embedded;
- Approving the Council's Risk Management Policy and Strategy as part of the Medium Term Financial Strategy;
- Ensuring relevant risk considerations (if relevant) are included within reports which may have significant strategic policy or operational implications

Lead Members

- Responsibility for gaining an understanding of the risks facing their area of accountability (in conjunction with the relevant Director) and how these risks are being managed

Corporate Management Team (CMT)

Leading and ensuring effective management, monitoring and review of risk management across the Council by:

- Establishing a control environment and culture in which risk can be effectively assessed and managed;
- Directing the level of risk the Council is prepared to accept (appetite and tolerance levels);
- Encouraging the promotion of risk awareness, rather than risk avoidance;
- Reviewing and, approving the Council's corporate and strategic risks on the CRR quarterly and their importance against the Council's vision and priorities;
- Assisting with the identification of significant new and emerging risks as they become known - for consideration and addition to the CRR;
- Following the review and approval of the CRR, CMT to determine whether a potential reputation or consultation matter needs to be forwarded to the Communication Unit
- Providing challenge to the risk scoring mechanism to ensure risks are managed to add value by aiming to achieve the balance between undermanaging risks (unaware and no control) and over-managing them (over-control) ;
- Ensuring that risk assessments (if appropriate) are detailed in Cabinet or Scrutiny reports upon which decisions are based;
- Reviewing annually the Council's Risk Management Policy and Strategy.

Corporate:

Corporate Governance Committee (CGC)

Provides assurance for the Council that risk management is undertaken and effective by:

- Reviewing the effectiveness of the risk management and internal control framework;
- Reviewing the Council's Risk Management Strategy and how it is being implemented
- Receiving regular progress reports on the CRR and other risk management related initiatives;
- Reviewing, scrutinising and challenging the performance of the Council's risk management framework; including reviewing progress against planned actions from the previous quarter;
- Receiving presentations on specific areas of risk;
- Receiving reports from Internal and External Audit to determine the extent to which they indicate weaknesses in control, risk management and governance arrangements.

Corporate Risk Management Group (via Departmental Risk Champion)

Provides assurance that the risk management framework and its processes are working as intended and are effective by:

- Acting as the main contact for their department and its management on risk matters (including specialist risks (H&S, Insurance etc.);
- Representing their department at the Corporate Risk Management Group;
- Encouraging the promotion of risk awareness, rather than risk avoidance;
- Assisting in the implementation of any revisions to the risk management framework and promoting use of the Risk Management Toolkit;
- Providing support and training on risk management to Directors, Heads of Service and other managers within their service/department;
- Providing support to the other departments' Risk Champions;
- Maintaining on behalf of the service Directors and Heads, a departmental risk register that complies with corporate guidelines;
- Providing regular risk updates to DMT's as per the agreed reporting criteria and risk timetable;
- Providing challenge to the risk scoring mechanism to ensure risks are managed to add value by aiming to achieve the balance between undermanaging risks (unaware and no control) and over-managing them (over-control)
- Ensuring that corporate risk information and requirements are communicated to the Department;
- Assessing the relevance of corporate, other departmental service, programme, project and partnership risks and their impact on their department;
- Reviewing cross cutting risk areas where risks of one department impacts on the risks of another;
- Providing overview and scrutiny to the results of the Fraud Risk Assessment process, in relation
- to departmental risks;
- Providing regular updates to the Internal Audit Service for corporate risks to enable reporting to the CMT and Corporate Governance Committee;

Departmental:

Departmental Management Teams (DMT)

Ensuring that risk management is implemented in line with the Council's Risk Management Strategy by:

- Appointing a Risk Champion /Representative for the department and authorising him/her to progress effective risk management that adheres to corporate guidelines, across their services;
- Ensuring that risk management is integrated within the annual service planning process;
- Taking full ownership of risks within their departmental risk register and agreeing risk mitigation actions, with defined timescales and responsibilities – including those departmental risks that are also in the CRR;
- Reviewing and challenging risk registers for their Service Areas on a quarterly basis if appropriate
- Adhering to the corporate risk reporting timetable so that DMT meetings and risk monitoring tasks are aligned;
- Ensuring that the CRR accurately reflects only those key strategic risks facing the Council. The DMT scrutiny process should encompass a review of all departmentally identified corporate risks (new and those already identified), to critically evaluate the following:
    - Whether the risk is an ongoing corporate risk
    - Are all mitigating actions identified, they are SMART (i.e. Current Controls in place) and working adequately or are additional actions necessary.
    - The Current Risk Score (Impact and Likelihood) is accurate and is not 'over-scored' in terms of likelihood particularly if a range of current controls have been identified as embedded and working adequately
    - Only consider any further actions/ additional controls after determining whether any cost of implementing further mitigating control is merited when compared to the risk reduction benefits achieved. If required, further actions should be SMART and record 'expected timeframe/due date' which should improve the robustness of the Target Risk impact and likelihood scores
- Receiving reports on risk management activity and review key risks regularly;
- Undertaking regular departmental horizon scanning for new or emerging risks, ensuring communication of these through appropriate channels and incorporation within the Departmental Risk Register if appropriate;
- Suggesting recommendations for the removal of current corporate risks that are considered as lower levels of risk;
- Taking ownership of identifying and managing project, partnership and business as usual risks effectively
- Ensuring that risk management considerations are included in all Cabinet, Scrutiny and Regulatory bodies reports in respect of strategic policy decisions;
- Providing assurance on the effectiveness of risk management within their department as part of the Annual Governance Statement process;
- Following the review and approval of the Departmental Risk Register, DMTs to determine whether a potential reputation or consultation matter needs to be forwarded to Communication Unit

Service Managers

Providing assurance to DMT's that risks within their service are being managed effectively by:

- Ensuring that risk management within their area of responsibility is implemented in line with the Council's Risk Management Strategy (i.e. identify, assess, manage and monitor);
- Managing risks on a day to day basis;
- Adhering to the risk scoring mechanism (original, current and target risk scores) outlined in the Strategy to ensure risks are managed to add value by aiming to achieve the balance between undermanaging risks (unaware and no control) and over-managing them (over-control)
- Communicating the results of their service risk assessment to the DMT via their Risk Champion, demonstrating effectiveness of controls in place to mitigate/reduce service risks;
- Managing risks from their areas of responsibility that have been included within the departmental risk register. Where further actions/ additional controls are necessary, ensure they are completed by the planned completion date;
- Identifying new and emerging risks or problems with managing known risks and escalating to the Risk Champion where appropriate;
- Assessing fraud risk within their service areas as part of the Fraud Risk Assessment process;
- Ensuring that they and their staff are aware of corporate requirements, seeking clarification from their Risk Champions when required;
- Identifying risk training needs of staff and informing this to Risk Champions;
- Using the Risk Management Toolkit and guidance.

Programme/Project/Partnerships

Providing assurance that project, programme and partnership risks and their impact are managed and communicated effectively by:

- Ensuring risk management is a regular item on Partnership / Programme/Project Board agendas;
- Reviewing and monitoring risks identified on programme/project/partnerships risks, ensuring that suitable controls are in place and working, or that plans are being drawn up to strengthen existing controls or put in place further controls;
- Identifying new and emerging risks or problems with managing known risks, ensuring communication of these through appropriate channels;
- Escalating appropriate Project, Programme or Partnership risks to the relevant Departmental or Corporate Risk Register where those risks may impact at a Departmental or Corporate level – ultimately the project or programme SRO/Sponsor is accountable for ensuring this happens;
- Ensuring any ongoing risks or issues identified at Project/Programme closure are transferred to the relevant business owner and where appropriate are escalated to Departmental or Corporate Risk Registers.

Risk Champions

- See Corporate section

Staff

- Taking responsibility for gaining an understanding of the risks facing their area of accountability;
- Report promptly perceived failures in existing control measures that could increase risk.

- Take due care to understand and comply with the risk management processes and guidelines of the Council.

Assurance Services

Risk Management function (in conjunction with the Director of Corporate Resources):

Provide assurance that the flow of risk information throughout the Council is working and effective to produce and maintain the Corporate Risk Register by:

- Leading in the development and implementation of the risk management framework and promoting use of the Risk Management Toolkit;
- Meeting with departments as per the risk management timetable to review and challenge risk registers and emerging risks;
- Identify any potential future internal audit requirements to the Head of Assurance Services
- Coordinating risk management activity across the Council with the support of Departmental Risk Champions/Representatives
- Collating the changes to departmental risks and ensure that the Corporate Risk Register is amended to reflect current position;
- Regular horizon scanning (in conjunction with CMT, DMT Risk Champions and Head of Assurance Services) of information from relevant publications and minutes from key meetings to provide a basis for including additional risks on the Corporate Risk Register;
- Reporting progress on the Corporate Risk Register and other risk management related initiatives to the CMT, Corporate Governance Committee and Cabinet as per the risk management timetable;
- Supporting Departmental Risk Champions/Representatives in their risk management role;
- Communicating corporate risk management information and requirements;
- Reviewing the Risk Management Policy and Strategy at least annually to reflect best practice and initiate improvements;
- Arranging for the review of risk management maturity; benchmarking scrutiny and challenge
- Establishing links with external groups and organisations in order to gain knowledge and share best practice on risk management issues;
- Agreeing mechanisms for identifying, assessing and managing risks in key partnerships;
- Supporting the development and delivery of relevant risk training

Assurance function (Internal Audit Service)

Review and challenge the effectiveness of the risk management framework, providing independent assurance about the quality of controls that managers have in place, by:

- Creating a risk-based audit plan that is aligned wherever possible to the Corporate Risk Register and the Departmental Risk Registers and other drivers, e.g. biennial Fraud Risk Assessment;
- Testing and validating existing controls, with recommendations for improvement on identified control weaknesses;
- Reporting outcomes to Director and Corporate Governance Committee;
- Monitoring changing risk profiles based on audit work undertaken, to adapt future audit work to reflect these changes;
- Conduct relevant audits of the risk management framework and maturity but overseen by a manager independent to the Service.

<div style="background-color:green; text-align:center">

Action Plan

</div>

This Strategy sets out the developments / actions the Council proposes over the short term future to further improve risk management maturity. These developments include the following actions: -

Action	Target Implementation Date	Complete
To review and revise the Council's Risk Management Policy and Strategy and related guidance with endorsement from Corporate Management Team and Corporate Governance Committee.	Ongoing annually	Yes
• Assist Update of Departmental Service Planning Guidance 2018/19. • DMT and Risk Champions to align Risk Registers to the Service Planning Process - 2018/19. To ensure risks recorded link back to departmental and service planning objectives.	Annual Annual	Yes Yes
Update and communicate through Manager's Digest, the Council's intranet Risk Management pages to include; • Revised Risk Management Policy & Strategy • All relevant guidance on methodologies and processes, including the revised Risk Assessment Criteria and Map • Risk Management Toolkit containing the revised risk register templates with guidance • Who to contact: details of the risk management "network", • Links to further information and guidance e.g. ALARM web-site	February /March 2018	Yes Yes Yes Yes Yes
Provision of support to Departmental Risk Champions if necessary with the implementation of the revised Risk Register Template.	Ongoing	Yes Ongoing
Develop and introduce key performance indicator(s) for risk management activity to maintain and improve the maturity rating.	Ongoing	Partly – Developed dashboards on Tableau
Develop a training matrix to identify the levels of training that need to be attained by staff at different levels in the organisation. Explore differing options E.g. Face to face, CIS, external training. Explore the free training offering from the Council's Insurance providers - Gallagher Bassett's risk management consultancy service.	Ongoing	Partly – face to face training and use of Council's Insurers to deliver training
To ensure that risk management awareness is given adequate prominence in the Council's staff induction procedures.	August 2018	Yes
To develop an e-learning module on risk management and to promote its uptake by all relevant officers.	September 2018	No c/fwd. to 2019/20

To liaise with Chief Executive's Department on any corporate guidance to ensure risks associated with partnerships are captured, particularly where the Council is the lead accountable body. CIS to be updated accordingly.	September 2018	No c/fwd. to 2019/20
Maintain effective horizon scanning process and communication of new/emerging risks to Risk Champions for assessment and consideration.	Ongoing	Yes
Attendance at regional East Midlands Risk Management Group.	2018/19	Yes
Regularly meetings with the Corporate Risk Management Group to share and communicate information	2018/19	Yes and ongoing
Undertake Risk Maturity Assessment and implement an Action Plan to address any recommendations	2018/19	Risk Maturity Health Completed (October 2018) - Action Plan Underway