Havant
BOROUGH COUNCIL

Risk Management Framework

This framework will provide a step by step guide for risk management at Havant Borough Council. The framework should be read in conjunction with the Corporate Governance & Risk Policy which provides the overarching policy for risk management.

Version	Author	Date	Summary of Changes
V1.0	Will Jackson	April 2022	New version following Risk Management Audit and joint management split
Adopted by Corporate Governance Board			[Review – June 2022]

INTRODUCTION

Background

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with, and where appropriate, lead their communities. Ultimately, corporate governance is the system by which we direct and control our functions, and how they relate to our community.

Risk management is an integral part of good management and corporate governance and is therefore at the heart of what we do. It is essential to the council's ability to deliver public services and as a custodian of public funds.

Definition

Risk is considered to be "an event or action which may have an impact on the achievement of objectives". Although risks are commonly considered to be negative in nature, they may also be positive.

A risk is an event or action that has not yet occurred. Once a risk has occurred it becomes an issue and should be appropriately managed as a live issue until it is no longer deemed to be an issue.

The level of risk faced by the authority is dependent upon the likelihood of the risks occurring and the impact of internal and external factors which could arise if action is not taken to address them.

Statement of purpose

The council is legally required to have risk management arrangements in place. The council's approach to managing risk is explained in the Corporate Governance & Risk Policy approved by the Audit & Finance Committee.

The Corporate Governance & Risk Policy:

- Sets out the council's objectives for the management of risk at a strategic and operational level, within projects, within partnerships and its suppliers;
- describes the risk management framework that is in place by defining a systematic approach to how risk will be managed across the council; and
- ensures that associated thinking and practice is embedded in everyday processes, policies and activity.

In order to ensure the fulfilment of its commitment, the council operates a governance framework which provides a structure to support the council's approach to governance.

The Corporate Governance & Risk Policy is fully supported by councillors, the Chief Executive and the Management Team who are accountable for the effective management of risk within the council. On a daily basis all officers of the council have a responsibility to recognise and manage risk in accordance with this policy.

Risk Management Framework

Havant Borough Council has developed this framework to provide a structured approach to the management of risk. The objectives of this framework are to provide standard definitions, coordinate the approach to risk across the Council, formally document the approach, clarify roles and responsibilities and ensure risks are managed in accordance with best practice.

The framework developed is made up of five steps in order to provide a clear approach for managers and teams to follow. The five steps, which are detailed in the framework in full, are:

For the purpose of the framework all risks will be managed at one of three levels:

I. **Corporate/strategic** – high level risks which could have a major impact on the Council's corporate strategy objectives. These risks will be managed primarily by the Havant Management Team/Corporate Governance Board**.**

II. **Operational/service** – risks which could impact on the delivery or timescale of activities or deliverables at service level. These risks will be managed by Executive Heads and may be escalated to corporate level as appropriate.

III. **Programme/project** – risks that exist and will be managed by the appropriate project officer. Officers responsible for projects must assure themselves that risks are being tracked and dealt with effectively. The mechanisms in place for monitoring and reporting risk will vary according to the size and complexity of the project. Some project risks may be escalated to the corporate level as appropriate.

RISK MANAGEMENT FRAMEWORK

Risk management is “the process by which risks are identified, evaluated and controlled”. This must be carried out in a systematic manner, and should provide a link from strategic objectives to service delivery.

The process of risk management does not seek to fully eliminate all risks, as this cannot be achieved. Rather, it acts to reduce the residual risk to an appropriate level with which the organisation is comfortable.

Risk management needs to look across the entirety of the operation. It should consider threats to mitigate, through uncertainties to manage, to opportunities presented through the organisation executing its strategy.

Effective risk management delivers benefits to the Council through helping to ensure the achievement of objectives. It will facilitate a focussing of resource on high risk areas, and hence allow for a more efficient service provision.

Step 1 – Clarifying objectives

Before you can assess what stands in your way you need to know where you are going.

- What are your objectives?
- What are you seeking to achieve?
- By when?
- Who is responsible for achieving?

The council has set its corporate objectives through the Corporate Strategy, and these objectives are broken down into themes within the Corporate Strategy. The purpose of risk management is to fit in and support these objectives which in turn will help deliver the objectives for the Council. Further to this each service should have a service plan which articulates how they will be delivering the Council objectives. As part of this service planning, service risk should be articulated at service level.

Clarifying your objectives will allow for a greater understanding of what will stop you achieving those objectives and make risk management a lot clearer for your area and the organisation as a whole.

Step 2 – Identifying your risks

Risks must derive from objectives, but this can be at any level from corporate through to personal objectives. For the purposes of the framework all risks will be identified and managed at one of three levels;

Identifying risks can come about from two principal elements; Firstly **initial risk identification**, for example as part of a new programme, major service change or new service plan and secondly **continuous risk identification** required to identify new risks and/or changes to existing risks including those that may become irrelevant over time. For example, the corporate risk register has a number of standing risks that are reviewed quarterly as part of regular risk review.

To assist with identifying risks it is useful to '**horizon scan**'. This involves looking to the medium or even long term to provide early warning of potential risks, giving enough time to put in place appropriate mitigations. You may want to consider the following when horizon scanning:

- What could realistically happen?
- What could go wrong?
- How and why could it happen?
- What do we depend upon for our success?
- What opportunities might arise as circumstances change?

Risk owner
Once identified, every risk is allocated a risk owner. A risk owner is the individual assigned with responsibility for the management of the risk, typically someone closely involved in delivering in the area of business the risk arises. They must ensure that identified controls are in place and operating as intended and that the assessment of the levels of risk are reasonable. For risks held on the corporate risk register, confirmation on the risk and mitigations is sought quarterly from the risk owner.

Risk type and category
In order to help articulate the risk it is at this stage that the risk is further identified by type and category of risk. This is done in order to provide clarity to the organisation what sort of risk it is.

Appendix 1 details the risk types and categories for you to consider where your identified risk falls.

Step 3 – Evaluating your risks

Having identified the risk, including a risk owner, the next step is its evaluation. This is to help understand the scale of the risk identified and how it should be potentially managed by the organisation.

The first part is to understand the inherent risk you have identified. This means the risk as it exists currently, with no additional measure taken or the 'business as usual' position. For this reason, the inherent risk will not change once evaluated.

Risk evaluation incorporates two elements:

- **Impact** – this is the consideration of how severely the organisation would be affected if the risk transpires. In other words, if the forecast event actually happens, what that will do to the organisation.

- **Likelihood** – this is the consideration of how likely it is that the risk will occur. In other words, the probability that it will materialise and become an event to be managed.

Appendix 2 provides the guidance and scales for assessing the impact and likelihood of an identified risk and will help guide your judgement on evaluating a risk.

Risk Matrix

A risk score is derived from multiplying the impact score (1-5) by the likelihood score (1-5). Once you have established an initial score you will need to plot that score on to the risk matrix (the standard risk register template generates your score for you).

The risk scoring matrix is shown below:

Impact	Very High	5	5	10	15	20	25
	High	4	4	8	12	16	20
	Medium	3	3	6	9	12	15
	Low	2	2	4	6	8	10
	Negligible	1	1	2	3	4	5
			1	2	3	4	5
			Very Rare	Unlikely	Possible	Likely	Very Likely
			Likelihood				

The risk profile is a simple graphical representation of risk information that provides visibility and can assist management decision making, particularly when comparing the positioning on a range of risks and provides a sense check on the scoring.

Step 4 – Control your risks

A mitigation/control is an action to reduce either the likelihood of a risk occurring or the impact of the risk, should it occur. Mitigation/control will be measured on its success in terms of impact on the residual score of the risk.

There are four principal options on how to control your risks:

I. **Transfer the Risk -** this method of risk control is very common, whereby insurance companies are paid to acquire particular Council risks e.g. the risk against legal claims in Council facilities or council services may be contracted out.

II. **Tolerate the Risk -** situations may be such that it may prove to be more beneficial to tolerate the risk. A feature of this method of treatment is that often the cost of any other method of treatment may prove to be disproportionate to the benefit gained. In this instance the only management action required is to monitor the risk to ensure that its likelihood or impact does not change.

III. **Terminate the Risk -** some risks will only be treatable or containable to acceptable levels by terminating the activity.

IV. **Treat the Risk -** it is anticipated that the greatest number of risks will fall into this category. Actions are taken to contain the risk to an acceptable level (internal controls). Either the likelihood or the impact of the risk may be reduced.

Residual risk
If you have opted to treat or transfer the risk, the next step is to consider the residual risk score. This represents the likelihood of a risk becoming an event taking into account the additional measures you have taken (mitigation actions). Once you have established a residual risk score you will be able to see the movement of the risk from inherent to residual as a result of your planned actions.

Risk appetite
The risk appetite sets out the level of risk that the Council is prepared to accept, tolerate or be exposed to at any point in time. The current risk appetite is set within the Corporate Governance Policy at a residual risk (post mitigation) score of 15. Any risk scoring over 16 is above the risk appetite and therefore requires closer monitoring. The below provides narrative on how risk should be handled.

Colour	Score	Detail
Red	16 and above	This is in excess of the Council's risk appetite. Action is needed to redress, with regular monitoring. In exceptional circumstances residual risk in excess of the risk appetite can be approved if it is agreed that it is impractical or impossible to reduce the risk level below 16.
Amber	5 to 15	Likely to cause the council some difficulties – regular monitoring is required through Executive Heads ensuring that appropriate mitigations are in place.
Green	1 to 4	Low risk. Monitor as necessary.

Step 5 – Review your risks

Once you have identified your risks, determined the inherent and residual risk score and your planned mitigations you need to ensure these are correctly recorded on the risk register, either at corporate, service or project level.

Appendix 3 provides an example risk register also available in excel format

The following people/groups own the risk registers and are ultimately responsible for keeping them up to date and subject to regular review:

- Corporate risk register - reviewed by Corporate Governance Board with assurance provided to Management Team
- Service level risk register – reviewed by relevant Executive Head
- Programme/project level risk register – reviewed by programme/project team

The corporate risk register is an integral part of the assurance process and reporting is the means by which the Council, Audit & Finance Committee and Management Team can assess the effectiveness of the controls and assurances given for the management of the risks identified to the achievement of its objectives.

The Governance Manager will support the Corporate Governance Board/ Management Team in the review and reporting of the corporate risk register by ensuring that key actions to manage the identified risks are reflected in the relevant risk registers and that appropriate measures of assurance around these actions are in place.

The corporate risk register will be reviewed quarterly as part of the quarterly performance monitoring process. The corporate risk register will then be reported to the Management Team quarterly for review and discussion. This enables the Management Team to have a holistic view while bringing the added value of collective discussion and ownership.

All risks identified on the service risk register and/or programme/project risk registers should be reviewed by the relevant Executive Head or project manager for potential inclusion in the corporate register. Those that are deemed relevant should be discussed by the Management Team who will make the decision to escalate the risk to the corporate risk register, if required.

On an annual basis confirmation will sought from risk owners that entries in the corporate risk register are still accurate and specifically that the identified controls have been in place and operating as intended throughout the year. The information is used to support the Annual Governance Statement, forming part of the annual accounts.

Appendix 4 has a full list of roles and responsibilities

APPENDIX 1 – TYPE OF RISK & CATEGORIES OF RISK

TYPE OF RISK

Service	Affects a service area
Financial	Has a financial implication
Governance	Impact on governance of the organisation

CATEGORY OF RISK

Political	Change of government, cross cutting policy decisions, machinery of government changes, or could be associated with failure to deliver either central or local government policy
Economic	Ability to attract and retain staff in the labour market, effect of global economy on the UK economy or where it affects the ability to meet financial commitments (include internal budgetary pressures, adequacy of insurance cover, macro level economic changes, investment decisions)
Technological	Obsolescence of current systems, cost of procuring best technology available, opportunities arising from technological development and associated with ability to deal with pace of change, and consequences of internal technological changes
Reputation	Satisfaction of services provided and the ability of the Council to maintain a high level of regard with public, in particular with respect to its duty of care and duty towards spending of public money
Competitive	Ability to ensure that the Council operates competitively, whether through its own activities or through how it manages and procures its contracts
Legislative	Changes in legislation at local and/or national level impacting on the work of the Council. Ensuring new legislation is appropriately implemented and enforcement of any legislation is appropriate and achieves the right outcomes
Partnership	How the Council maintains relationships with its commercial partners and wider public sector at national and local level
Organisational	Ability of council to deliver services and be appropriately resourced with knowledgeable and trained staff in providing public services

APPENDIX 2 – GRADINGS GUIDANCE FOR ASSESSMENT OF LIKELIHOOD OR IMPACT

The initial assessment is of the inherent risk. To establish this, no consideration is given to any controls which may be put in place to mitigate the risk. A secondary assessment is then completed on the residual risk taking into consideration the current status of controls and their effectiveness.

Grading of likelihood

The likelihood of a risk materialising is measured on a scale of 1 to 5, where 1 is very rare and 5 is very likely. More detailed definitions of each grading are as follows.

LIKELIHOOD			
Grading	**Likelihood**	**Likelihood of circumstances**	**Indicator**
1	Very Rare	Less than 5% chance of circumstances arising	Has never/rarely happened
2	Unlikely	5% to 45% chance of circumstances arising	Only likely to happen once every political cycle (4 years)
3	Possible	45% to 65% chance of circumstances arising	Possibly happens a couple of times during a political cycle (4 years)
4	Likely	65% to 85% chances of circumstances arising	Likely to happen at some point in next 1 or 2 years. Circumstances occasionally encountered
5	Very likely	More than 85% chance of circumstances arising	Regular occurrence. Circumstances frequently encountered

Grading of Impact

The impact of a risk is less straightforward, since there are a variety of impact types which a risk may have. To provide guidance a description has been provided for some of the most common impacts/guidance on when assessing impact of a risk on the table below:

IMPACT									
Grading	**Impact**	**Reputation**	**Political**	**Organisational**	**Technological**	**Competitive**	**Economic**	**Partnership**	**Legislative**
1 or 2	Negligible/ Low	Short term adverse local public opinion.	Short term local adverse issues	Short term disruption to minor service	Minor technology changes which may impact compliance	Failure to meet minor terms of small contracts	Minor local economic downturn or budget base exceeded by less 10%	Failure to meet minor terms of partnership working	Minor legislative changes
3	Medium	Adverse local publicity / local public opinion	Adverse local political issues/changing political landscape	Major element of service not provided for 1 day or minor element not provided for 1 week	Major changes to technology which threaten delivery of some services	Loss of small scale contracts	Adverse local conditions affecting area or budget base exceeded by 10%-50%	Breach of minor contract or failure to meet partnership terms	Legislative requirements or new legislation impacting on delivery
4	High	Persistent adverse local media coverage	Persistent adverse local political issues or national issues affecting delivery	Major element of service not provided for 1 week, longer term disruption for minor element	Major changes to technology which threaten whole services	Persistent loss of income to due poorly delivered/ drafted contracts or work	Persistent local economic issues or national issues or budget base exceeded 50%-100%	Breach of significant contract results in mistrust and impacts delivery	Element of legislative requirements not achieved or major legislative changes
5	Very High	Persistent adverse national media coverage	Lack of political leadership at both Local and National	Longer term (3 months) disruption to major service element	Council wide services impacted by technology	Significant loss of major contracts or poorly drafted commercial deals	Significant local/national economic issues and/or budget based exceeded by 100%	Complete break down in partnership	Statutory requirement not delivered or significant legislative changes requires considerable investment

APPENDIX 3 – EXAMPLE RISK REGISTER

Sample of the Corporate Risk Register is detailed below. Some of the fields have drop down lists to select from and the overall risk score (priority) is automatically generated.

Risk ID	Risk Title	Type	Category	Identification of areas where there are significant risks	Date Added	Risk Owner	Original Assessment			Planned Mitigation Actions	Mitigation Success Factor	Control Assessment			Direction of Travel	Financial assessment of potential losses.	Current Service hotspots	Reasons for changes since last review
							LIKELIHOOD	IMPACT	PRIORITY			LIKELIHOOD	IMPACT	PRIORITY				
Identifying number	Generic title	Drop down	Drop down	Details of risk	Date	Owner of risk	Current score	Current score	**score**	Actions to be taken	What success would look like	Score post mitigation	Score post mitigation	**Score post mitigation**		Cost if can quantify	Which service affected	Track progress

An Excel template is available on the intranet for use of service and/or project risk registers. Updates to the corporate risk register are managed through the Governance Manager.

APPENDIX 4 – ROLES AND RESPONSIBLITIES

Every member of staff and councillor has a responsibility to ensure their personal conduct and the organisation's governance arrangements are always of the highest standard possible.

- **Audit & Finance Committee**
  - Agree the structure for the risk management process;
  - Approve any changes to the Corporate Governance Policy;
  - Oversee aspects of financial governance; and
  - Monitor progress in reducing risks.

- **Elected Members**
  - Gain an understanding of risk management and its benefits;
  - Be aware of how risks are being managed through the annual strategic and service planning processes; and
  - Maintain an awareness of the risk management implications of policy decisions.

- **Chief Executive**
  - Has overall responsibility for ensuring adherence to the corporate governance policy; and
  - Approves the Annual Governance Statement.

- **Corporate Governance Board/Management Team**
  - Embed risk management throughout the Council and make recommendations for approval by the Executive as appropriate;
  - Accept or reject current net risk, through establishing and applying the Council's risk appetite;
  - Review the corporate strategic risk register on a quarterly basis linked into the performance management framework;
  - Receive reports of potentially significant new and emerging corporate strategic risks at the quarterly review or as they become known; and
  - Consider the level of risk detailed in reports upon which they are making decisions.

- **Executive Heads/Team Leaders & Managers**
  - Manage risks on a day to day basis;
  - Identify, analyse, monitor and review service risks (likely to be both strategic and operational);
  - Report upon performance in implementing controls and reducing risk, or increasing positive risk;
  - Incorporate the requirements of risk management within day to day processes and ensure compliance with the risk appraisal process;
  - Escalate risk management issues as necessary; and
  - Manage the service risk registers.

- **Members of Staff**
  - Maintain an awareness of the need to manage risks when making decisions, and in everyday work;

  - Participate in the formal risk management process as required, to provide input on specific risks; and
  - Advise line managers of any new and emerging risks, to allow issues to be escalated as necessary.

- **SIRO/Information Governance**
  - The SIRO (Executive Head of Internal Services) and Information Governance Manager have responsibility for information governance including information risks.
  - The Information and Governance Policy details roles and responsibilities and any related information risks will be fed up through the appropriate management reporting for inclusion at either service or corporate risk level.

- **Governance Manager**
  - Develop Havant Borough Council's risk management approach, including setting of policy, strategy and methodology;
  - Lead on and co-ordinate Havant Borough Council's risk management approach, ensuring that a consistent approach is adopted throughout the organisation;
  - Facilitate and provide support to the organisation's risk management process, giving advice and guidance on best practice;
  - Report regularly to Management Team on progress;
  - Report to the relevant Audit & Finance Committee on a six-monthly basis and provide a report on Annual Governance Statement and Local Code of Corporate Governance on an annual basis; and
  - Ensure that managing risk is integrated with other corporate processes, principally relating to the service planning and performance management frameworks.

- **Internal Audit**
  - Provide support to the risk management methodology, sharing findings on key risk issues, and having input into the risk assessment process;
  - Provide assurance on key controls identified;
  - Work to align the risk management and internal audit approaches;
  - Periodically review the risk management process and arrangements for adequacy and effectiveness; and
  - Undertake an annual assessment of the Council's internal control mechanisms as part of the review of corporate governance arrangements.

Support and advice
Please contact the Governance Manager and/or Governance Project Officer for any support or advice with respect to risk management.