

# Risk Management Framework for Hinckley & Bosworth Borough Council

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### 1. Risk Management aims

- To support a culture of well-measured risk taking throughout the council's business, including strategic, partnership, project and operational
- To set the 'tone from the top' on the level of risk we are prepared to accept on our different service delivery activities and priorities
- To ensure risk management continues to be a key and effective element of our corporate governance arrangements
- To integrate risk management into how we run business/services
- To ensure that the council continues to meet all statutory requirements and best practice methods in relation to risk management

### 2. How our objectives are going to be met

- By maintaining a robust and consistent risk management approach that will identify and effectively manage strategic, operational, partnership and project risks
- By increasing understanding and expertise in risk management through targeted training and the sharing of best practice
- By communicating risk information effectively through a clear reporting framework
- By considering risk as an integral part of service improvement planning, key decision making processes, and project and partnership governance
- By ensuring accountabilities, roles and responsibilities for managing risks are clearly defined and communicated

### 3. Risk definition

- Risk can be defined as an "uncertain event that should it occur, will have an effect on the council's objectives and/or reputation". It is the combination of the probability of an event (likelihood) and its effect (impact)
- As a consequence of effectively managing risks, Opportunities can also sometimes be created, for example through additional grant funding or by improved working practices.

#### 4. Risk Appetite and Tolerance

- The Council's approach to risk management is also guided by Risk Appetite, which according to BS ISO 31000 Standard, refers to the *"amount and type of risk that an organisation is prepared to seek, accept and tolerate"*. It is the Council's unique attitude towards risk taking, which in turn dictates the level of risk exposure that it is willing to tolerate.
- The key elements that define appetite are:
  - The Amount & Type of risk: with a different appetite for different types of risk
  - Seek, Accept & Tolerate: this implies that there are some risks that we want to pursue and increase, while others are retained and tolerated. In general, in order to conduct business we need to tolerate a certain level of risk, as the cost of elimination may be uneconomical or unrealistic.
  - In pursuit of value: It is important to state that an organisations appetite for risk is often linked to value creation, the higher the risk appetite should lead to a greater return. The appropriate level of appetite will depend on the nature of the work undertaken and the priorities and objectives to be pursued.
- Hinckley & Bosworth Borough Council adopts a measured approach to risk, and while open to pursue strategic innovation around new models of service delivery that offer potentially higher rewards & opportunities, there is also the need to eliminate, manage or even tolerate risks at an operational level. The Council's risk appetite is defined by setting maximum risk limits and risk tolerances within the likelihood/impact matrix and risk assessment criteria. This approach guides staff on the level of risk permitted and encourages consistency across the authority.

#### 5. Risk approach - the councils approach to risk is to ensure that:

- Staff are clear about what risk management is intended to achieve
- Significant risks are identified and managed effectively
- Risks are captured and monitored on risk registers
- Risks are reviewed and reported on regularly

##### 5.1 Staff are clear about what risk management is intended to achieve

- Before we can identify our risks we need to establish the context by looking at what we are trying to achieve and what our proposed objectives are. Depending on the area under review, the relevant objectives will usually be detailed in existing documents, including the following:
  - Service Improvement Plans
  - Project Brief/Project Initiation Document
  - Partnership Agreements

##### 5.2 Identify risks

- There are a number of different types of risks that an organisation may face including financial loss, failure of service delivery, physical risks to people, and damage to the organisation's reputation.

### 5.2.1 Risk categories

- To act as a prompt and to ensure completeness, a checklist of categories has been developed to help identify risks and how they may impact council service delivery:

Table 1 Risk categories

Category	Associated with:
Political	Failure to deliver either central or local government policy or meet manifesto requirements
Economic	The ability to meet financial commitments (include internal budgetary pressures, adequacy of insurance cover, macro level economic changes, investment decisions);
Social	Changes in demographic, residential or socio-economic trends;
Technological	With the ability to deal with pace of change, and consequences of internal technological changes;
Legal	Current or changes in national or European law
Environmental	Environmental policies and practice, and dealing with environmental consequences of progressing strategic objectives;

### 5.3 Risk Registers

- Once identified, risks are entered onto either the corporate risk register or an applicable service area risk register on the council's internal performance management system

#### 5.3.1 Risk register information

- Risk register information includes:
  - Risk description
  - Gross risk status if nothing is done to mitigate the risk
  - Mitigation actions
  - Net risk status with mitigating actions in place
  - Risk review date and commentary to ensure risk is reviewed
  - The risk owner to ensure accountability

#### 5.3.2 Gross and net status

- The first assessment or the gross risk level is taken on the basis that there is no action being taken to mitigate the risk. In other words, the worst case scenario if the risk were to occur.
- Risks require actions be put in place to mitigate the impact of the risk which ultimately results in a net status
- A risk status is captured as a risk score which is derived from a risk matrix which is a three by three table to help determine the likelihood of the risk occurring against the consequence that the risk will have on the organisation should it occur.

#### 5.3.3 Risk Matrix

- The Risk Matrix is a three by three table showing the likelihood and consequence of all risks.

- The consequence of the risk which can be either low, medium or high, is multiplied by the likelihood of the risk which is also low, medium or high.
- Low is scored as 1, medium is scored as 2 and high is scored as 3.
- So if a risk has a low consequence but a high likelihood, the score is 1 multiplied by 3 giving a risk score of 3.

Table 2 Risk Matrix

Likelihood	3	3	6	9
	2	2	4	6
	1	1	2	3
		1	2	3
		Consequence		

Table 3

#### 5.3.4 Matrix criteria for likelihood

- Low likelihood means that the threat source lacks motivation or capability, or controls are in place to prevent the risk from happening
- Medium likelihood means that the threat source is motivated and capable but controls are in place that may prevent the risk from happening
- High likelihood means that the threat source is highly motivated and sufficiently capable and controls to prevent the risk from happening are ineffective

#### 5.3.5 Matrix criteria for consequence

- Low consequence means that if a risk event occurs, it will have a minor impact on achieving desired results to the extent that one or more stated objectives may fall below goals but still be above minimum acceptable levels
- Medium consequence means that if a risk event occurs, it will have a moderate impact on achieving desired results to the extent that one or more stated objectives will fall well below goals but above minimum acceptable levels
- High consequence means that if a risk event occurs, it will have a severe impact on achieving desired results, to the extent that one or more of its critical objectives will not be achieved or will fall below acceptable levels

#### 5.4 Risks are reviewed and reported on regularly

- Quarterly reporting, through the regular organisational Performance and Risk Management reporting process, enables senior managers and members to be

more fully aware of the extent of the risks and progression being made to manage them.

#### **5.4.1 Risks with a high net level status score of 6 or 9**

- These are significant risks, which may have a serious impact on the council and the achievement of its objectives if not managed. Immediate action needs to be taken to reduce the level of risk. Any risks with a high net level status will be included in the quarterly performance and risk management report to that goes to senior management and members

#### **5.4.2 Risks with a medium net level status score of 3 or 4**

- Although usually accepted, these risks may require some additional mitigating to reduce likelihood if this can be done cost effectively

#### **5.4.3 Risks with a low net level status score of 1 or 2**

- These risks are being effectively managed and any further action to reduce the risk would be inefficient in terms of time and resources.

### **6. Roles and responsibilities**

- To ensure risk management is effectively implemented, all members and officers should have a level of understanding of the council's approach to risk and regard risk management as part of their responsibilities:

#### **6.1 All employees**

- Manage day-to-day risks and opportunities effectively and report risk management concerns to their line managers
- Participate fully in risk workshops and action planning as appropriate
- Attend training and awareness sessions as appropriate

#### **6.2 All Members**

- Support and promote an effective risk management culture
- Constructively review and scrutinise the risks involved in delivering the council's core objectives.

#### **6.3 Finance and Performance Scrutiny Committee**

- Provide independent assurance to the council on the overall adequacy of the risk management framework

#### **6.4 Senior Leadership Team**

- Champion an effective council-wide risk management culture
- Ensure the Internal Audit work plan is focused on the key risks facing the council

#### **6.5 Internal Audit**

- Provide assurance that risks are being effectively assessed and managed
- During all relevant audits challenge the content of risk registers
- Periodically undertake specific audits of the council's risk management process and provide an independent objective opinion on its operation and effectiveness.

#### **6.6 Directors**

- Risk manage their service areas in delivering the council's core objectives

## **6.7 Service Managers**

- Are responsible for the effective leadership and management of risk in their service area to meet service area objectives in line with the council's risk management framework.
- With the appropriate risk owner, maintain the relevant service area risk registers ensuring all key risks are identified, managed and reviewed in line with the corporate risk management approach
- Promptly escalate risks appropriately
- Ensure risk management process is an explicit part of transformation programmes and all significant projects

## **6.8 Project Managers**

- Are responsible for the effective leadership and management of risk in their area of responsibility in line with the council's risk management framework
- Identify, assess and appropriately document significant risks
- Clearly identify risk ownership
- Manage risks in line with corporately agreed timescales/policies
- Escalate risks appropriately.

## **6.9 Director of Corporate Services**

- Design and facilitate the implementation of a risk management framework within Hinckley and Bosworth ensuring it meets the needs of the organisation
- Promote the adequate and proper consideration of risk management to senior managers and more widely within the council.

## **6.10 Consultation and Improvement Officer**

- Acts as a centre of expertise, providing support and guidance as required
- Collates risk information and prepare reports as necessary
- Develops, maintains and promotes the council's risk management system

## **7. Embedding risk management**

- Risks and the monitoring of associated actions are considered as part of a number of the council's significant business processes, including:
  - Corporate decision making - significant risks, which are associated with policy or action to be taken when making key decisions, are included in appropriate committee reports.
  - Service improvement/budget planning - this annual process includes updating the individual service area risk registers to reflect current objectives
  - Project management - all significant projects should formally consider the risks to delivering the project objectives before and throughout the project. This includes risks that could have an effect on service delivery, benefits realisation and engagement with key stakeholders (service users, third parties, partners etc.).
  - Partnership working - partnerships should establish procedures that are appropriate and proportionate to record and monitor risks and opportunities that may impact the council and/or the partnership's objectives.

- Health and safety - the council has a dedicated health, safety and welfare policy in relation to health and safety risks.