

*Tendring*  
*District Council*



# **RISK MANAGEMENT FRAMEWORK**

**December 2014**

**CORPORATE SERVICES**



## **1. INTRODUCTION**

Risk management is an essential element of good governance. CIPFA / Solace in their “Delivering Good Governance in Local Government” guidance note (2012) identify as a core principle of good governance that authorities “**take informed and transparent decisions which are subject to effective scrutiny and managing risk**”.

Risk management is not about being risk averse, it is about being risk aware. For the Council to make the most of its opportunities and to achieve its objectives, the Council will be exposed to risk. By being risk aware and understanding its risk appetite, the Council will be better able to take advantage of opportunities and mitigate threats.

To secure maximum benefit for Tendring District Council, the risk management framework must be integrated with departmental planning. Risk registers must be regularly reviewed and must be meaningful, consistent and current.

This framework is to ensure that the Council has a robust yet proportionate approach to risk management.

## **2. THE NEED FOR RISK MANAGEMENT**

Risks are uncertainties that matter and may impact on the delivery of the Council's objectives and services. Risk exposure to the Council arises from the functions and activities it undertakes. Risk exposure will also arise as the Council increases its partnership and multiagency work – whilst control of risks in such instances may be outside of the Council's direct control, the risk exposure needs to be taken into account within the risk management process.

Risk management is the systematic method of identifying, assessing, prioritising, controlling, monitoring, reviewing and communicating risks associated with any activity, function or process in a way that enables the Council to minimise the threats it is exposed to and to maximise the opportunities for achievement of its objectives.

The Council acknowledges that risk management plays a key role in better informed decision making and in assisting in the support and delivery of key objectives, projects and services. It aids in creating an environment that: -

- Maximises opportunities
- Minimises threats
- Adds value

## **3. THE MANAGEMENT OF RISK**

Risk exposure occurs at all levels within the Council. Therefore the Council's approach to risk is that it must be addressed on an integrated basis with everyone having roles and responsibilities for its management.

Risks are managed by evaluating the inherent and residual risks applicable, scored to provide a risk rating, which are then assessed taking account of the Council's risk tolerance / appetite.

Risks are captured, and managed at two levels: -

### **Corporate Risks**

Corporate risks are those risks that potentially impact on the delivery of the Council's goals and objectives. They may include issues that have the potential to fundamentally affect service delivery or provision.

Corporate risks will be controlled in the Corporate Risk Register, owned by Management Team.

### Operational Risks

Operational risks are those that potentially impact on the routine service delivery of the Council.

Operational risks are recorded in registers maintained by each department of the Council, and embedded in the departmental planning process. Each register is owned by the relevant Corporate Director / Head of Department.

## 4. RISK MANAGEMENT ROLES AND RESPONSIBILITIES

<b>Audit Committee</b>	Provides independent assurance of the adequacy of the risk management framework and the associated control environment	Receives reports on risk management at least twice each year
<b>Management Team</b>	The maintenance and review of the Corporate Risk Register	Receives updated Corporate Risk Register on a regular basis
<b>Corporate Directors / Heads of Department / Senior Managers</b>	Provide updates on any Corporate Risk where identified as Action Owner	Provide update monthly to Corporate Services
	The maintenance and review of Departmental Risk Registers	Provide update monthly to Corporate Services
<b>Audit and Governance Manager (Governance Role)</b>	Maintenance of the Corporate Risk Register taking into account updates from Management Team, Corporate Directors / Head of Department / Senior Managers	Submit Corporate Risk Register to Management Team on a regular basis
	Support Departments in the continued development and maintenance of Departmental Risk Registers ensuring content is consistent with this framework	As required
	Review and update of Risk Management Framework	As required
<b>Audit and Governance Manager (Internal Audit Role)</b>	Maintenance of Internal Audit Universe and Audit Plans, and the undertaking of audits taking account of risks within Corporate and Departmental Risk Registers	Ongoing
	Audits of Risk Management process at Corporate and Departmental level	Annually
	Reporting on any significant risk exposures for consideration of inclusion in the appropriate Risk Register, identified from the work of Internal Audit.	As required
<b>All Employees</b>	Taking of reasonable steps to manage risk effectively in their roles	Ongoing

## 5. RISK REGISTERS

Risk registers are working documents that support senior management in the running of the Council.

Risk Registers will use a standard format, and record:

- A reference number for the risk
- Risk details
- Inherent risk scores and rating
- Identified controls in place to mitigate each risk
- Warning indicators
- Action owner
- Target / Review Date
- Residual risk scores and rating
- An indicator of direction of travel of each risk

The Corporate Risk Register will be structured to highlight high level corporate risk themes, with each containing detail of the identified corporate risks within that theme.

Whilst using the standard format, Departments can order risks to suit their own needs. Departments must though consider in preparing Departmental Risk Registers the exposure to risk across all of their functions, and the requirements of this framework. Registers must include all risks that would materially affect the operation of each department's activities.

The Council's Risk Registers take account of two forms of risk: -

**Inherent Risk** This is the level of risk that is **present before the application of any controls**. Measured by evaluating the impact and probability of the risk to calculate an Inherent Risk Rating.

**Residual Risk** This is the level of risk **remaining after application of controls**. The Residual Risk Rating is calculated on the same basis as for inherent risk, but factoring in any changes in impact and probability arising from the controls in place to mitigate the inherent risk.

Risks must be scored taking into account the scoring elements detailed in this framework, to provide a consistent approach across the Council.

Having identified each risk, and taking account of the extent of exposure to the Council, consideration should be given as appropriate to the level of exposure whether that risk should be:

**Treated** Procedures and controls in place or added that enable that risk to be mitigated to an acceptable level.

**Tolerated** It is not cost effective, or feasible, to address the risk, therefore the risk is accepted. This may not be acceptable where the risk is scored as High.

**Transferred** The risk is transferred to another body, eg by obtaining insurance cover. It will not be possible to transfer all types of risk.

**Terminated** Cease doing the activity that creates the risk exposure. Often this will not be possible.

Within the Council's Risk Registers it is expected that most risks identified will either be Treated or Tolerated.

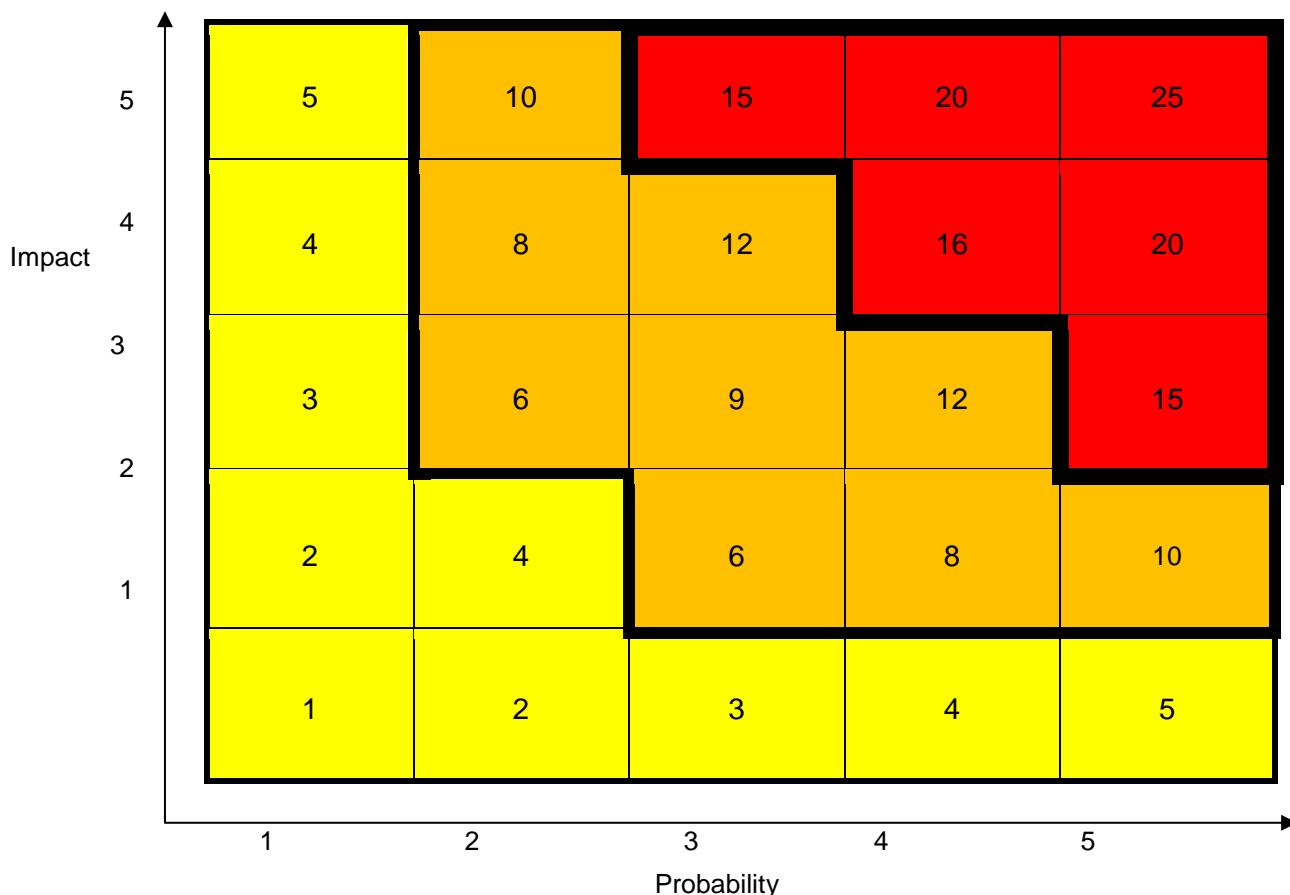
## 6. RISK RATING ELEMENTS - IMPACT

Risk level	Impact				
	Level	Financial	Service Delivery	Safety	Reputation
5	<b>Critical</b>	Loss of more than £1m	Effective service delivery is unachievable.	Fatality (Single or Multiple)	Reputation damage is severe and widespread i.e. Regulatory body intervention
4	<b>Major</b>	Loss above 250K but below £1m	Effective service delivery is severely disrupted in one or more areas	Multiple serious injuries requiring professional medical treatment	Reputation damage occurs with key partners.
3	<b>Sizeable</b>	Loss above £25K below £250K	Effective service delivery is disrupted in specific areas of the Council.	Injury to an individual(s) requiring professional medical treatment	Reputation damage is localised and/or relatively minor for the Council as a whole
2	<b>Moderate</b>	Loss above £5K below £25K	Delays in effective service delivery	Minor injury - no professional medical treatment	Slight reputation damage
1	<b>Minor</b>	Loss of up to £5K	Minor disruption to effective service delivery i.e. Staff in unplanned absence for up to one week	No treatment required	Reputation damage only on personal level

## 7. RISK RATING ELEMENTS - PROBABILITY

Timescale → ↓ Probability	Up to 6 months	To 12 months	To 24 months	To 60 months	60+ months
Over 80%	5	4	3	2	1
65%-80%	4	4	3	2	1
50 – 64%	3	3	3	2	1
30 – 49%	2	2	2	2	1
Less than 30%	1	1	1	1	1

## 8. RISK MATRIX



**Impact x Probability = Overall Risk Rating**

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### **High Risk (Rating of 15 -25)**

Risks at this level will be considered to be above the Council's risk tolerance level. These risks require immediate attention and, as a high priority, a plan should be put together to provide sufficient mitigation resulting in a lower rating for the residual risk, wherever possible.

Management Team should regularly review any risks in the Corporate Risk Register where the mitigated level remains above the risk tolerance level.

Where a risk in a Departmental Risk Register scores at this level, consideration will be given to any corporate impact, and whether there is a need for the risk to be considered within the Corporate Risk Register.

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### **Medium Risk (Rating of 6 – 12)**

Controls should be put in place to mitigate the risk, wherever possible, especially where the risk is close to the risk tolerance level, or is increasing over time. However where the options for mitigation would not provide value for money, the risk may be tolerated.

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### **Low Risk (Rating of 1 – 5)**

No action required to mitigate these risks.

## 9. RISK REGISTER FORMAT

### Corporate Risk Register (Example of format)

Risk No	Risk Details	Inherent Risk			Controls We control the risk by:	Warning Indicators	Action Owner	Target/ Review Date	Residual Risk			Contribution to / Secondary Risk Supported	
		Impact 1-5	Probability 1-5	Inherent Risk Rating					Impact 1-5	Probability 1-5	Residual Risk Rating		
1	Failure to deliver key services												
1a	Failure to effectively manage assets	5	3	15	Bringing the management of assets together within a dedicated team rather than devolved across the organisation. Implementing and developing an Asset Strategy and associated delivery plan and ensuring an effective and flexible property dealing policy	Loss of developments or transactions	Andy White	Summer 15	3	2	6		2 & 3

### Departmental Risk Register (Example of format)

Risk No	Risk Details	Inherent Risk			Controls We control the risk by:	Warning Indicators	Action Owner	Target Date	Residual Risk			Contribution to / Secondary Risk Supported	
		Impact 1-5	Probability 1-5	Inherent Risk Rating					Impact 1-5	Probability 1-5	Residual Risk Rating		
FP1	Accountancy - Accounts not approved by statutory deadline	5	2	10	Detailed timetable drawn up, regular/weekly meetings of Accountancy staff to monitor progress. liaison with External Auditor Controls adequate with normal staffing levels.	Significant adverse issues emerging from work of external audit	Richard Bull	No outstanding actions	2	2	4		