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Risk Management Framework

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Hinckley and Bosworth Borough Council

Risk Management Policy Statement

Context

Hinckley and Bosworth Borough Council provides a wide range of services that are delivered to the community. The council sets corporate objectives that help us focus on priorities and deliver our vision: **"a Borough to be proud of"**.

Inherent in our corporate objectives are "risks" that create uncertainty. The council recognises it has a duty to manage these risks in a structured way to help ensure delivery of its objectives and to provide value-for-money services.

This policy statement confirms our commitment to manage our business risks in a consistent cost-effective manner. Risk management at Hinckley and Bosworth Borough Council is a management priority and this policy statement is endorsed by Council Members, the Chief Executive and the Strategic Leadership Board who are accountable for the effective management of risk within the council.

What are the council's risk management objectives?

Set the 'tone from the top' on the level of risk we are prepared to accept on our different service delivery activities and priorities;

Develop leadership capacity and skills in identifying, understanding and managing the risks facing the council;

Integrate risk management into how we run council business/services

Support a culture of well-measured risk taking throughout the council's business, including the strategic, partnership, project and operational

Ensure that the council continues to meet all statutory and best practice requirements in relation to risk management;

Ensure risk management continues to be a key and effective element of our corporate governance arrangements

How are our objectives going to be met?

Maintain a robust and consistent risk management approach that will identify and effectively manage strategic, operational, partnership and project risks

Ensure accountabilities, roles and responsibilities for managing risks are clearly defined and communicated

Consider risk as an integral part of service improvement planning, key decision making processes, and project and partnership governance

Communicate risk information effectively through a clear reporting framework

Increase understanding and expertise in risk management through targeted training and the sharing of best practice

Risk Management Approach

1. Introduction

The purpose of the risk management approach outlined in this document is to:

• Provide standard definitions and language to underpin the risk management process

• Ensure risks are identified and assessed consistently throughout the organisation through the clarification of key concepts

• Clarify roles and responsibilities for managing risk

• Implement an approach that meets current legislative requirements and follows best practice and relevant standards.

2. Definitions

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)

Opportunities can arise as a consequence of effectively managing risks, for example through additional grant funding or by improved working practices.

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.

Risk management is applied at all levels of service delivery and include:

• Corporate risks – risks that could have an effect on the successful achievement of our long term core objectives. These are:

1. Risks that could potentially have a council-wide impact and/or
2. Risks that cannot be managed solely at a service area level because higher level support/intervention is needed.

• Operational risks – risks at a service area level that could have an effect on the successful achievement of the service area objectives.
Potentially these risks could have a significant financial, reputational and/or service delivery impact on the service area as a whole.

• Programme/project risks – risks that could have an effect on the successful achievement of the programme or project's objectives in terms of service delivery, benefits realisation and engagement with key stakeholders (service users, third parties, partners etc.).

3. Approach

For a number of years the council has been working towards a comprehensive and integrated approach to risk management where:

• Staff are clear about what risk management is intended to achieve

• Significant risks are being identified and managed effectively

• Training and guidance on risk management are easily accessible

• A consistent corporate approach is followed using a common 'risk language'
• Risk is an integral part of good corporate governance

This section details the agreed arrangements that are needed to ensure the effective management of risk across the organisation. The council's approach to risk management is based on best practice and involves a number of key steps as outlined in diagram 1.

Diagram 1: Hinckley & Bosworth's risk management approach
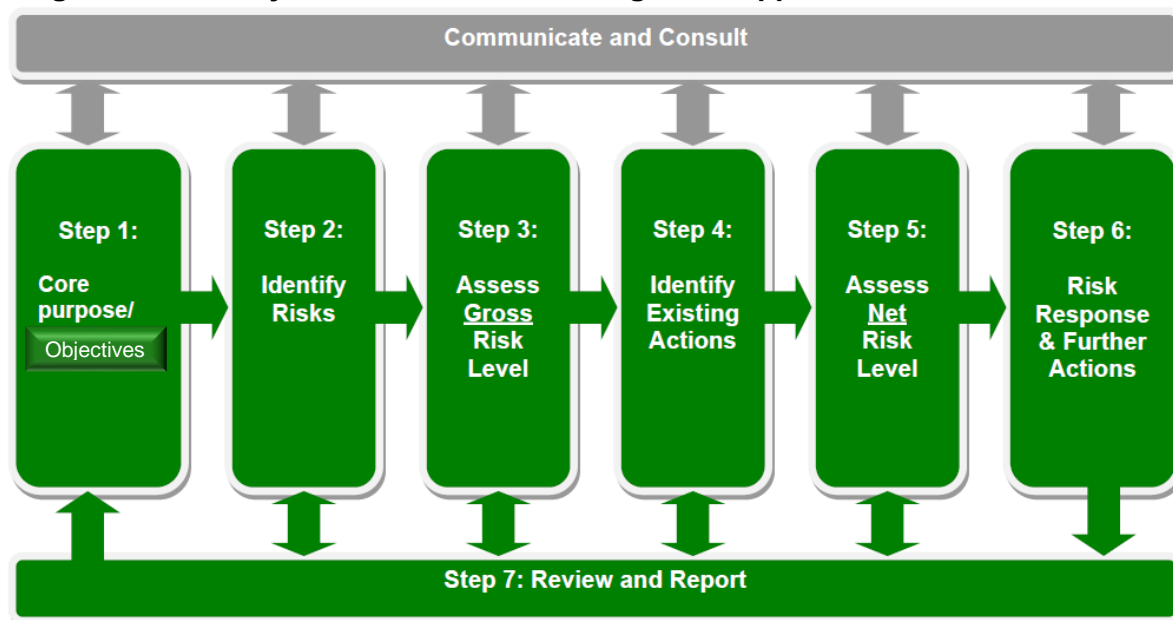
Effective communication and consultation is critical to the successful management of risk. These are not one-off standalone events but important factors at every point of the process and it is vital that staff at all levels across the organisation are involved if risk management is to be truly embedded and a useful management tool.

Step 1: Core purpose /objectives

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:
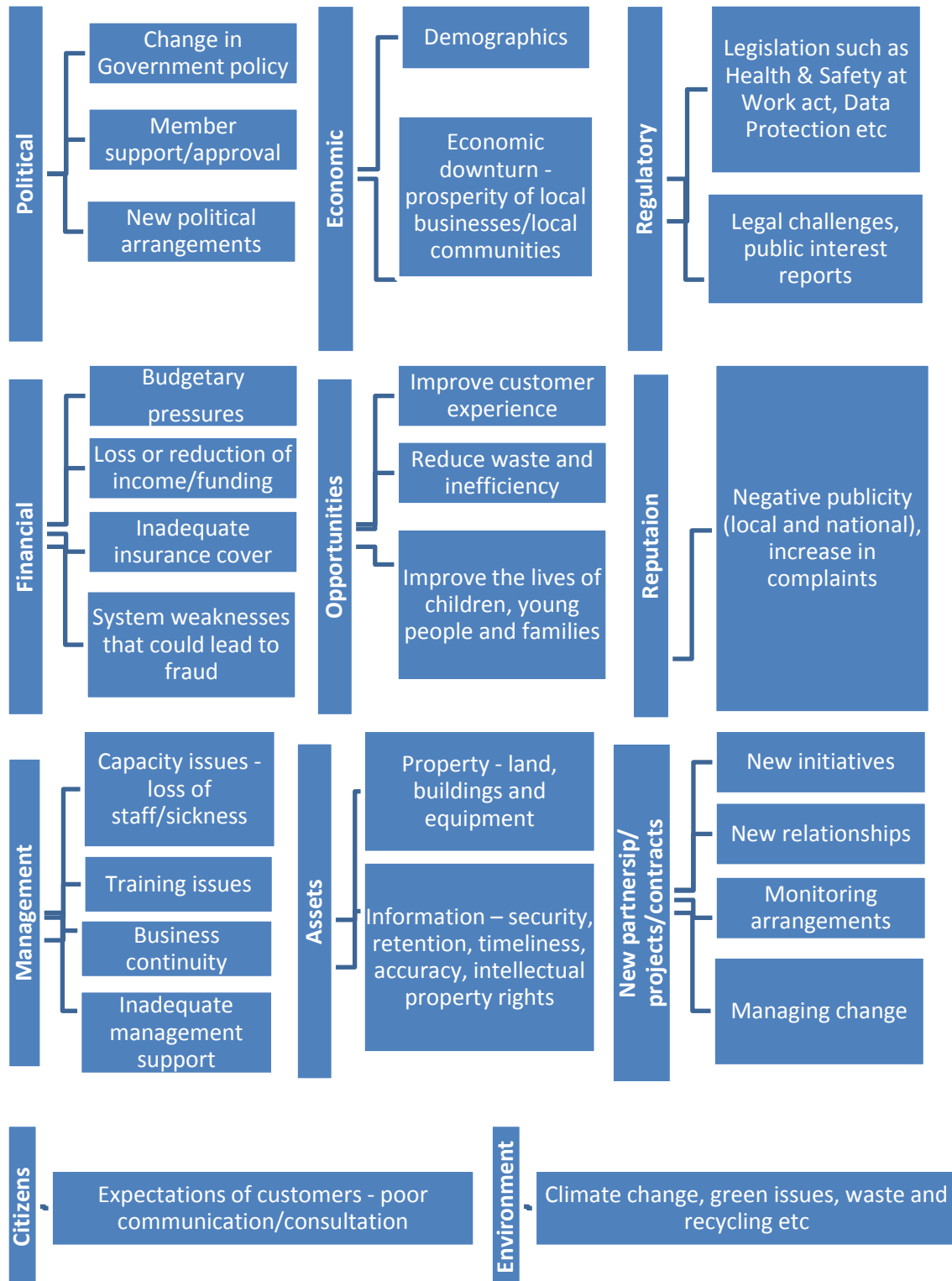
• Corporate Plan
• Service Improvement Plans
• Project Brief/Project Initiation Document
• Partnership Agreements

There will also be risks that are identified that will not fit into one of the categories above. All HBBC staff must be aware of any potential risks that may arise from any activity they carry out as part of their normal function. Such risks must still be captured and managed in the same way as risks that are managed to ensure the delivery of the objectives of the council

Step 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.

To act as a prompt and to ensure completeness, a checklist of risk categories has been developed around the acronym PERFORMANCE:

Political
- Change in Government policy
- Member support/approval
- New political arrangements

Economic
- Demographics
- Economic downturn - prosperity of local businesses/local communities

Regulatory
- Legislation such as Health & Safety at Work act, Data Protection etc
- Legal challenges, public interest reports

Financial
- Budgetary pressures
- Loss or reduction of income/funding
- Inadequate insurance cover
- System weaknesses that could lead to fraud

Opportunities
- Improve customer experience
- Reduce waste and inefficiency
- Improve the lives of children, young people and families

Reputaion
- Negative publicity (local and national), increase in complaints

Management
- Capacity issues - loss of staff/sickness
- Training issues
- Business continuity
- Inadequate management support

Assets
- Property - land, buildings and equipment
- Information – security, retention, timeliness, accuracy, intellectual property rights

New partnersip/ projects/contracts
- New initiatives
- New relationships
- Monitoring arrangements
- Managing change

Citizens
- Expectations of customers - poor communication/consultation

Environment
- Climate change, green issues, waste and recycling etc

Describing the risk is equally important to ensure that risks are fully understood, and to assist with the identification of actions, the cause and effect of each risk must also be detailed.

Risk Register - once identified, risks are entered onto the relevant 'Risk Register' on the council's Performance Management system. For example:

0 = Corporate Risk Register
1 = Housing Repairs
18 = Channel Shift

Risk owner:

A risk owner must be allocated and recorded against each risk on the risk register. Such accountability helps to ensure 'ownership' of the risk. A risk owner is defined as a person with the accountability and authority to effectively manage the risk.

Step 3: Assess gross risk level

The first assessment (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 are assessed using the agreed criteria for likelihood and impact:

Likelihood:

HIGH — The threat source is highly motivated and sufficiently capable and controls to prevent the risk from happening are ineffective

MEDIUM — The threat source is motivated and capable but controls are in place that may prevent the risk from happening

LOW — The threat source lacks motivation or capability, or controls are in place to prevent the risk from happening

Impact:

|	
HIGH	A risk event that, if it occurs, 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
MEDIUM	A risk event that, if it occurs, 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
LOW	A risk event that if it occurs, 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

When assessing the risk, the highest measure identified in each table (likelihood and impact) is the score taken to plot the risk level on the risk matrix

Risk matrix
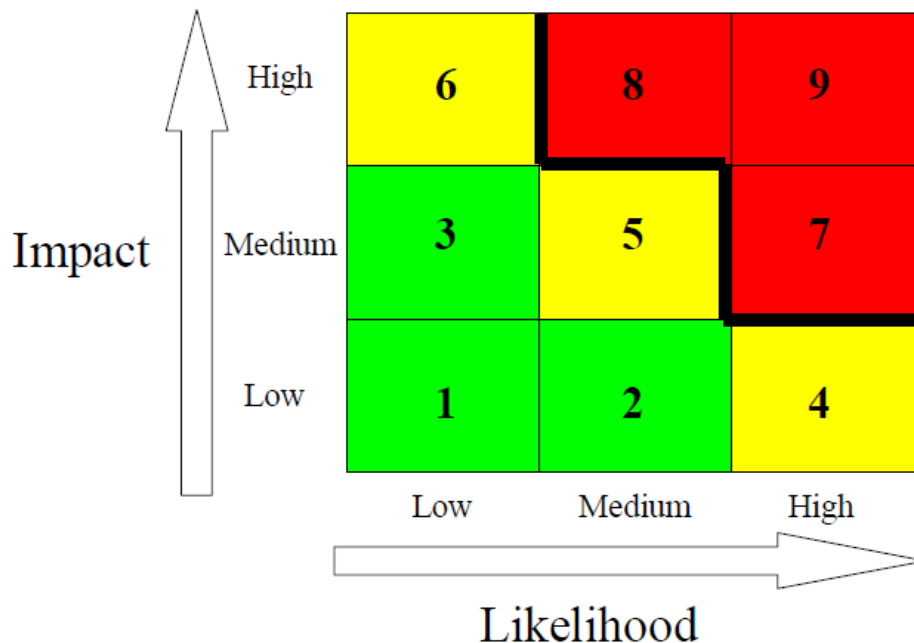
Step 4: Identify existing risk actions

Existing actions, which are helping to minimise the likelihood and/or impact of the risk occurring, are identified for each risk. These actions are specifically those in place or completed.

Step 5: Assess net risk level

The second assessment (net risk level) re-evaluates the risk, taking into consideration the effectiveness of the identified existing actions. In other words, the reality if the risk were to occur in the immediate future.

Net risks are prioritised by applying the same criteria and matrix used for assessing the gross risk level (Step 3). It is the risk owner's responsibility to ensure that the agreed net risk level for each risk is an accurate reflection of the likelihood and impact after taking into consideration any actions put in place to mitigate the risk.

Step 6: Risk response and further actions

Not all risks can be managed all of the time, so having assessed and prioritised the identified risks, cost effective action needs to be taken to manage those that pose the most significant threat.

The most significant risks (those are coded as red or those that slip from green to red (in line with the risk matrix) are discussed at corporate, directorate, middle managers and staff team meetings.

Risk appetite

Before taking any action to reduce the level of risk, the council must determine its risk appetite; how much risk it is prepared to retain without taking any further mitigating action. Essentially, an acceptable level of risk is one where the cost of removing or further reducing the level of risk is greater than the loss incurred if that risk were to materialise

It is important that the focus is on the promotion of risk awareness, rather than risk avoidance. If the council's risk appetite is too low, there will be a tendancy towards risk avoidance. This can be counterproductive, resulting in missed opportunities and a waste of resource through excessive control

Step 7 – Review and report

Regular 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.
Net risk level and score frequency of risk reviews (applies to all risk registers)

High score: 7-9. As a minimum, review monthly.

These are significant risks, which may have a serious impact on the council and the achievemt of its objectives if not managed. Immediate action needs to be taken to reduce the level of risk. Any net red risks at service area level will be included, alongside corporate risks, in the performance and risk management report to members

Medium score: 4-6. As a minimum, review quarterly

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

Low score: 1-3. As a minimum, review 6-monthly

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

4. Roles and responsibilities

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

All employees

a. Manage day-to-day risks and opportunities effectively and report risk management concerns to their line managers

b. Participate fully in risk workshops and action planning as appropriate

c. Attend training and awareness sessions as appropriate

All Members

a. Support and promote an effective risk management culture

b. Constructively review and scrutinise the risks involved in delivering the council's core objectives.

Some individuals and groups have specific leadership roles or responsibilities and these are identified below:

Executive

a. Risk manage the council in delivering its core objectives

b. Approve the risk management framework

c. Consider and challenge the risks involved in making any 'key decisions'

Finance, Performance and Audit Committee

Provide independent assurance to the council on the overall adequacy of the risk management framework including review of proposed amendments to the risk management framework prior to its presentation to the Executive

Strategic Leadership Board

a. Champion an effective council-wide risk management culture

b. Ensure the Internal Audit work plan is focused on the key risks facing the council

Internal Audit

a. Provide assurance that risks are being effectively assessed and managed

b. During all relevant audits challenge the content of risk registers

c. Periodically undertake specific audits of the council's risk management process and provide an independent objective opinion on its operation and effectiveness.

Corporate Operations Board

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

Heads of Service/Service Managers

a. 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.

b. 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

c. Promptly escalate risks appropriately

d. Encourage staff to be open and honest in identifying risks and opportunities

e. Ensure risk management process is an explicit part of transformation programmes and all significant projects

Project Managers

a. Responsible for the effective leadership and management of risk in their area of responsibility in line with the council's risk management framework
b. Identify, assess and appropriately document significant risks

c. Clearly identify risk ownership

d. Manage risks in line with corporately agreed timescales/policies

e. Escalate risks appropriately.

Chief Officer for Finance, Customer Services and Compliance

a. Design and facilitate the implementation of a risk management framework within Hinckley and Bosworth ensuring it meets the needs of the organisation

b. Promote the adequate and proper consideration of risk management to senior managers and more widely within the council.

Consultation and Improvement Officer

b. Act as a centre of expertise, providing support and guidance as required

c. Collate risk information and prepare reports as necessary

d. Develop, support and promote the council's risk management software 'TEN'

EMBEDDING RISK IN CULTURE

| IMPLIES RISK MANAGEMENT IS 'NORMAL' ACTIVITY. | SUCCESS DEPENDS ON ORGANISATIONAL CULTURE. | MAIN EMPHASIS – LACK OF BLAME CULTURE. |

5. Embedding risk management

For risk management to be effective and a meaningful management tool, it needs to be an integral part of key management processes and day-to-day working. As such risks and the monitoring of associated actions should be 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 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 specific risk assessment policy to be followed in relation to health and safety risks.

The council will be open in its approach to managing risks and will seek to avoid a blame culture. Lessons from events that lead to loss or reputational damage will be shared as well as lessons from things that go well. Discussion on risk in any context will be conducted in an open and honest manner.