

Rutland County Council

Risk Management Policy and Framework

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Summary of document

This document sets out the Council's policy and approach in relation to risk management. It is intended to demonstrate the commitment to good practice in this important area of governance and provides managers with the tools, techniques and understanding necessary to deliver effective risk management outcomes.

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1.0 FOREWORD FROM THE CHIEF EXECUTIVE

- 1.1 As a Unitary Council, Rutland County Council provides a wide range of services that combine to make a real difference to residents' lives on a daily basis. The Council is operating within a challenging climate:
- i. **Financial** - our funding from central government has reduced over time placing an additional burden on Council tax. The increases in funding (from whatever sources) are not sufficient to meet needs and other cost pressures leaving the Council with an ongoing challenge to set a balanced budget.
 - ii. **Demand/volumes** - we are facing increased demands for services in areas like adult and children's services, we are collecting and disposing of more waste than we ever have, we have more children with special educational needs and receive more applications for financial support. Demand puts pressure on existing resources.
 - iii. **Uncertainty** - the Council operates in a climate where there is significant uncertainty whether this be future around future funding, legislation and demand.
- 1.2 The Council remains focussed on delivering corporate plan priorities delivering value for money and endeavouring to protect front line services as far as possible. As such, we need to be innovative in the way we deliver services to ensure we achieve the most for every Rutland pound spent.
- 1.3 Changes in our approach to delivering services will create opportunities but will also create risks and uncertainty. It is essential that we manage the risks and opportunities associated with the delivery of our outcomes, by adopting good risk management principles. Effective risk management will enable us to have the right level of control in place to prevent identified risks from occurring or to contain the impact if they do.
- 1.4 This policy defines the minimum requirements in relation to risk management and provides guidance on the principles, tools, techniques and support which will enable us to manage the business more effectively and meet the increasing challenges we will face. It is incumbent on all of us to identify and raise concerns that might impact our ability to deliver our intended outcomes and I would encourage regular risk conversations as part of team meetings.

2.0 POLICY STATEMENT

- 2.1 This policy statement formally recognises the Council's responsibility and commitment to manage the strategic and operational risks that it faces in order to meet its intended outcomes. This includes protecting the health, safety and welfare of its employees and the people it serves, protecting its property, assets and other resources and maintaining its reputation and good standing in the community.
- 2.2 Risk is unavoidable. It is an important part of life that allows us all to move forward and develop. As an organisation it can impact in many ways, whether financially, politically, on our reputation, environmentally or to our service delivery. Effective risk management optimises the balance between risk and control, providing sufficient protection from harm, without stifling our development. As an organisation, with a range of different stakeholders, each with differing needs and expectations, this can be a challenge. We must ensure that the decisions we take as a Council reflect a consideration of the potential implications for all our stakeholders. We must decide whether the benefits of taking our actions outweigh the risks.
- 2.3 The Council's overriding attitude to risk is to operate in a culture of creativity and innovation, in which risks are identified in all areas of the business, are understood and proactively managed, rather than avoided. Risk management therefore needs to be taken into the heart of the Council and our key partners. We need to have the structures and processes in place to ensure the risks and opportunities of daily Council activities are identified, assessed and addressed in a standard way. This will allow us not only to meet the needs of the community today, but also be prepared to meet future challenges.
- 2.4 The Council's main aims in relation to risk management are to:
- i. Ensure that appropriate systems are in place to help identify, evaluate and make a conscious choice about how to deal with the risks that it faces
 - ii. Ensure that mechanisms exist to track and report business risks on an ongoing basis
 - iii. Embed risk management into the culture of the organisation in terms of how it operates and makes decisions
 - iv. Adopt a systematic approach to risk management as an integral element of business planning and performance management
 - v. Raise awareness of the need for risk management by all those connected with delivery of the Council's services (including partners and contractors)

3.0 INTRODUCTION

- 3.1 The effective management of risk is a central part of any organisation's strategic management and an integral part of corporate governance.
- 3.2 The focus of good risk management is the identification, assessment and response to key risks that may impact upon the achievement of the Council's stated aims and objectives. It also seeks to maximise the rewards that can be gained through managing risk effectively.
- 3.3 The Council requires all senior managers to make an annual assurance statement on the effectiveness of risk management and control within their respective areas. These statements form the basis of the Annual Governance Statement made by the Leader of the Council and the Chief Executive and included with the Council's financial statements approved by the Audit and Risk Committee.
- 3.4 Overall responsibility for ensuring that the Council has the appropriate systems in place to manage business risk at a strategic level lies with the Strategic Management Team (SMT) and the Director of Resources will champion the process on their behalf. At an operational level, individual Directors supported by Heads of Service will have responsibility for managing risks.
- 3.5 For the purpose of this document, risks are split into two levels. Directorate risks are those which may prevent individual service or directorate aims and objectives being met. Strategic Risks are those which:
 - i. Relate to the achievement of the long term purpose, priorities and plans of the Council;
 - ii. Impact more than one directorate or which require a response to be co-ordinated across multiple directorates; and
 - iii. Directorate risks which, if they materialised, would have the potential to impact significantly on service delivery and the reputation of the Council.
- 3.6 Risk management is both a 'top down' and a 'bottom up' process. The top down enables the identification and control of strategic risks while the bottom up process enables operational concerns to be escalated through the organisation as appropriate. The bottom up approach also enables the effect of similar concerns across directorates to be aggregated.
- 3.7 The benefits of an effective risk management strategy are as follows:
 - i. To ensure increased knowledge and understanding of exposure to risk and its importance in front line service delivery. This in turn

allows an early and proportionate response, which should mean fewer incidents and other control failures;

- ii. Where issues do arise, investigating what went wrong and taking appropriate remedial action creates a learning culture and an environment in which issues do not recur;
- iii. It provides assurance to members and management on the adequacy of arrangements for the conduct of business and the use of resources; and
- iv. This in turn protects the reputation of the Council which could otherwise be impacted by service disruptions and litigation.

3.8 The strategy will be subject to periodic review to ensure that it remains up-to-date and continues to reflect the Council's approach to risk management.

4.0 DEFINITIONS AND SCOPE

- 4.1 **Risk** can be defined as the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies.
- 4.2 **Risk management** is a process which aims to help organisations understand, evaluate and take action on all their risks with a view to increasing the probability of success and reducing the likelihood of failure.
- 4.3 **Controls** are systematic measures implemented to mitigate risks and help an organisation achieve its objectives. Preventive controls are mechanisms established to discourage risks from occurring while detective controls are designed to identify the impact of risks that may have occurred.
- 4.4 This strategy is intended to reaffirm and improve effective risk management in the Council, comply with good practice and, in doing so, effectively manage potential opportunities and threats to the organisation achieving its objectives.
- 4.5 Ensuring that there is an understanding of 'risk' and that the Council adopts a consistent approach to identifying, prioritising and reporting risks should lead to conscious choices over the most appropriate method for dealing with each risk i.e. **tolerating, transferring or treating the risk or terminating** the activity which gives rise to it.

5.0 RISK APPETITE

- 5.1 An organisation's risk appetite is the amount of risk it is prepared to accept, tolerate or be exposed to in order to achieve its objectives. This is factored into planning, decision making and delivery.
- 5.2 It is important for the risk appetite to be understood within the organisation so that the appropriate response is made to identified risks. If managers are running the business without sufficient guidance on the amount of risk it is acceptable for them to take, or not seizing important opportunities because of a belief that taking on additional risk is discouraged, performance will not be maximised.
- 5.3 As a local authority, the Council not only has significant statutory responsibilities, but it is also responsible for being a catalyst for change in its local area – place shaping, stimulating the economy and facilitating growth. To be successful in delivering its aims and objectives with finite resources, the Council cannot eliminate risk entirely; rather it sometimes has to take calculated risks. The Council has a difficult balancing act. The Council therefore has a variable risk appetite. When it comes to issues of safeguarding and the welfare of staff and public, it has a low risk appetite which means as far as possible it will try to reduce risks as far as possible. In relation to other duties, the Council accepts and is willing to take more risk taking into account potential gains, stakeholder expectations, available resources and the organisation's capacity to deliver.
- 5.4 In practice, it is the responsibility of Cabinet to set the overall risk appetite. Risk Owners will then apply this in practice. To help Risk Owners, the matrix in Appendix D highlights that risks rated as "Red" would not meet the risk management appetite of the Council and will need to be actively managed as far as possible. Risks in the "Amber" will need to be considered further. Risk Owners should "consult" if they are unsure. In the event that Risk Owners do not believe that risks can be managed with the current available resources then this should be raised with SMT and Cabinet.
- 5.5 The Senior Management Team, Internal Audit and the Audit and Risk Management Committee will provide challenge as to whether the Risk Owners have interpreted the Council's risk appetite appropriately e.g. if a Risk Owner has decided to accept a risk which others believe should be managed then this can be discussed.

6.0 APPROACH

6.1 We will meet our risk management objectives by undertaking the following actions:

- i. Providing and using a robust and systematic framework for identifying, managing and responding to strategic and operational risks (see section 8);
- ii. Establishing clear roles, responsibilities and reporting lines for risk management;
- iii. Demonstrating a commitment to risk management and assurance through the actions and behaviours of the SMT in their decision making. We will also understand our risk appetite and the level of risk we are prepared to accept in different activities and service areas;
- iv. Reinforcing the value of risk management by integrating it within the Council's (and partnerships') project management, performance management and procurement processes;
- v. Establishing effective processes for oversight of the Council's risk exposure and monitoring both internal controls and external influences to understand changes in that exposure; and
- vi. Increasing understanding and expertise in risk management through targeted training and sharing of good practice.

6.2 As evidence of the effectiveness of the approach we will expect to see the following (summarised in Appendix E):

- i. The strategic risk register is reviewed and discussed at the appropriate forum of SMT on a quarterly basis;
- ii. Directorate risk registers are formally reviewed and discussed in Directorate Team meetings on a quarterly basis;
- iii. The strategic risk register is presented to Cabinet at least twice annually as part of corporate performance reporting;
- iv. The strategic risk register is presented to all Members (via Audit and Risk Committee) at least twice annually;
- v. Project/programme registers are maintained by Project managers and available for audit and for Members considering project matters;

- vi. Tailored risk registers are maintained for key contracts as required in the Contract Procedure Rules;
- vii. Other risk registers may be developed (e.g. fraud risk register, business grants) at the discretion of Heads of Service/Managers;
- viii. Internal Audit will undertake a periodic review of risk management within the Council to determine the extent to which the framework is being deployed;
- ix. Internal Audit will undertake quarterly testing of risk registers to verify the effectiveness of controls;
- x. Internal Audit will consider how risks are being managed and whether controls deployed are designed and working effectively as part of individual audit assignments;
- xi. Reports to Member meeting in relation to decisions will include consideration of risks; and
- xii. Training will be provided to staff at regular intervals.

7.0 ROLES AND RESPONSIBILITIES

7.1 In order to ensure the successful implementation of the strategy, the following roles exist

Group/ Individuals	Role/ Responsibilities
Audit & Risk Committee	<ul style="list-style-type: none"> • To provide independent assurance to the Council and the Cabinet of the adequacy of the overall corporate governance and internal control environments including the associated approach to risk management • To review the content of the strategic risk register and the adequacy of associated risk management arrangements • To approve the Annual Governance Statement prior to sign off by the Leader and Chief Executive
Senior Management Team (SMT)	<ul style="list-style-type: none"> • Identify, manage and monitor strategic risks • Ensure that reports to support strategic and/or policy decisions include a risk assessment
Cabinet	<ul style="list-style-type: none"> • Approve the Council's Risk Management Strategy and Framework • Consider risk management implications when making decisions • Agree the Council's key risks and an appropriate response through consideration of the Strategic Risk Register and work of Portfolio Holders • Receive an annual report on risk management
Portfolio Holder for Finance	<ul style="list-style-type: none"> • The Cabinet Member with specific responsibility for promoting awareness and understanding of risk management
Director for Resources	<ul style="list-style-type: none"> • The SMT member with specific responsibility for promoting awareness and understanding of risk management and championing the benefits amongst colleagues
Chief Executive	<ul style="list-style-type: none"> • Leads on the wider corporate governance agenda of which risk management is a part • Receives assurance statements on internal control from senior managers and signs off the Annual Governance Statement along with the Leader of the Council
Directors	<ul style="list-style-type: none"> • Making arrangements to embed risk management throughout their areas of responsibility • Identify, manage and monitor operational risks

Group/ Individuals	Role/ Responsibilities
	<ul style="list-style-type: none"> • Reporting their directorate risks on a regular basis
Internal Audit	<ul style="list-style-type: none"> • Review and report on the risk management process • Feed into the annual assurance statements and provide an opinion based on audit work carried out through the year • Support facilitation of Directorate risk management registers providing advice and support
All Members and Officers	<ul style="list-style-type: none"> • Understand and act upon key risks that could significantly impact the achievement of service, team or project objectives

8.0 RISK MANAGEMENT PROCESS

8.1 The risk management cycle applies to all types of risk and involves a number of key stages which are outlined below.



8.2 **Defining objectives** is a critical first step in the risk management cycle because risks should have a clear link to what it is that the organisation is trying to achieve. In broad terms risks are split into various categories:

- Corporate – strategic risks relating to the long-term goals of the Council.
- Directorate – key risks specifically relating to the delivery of services within each directorate

- Project – consideration of the risks occurring as a result of the Council's involvement in specific initiatives
- Other – risks relating to any operational activity (fraud, contracts etc)

- 8.3 **Risk identification** is the process of documenting the risks/opportunities that could impact or prevent the achievement of a defined objective. It is the responsibility of all parties associated with an objective to help identify potential risks and report them to the manager responsible. The risk should be described clearly so that it is fully understood and to assist with determining the appropriate response. The risk register should therefore capture the risk together with causes and consequences. Potential risk sources are set out in Appendix A and a risk register format at Appendix B (but this can be varied as long as core risk information is included i.e. risk, controls, inherent and net risk score).
- 8.4 At the point when risks are being identified, the possible triggers and the likely consequences of each risk should be very clearly articulated. A *trigger is an event or condition that causes a risk to occur*. It is something specific that if it happens causes either the risk to crystallise (i.e. impact the Council) and/or a need to re-consider our risk assessment of that area. By identifying the triggers, we are better able to identify any controls or mitigating actions necessary to prevent the risk occurring and to recover quickly should that risk occur.
- 8.5 **Risk assessment** enables a score to be applied to both the likelihood of a risk materialising and the potential consequence/impact and ensures that resources are focused on the most significant concerns.
- 8.6 The consequence is the impact on the Council IF the trigger happens and/or if the issues, mitigations or controls within that area are not effectively managed. Consequences are mostly negative but can be positive, for example if we manage this well we will secure £x additional funding. These are scored.
- 8.7 Likelihood factors can include some elements we do not control and some controls and processes that manage an area of risk. Examples include:
- Budget management and forecasting
 - Pre-employment checks
 - Business Continuity plans
- 8.8 If these controls are robust and work effectively then they reduce the probability of a trigger or other factor causing the documented consequence. If these controls are absent or work ineffectively then the

probability increases that the documented consequence will occur and cause greater problems.

8.9 The score for an individual risk is the product of impact and likelihood using the criteria set out in Appendix C.

8.10 The Council uses a two stage risk assessment approach:

- i. Inherent Risk – the impact and likelihood of the risk without any controls in place – the inherent risk score if no action was taken
- ii. Residual Risk – the impact and likelihood of the risk considering the existing controls in place. Current controls should be evaluated and documented

In some environment, target risk is used. This measures the impact and likelihood desired by the Council. In reality, a target risk score may never be achievable. The risk response (i.e. actions to be taken) should reflect whether the residual risk score is acceptable. If is then by default the Council has achieved its target risk or accepts the level of residual risk.

8.11 **Risk response** is about taking action which balances cost with the level of risk faced by the Council. Options for responding to the risk are as follows:

- i. Tolerate – this is a conscious decision to take no action either because the risk is within the stated appetite of the Council or because it is expected to be a very low occurrence. The risk should be monitored to ensure its potential does not change
- ii. Treat – procedures and controls are put in place to reduce the likelihood or frequency of a risk materialising or to reduce its impact
- iii. Transfer – the risk is transferred to a third party by mechanisms such as insurance or outsourcing
- iv. Terminate – the activity giving rise to the risk is stopped

8.12 **Risk review and reporting** is required because all risks can change over time and therefore need close monitoring to ensure that current controls remain in place and are effective, and that mitigating actions are achieved within the target timeframe. All changes should be recorded and reviewed in directorate meetings in accordance with the guidance in Appendix D. The strategic risk register is reviewed by SMT on a quarterly basis.

8.13 As part of the Directors Assurance statements to support the Council's Annual Governance Statement the Chief Executive and Directors will

provide annual assurance in respect of the development, maintenance and operation of effective control systems for risks under their control.

9.0 RISK OUTCOMES

9.1 Overall success in progressing risk management will be assessed through consideration of the following:

- The Council is able to deliver against Council priorities
- Resources focused against areas of greatest corporate need and published priorities are delivered within the annual work programme
- Enhanced working at Rutland area level with confidence over partnership risk and assurance frameworks
- Risk Management priorities are embedded within both performance reporting and within the corporate assurance framework.

APPENDIX A - SOURCES OF RISK

	Sources of Risk	Risk Considerations
STRATEGIC	Political	<ul style="list-style-type: none"> • Changes in Government policy • National or local political pressures
	Economic	<ul style="list-style-type: none"> • Economic downturn – prosperity of local businesses/ local communities • Ability to deliver value for money
	Social	<ul style="list-style-type: none"> • Demographic changes • Crime and disorder, health inequalities, safeguarding issues
	Technology/IT	<ul style="list-style-type: none"> • Ability to respond to changing demands • Obsolescence of existing technology • Cyber security threats • Protection and misuse of data
	Legislation	<ul style="list-style-type: none"> • Changes in legislation • Legal challenges or judicial reviews
	Environment	<ul style="list-style-type: none"> • Climate change • Recycling, green issues, energy efficiency, land use and green belt issues

	Sources of Risk	Risk Examples
OPERATIONAL	Finance	<ul style="list-style-type: none"> • Budgetary pressures • System/ procedure weaknesses
	People	<ul style="list-style-type: none"> • Loss of key staff, recruitment, retention & development issues • Communication and consultation during transformation
	Partnerships and Contracts	<ul style="list-style-type: none"> • Delivery of services to agreed cost and specification • Clarity of roles and relationships
	Physical Assets	<ul style="list-style-type: none"> • Safety and security of land, buildings and equipment • Control of IT hardware
	Process	<ul style="list-style-type: none"> • Poor quality/ reduced service delivery • Confidentiality, integrity and availability of information

	Resilience	<ul style="list-style-type: none">• Emergency preparedness/ business continuity
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APPENDIX B - RISK REGISTER EXAMPLE TEMPLATE

Risk ID: 77	Risk Title: Changes to LLR Health system may reduce our ability to shape services to meet needs	
Owner: Director - People	Actions <ul style="list-style-type: none"> • Develop a Rutland Health Plan in partnership with CCG, PCN and other Stakeholders <ul style="list-style-type: none"> ○ Added January 21 ○ Due for completion: End June 2021 ○ Revised date: March 2022 ○ This is now in draft and has gone to both Scrutiny and Health and Wellbeing Board. To be finalised in January 2022. 	Controls <ul style="list-style-type: none"> • Excellent relations with CCG/Community Health and GP's. • Delivering strong integrated health and social care offers with partners via BCF. • Significant integration already achieved proven by data. • Rutland integrated service is a nationally recognised success. • Services continue to develop such as with the Primary Care Network consolidating the Rutland approach.
Inherent Score: 8		
Residual Score: 6		
Date Risk Added: October 2019		
Last Review Date: October 2021		
PREVIOUS ACTIONS (REMOVED OR CLOSED) None		
Comments: None		

APPENDIX C - RISK ASSESSMENT CRITERIA

The following tables should be used as a guide to assess and prioritise risks to ensure that resources are focused accordingly accepting the fact that scoring can be subjective. Officers are advised to introduce an element of challenge into the scoring process. For example, owners should score risk themselves but then all risk scores should be independently verified by SMT or DMT as appropriate.

LIKELIHOOD MEASURES

	Extremely Unlikely 1	Unlikely 2	Low 3	More Likely than Not 4	Very Likely 5	Extremely Likely 6
Probability	Less than 10% chance of circumstances arising	11% to 30% chance of circumstances arising	31% to 50% chance of circumstances arising	51% to 70% chance of circumstances arising	71% to 90% chance of circumstances arising	More than 90% chance of circumstances arising
Timescale	It is unlikely to occur	Possible in the next 5 years	Possible in the next 3-5 years	Possible in the next 1-2 years	Likely to occur in the next 6-12 months	Occurred in the past month or is very likely to occur in the next month

IMPACT MEASURES

	Minor 1	Moderate 2	Major 3	Most Severe/Extreme 4
Financial	Financial revenue loss up to £500k over MTFP	Financial loss £500k – 750k over MTFP	Financial loss £750k to £2m	Financial loss over £2m
Reputation	A few minor complaints and/or minimal local media attention	A number of complaints and adverse local media attention	Some national media attention and sustained local media attention	Ministerial intervention and/or public enquiry with sustained national media attention
Service Delivery	Limited disruption to services	Disruption to services that do not directly affect vulnerable groups	Significant disruption to services directly affecting vulnerable groups	Loss of services directly affecting vulnerable groups
Health & Safety	Low level of foreseeable minor injuries	High level of foreseeable minor injuries/ low level of foreseeable serious injuries	High level of foreseeable serious injuries	Foreseeable long-term injury, illness or fatality

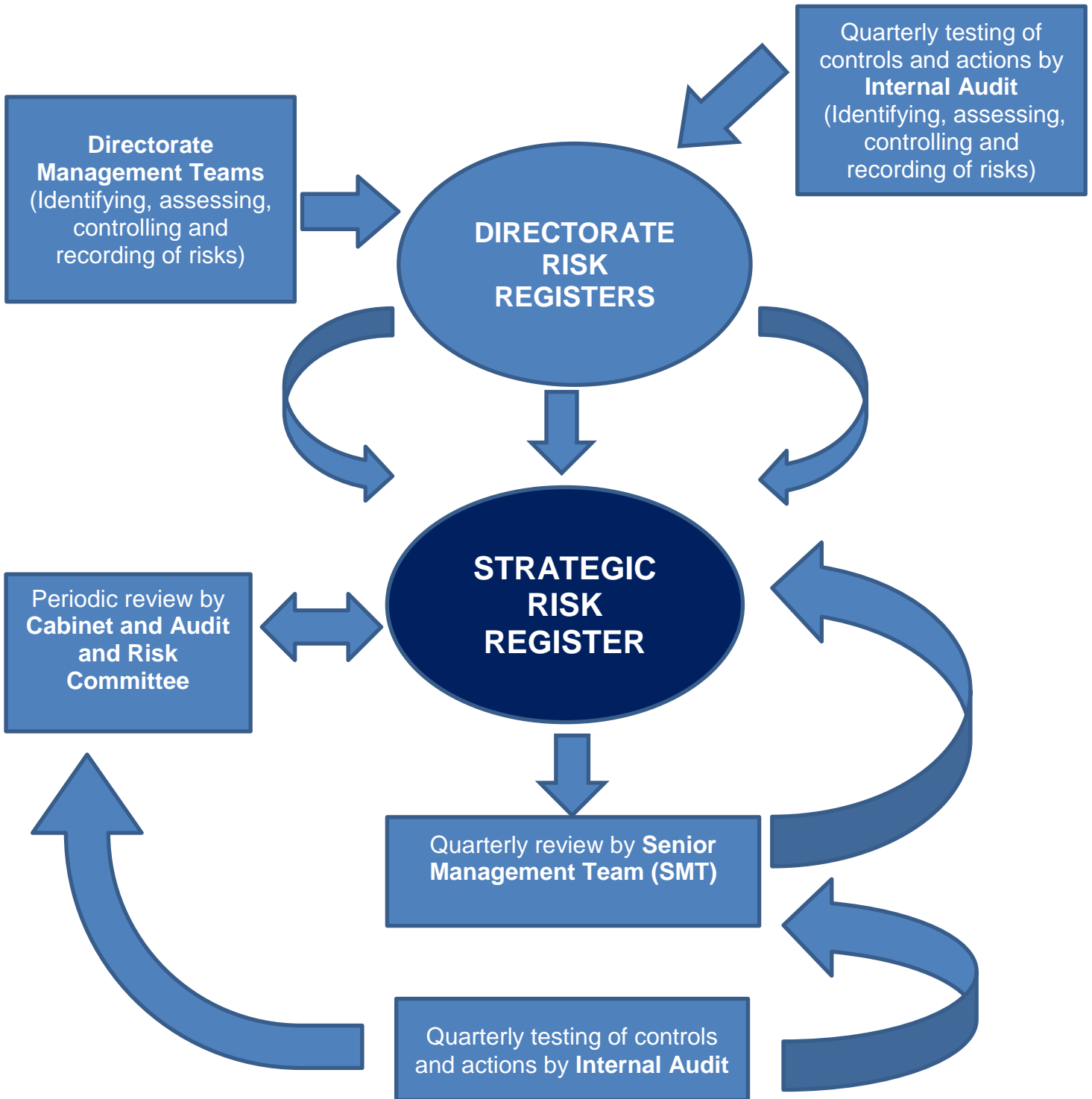
APPENDIX D - RISK ESCALATION CRITERIA

The results of the assessment determine the escalation criteria and frequency of review as follows. For the purposes of risk appetite, risks assessed as “Red” do not meet the Council’s risk appetite and will need to be managed accordingly.

IMPACT	Most Severe 4	4	8	12	16	20	24
	Major 3	3	6	9	12	15	18
	Moderate 2	2	4	6	8	10	12
	Minor 1	1	2	3	4	5	6
		Extremely Unlikely 1	Unlikely 2	Low 3	More Likely than Not 4	Very Likely 5	Extremely Likely 6
		LIKELIHOOD					

Current Risk Level & Score	Frequency and level of Risk Review
High 15-24	These are significant risks which may have a serious impact on the Council and its objectives if not managed. They should therefore be visible to Directors and reviewed on at least a monthly basis and considered for escalation to the strategic risk register.
Medium 8-12	These are risks which have the capability to cause some disruption to the Council if not managed appropriately. They should be visible to Directors and reviewed on at least a quarterly basis .
Low 1-6	These risks may not require further action at this point in time but need to be monitored to ensure that there are no changes in circumstances which would lead to the risk score changing. They should be visible to Directors and reviewed on at least a 6-monthly basis .

APPENDIX E RISK MANAGEMENT PROCESS OVERVIEW



**A large print version of this document is available
on request**



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