

# Risk Management Plan



This plan has been developed to provide guidance on the council's approach to ensuring risk is appropriately managed as required under regulation 4 of the Accounts and Audit Regulations 2015. This was adopted on XXX and will be reviewed annually

## Introduction

Herefordshire Council, like all organisations, faces a wide range of risks. The aim of this framework is to communicate why Risk Management is important and to provide the detail on the approach that is taken.

Risk is an uncertain event, or set of events, that if occur will have an effect on performance and therefore the ability to achieve the council's objectives.

Risk Management identifies, evaluates, controls and monitors at regular intervals the council's risk. It is about managing resources wisely, evaluating courses of action to support decision-making and protect the council from harm.

Embedding risk management throughout the Council is not just about legal requirements. Effective risk management will lead to:

- experiencing fewer shocks and unwelcome surprises allowing greater focus on planned activity;
- more efficient use of our resources;
- improved business planning due to awareness of uncertain events and integrated planning of risk mitigation
- better, more informed decision-making

The risk management process forms part of the council's performance framework. Embedding and effectively managing risk supports increased performance and delivery.

## Risk process

As officers become aware of risks that could affect the council achieving its objectives, they must report their concerns to their manager. Their manager is responsible for considering whether the risk is of sufficient impact that it needs to be recorded in the service risk register and managed through this process.

### Step 1: Identifying the risk

Risks can emerge at any point, however they should be given particular attention as part of business planning. As part of business planning processes, services are required to self-assess their services; this should consider the risks of delivery and the circumstances which have either, or might impact delivery and performance. The mechanism used to undertake this may vary within the Service Business Plan template, but might include SWOT analysis, or PESTLE analysis. It is vitally important that the risk clearly identifies the impact it will have on achieving the council objectives, either at delivery and or county plan level.

Risks are often identified as a result of audit activity, at this stage mitigating activity is often agreed.

Risks are also identified as part of decision reports. Where appropriate the risks taken when the decision is made should be recorded in the service, directorate or corporate risk register.

Risk should be a standing item on every head of service team meeting. Risks emerging from decision reports and audits should be discussed and an assessment undertaken as to whether they should be included in the risk register.

## Step 2: Assessment of Risk

Every risk should be assessed to help determine how much attention is given to it. The council uses a 5x5 point scale to multiply the likelihood and impact of the risk which produces an inherent risk score.

### Risk Appetite

The council recognises that it cannot reduce all risks to nothing. As such, it sets a level at which it accepts risk – it's risk appetite. These levels are contained in the impact descriptions.

### Risk Assessment: Likelihood

Score	Likelihood	Description
1	Rare	It is unlikely that the event will occur
2	Possible	It is likely that this event will occur but not within the next year
3	Likely	There is a fair chance (50:50) that this event will occur within the next year
4	Almost certain	The event will almost certainly occur within the next six months
5	Certain	The event has occurred or will almost certainly occur within the next three months

### Risk assessment: Impact

Score	Impact	Description
1	Negligible	Day to day operational problems
2	Minor	Budgetary issues that can be resolved within Service Manageable disruption to services Noticeable internal impact, but the Service would remain on course to achieve priorities Budgetary issues that can be resolved within Service Management Team and financial procedure rules Localised reputational damage
3	Significant	Significant loss, delay or interruption to services Disruption to one critical Council Service for more than 48hrs Non-delivery of corporate and service plan objectives during a quarter Significant stakeholder concern Attracting short term media attention and potential for litigation/ prosecution from legislative or regulatory bodies Long term regional damage to reputation Budgetary issues that can be resolved at Directorate level in accordance with financial procedure rules Serious Injury to employees or those in the Council's care Significant complaints
4	Major	Widespread medium to long term impact on operational efficiency, performance and reputation. Major disruption to Council's critical services for more than 48hrs (e.g. major ICT failure) Breach of legal or contractual obligation attracting medium-term attention of legislative or regulatory bodies. Adverse coverage in National Press/Front page news locally Budgetary issues that can only be resolved by Section 151 Officer / Chief Executive / Members Serious Injury to employees or those in the Council's care

<b>5</b>	Critical	Potential to threaten the existence of a service/s Death of employees or those in the Council's care Inability to function effectively, Council-wide Service delivery has to be taken over by Central Government
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The likelihood and impact scores are multiplied to give a risk score as shown in the grid below.

Likelihood	Consequence				
	1 Negligable	2 Minor	3 Significant	4 Major	5 Critical
5 Certain	5	10	15	20	25
4 Almost Certain	4	8	12	16	20
3 Likely	3	6	9	12	15
2 Possible	2	4	6	8	10
1 Rare	1	2	3	4	5

This inherent risk score is used to provide some indication as to what amount of resources and action should be taken to address the risk.

### Step 3: Addressing risk - taking practical steps to manage and control it

Consideration should then be given to whether the council needs to do something to manage the risk in order to reduce the exposure, or whether accepting the risk is acceptable. The colour and score does not categorise this, but should give some indication.

Simply, the council would take one of approaches to identified risks;

- **Reduce:** Steps that are required to reduce either the likelihood or the impact, or both, to contain the risk to acceptable levels, e.g. mitigation action, contingency planning and more. This might also include transferring the risk; examples include additional insurance, or outsourcing services.
- **Accept and monitor:** An informed decision to accept the likelihood and or impact of a particular risk without additional controls but subject to active monitoring of the impact and likelihood to see if requires different management.
- **Accept:** An informed decision to accept the likelihood and or impact of a particular risk without additional controls. Where for example, the ability to do anything about a risk may be limited, or the cost of taking any action may be disproportionate to the potential benefit.

The action taken to control the risk must be documented in the risk register, and significant programmes of work would be expected to link back to a Service Business Plan.

The risk is then scored again to provide a residual risk score. This residual score is used to determine how the risk should be escalated and reviewed.

## Step 4: Monitor and Review

Once risks have been identified and appropriate controls and action plans put in place to manage and mitigate them, it is essential to routinely monitor their status on the risk register.

Based on the risk score colour determines the review period as set out in the table below. Of course, if there is a change in circumstances, **every** risk is required to be reviewed.

Risk colour	Review period
red and amber	Monthly
yellow	Monthly
green	Quarterly

It is expected that directorates will review their risk registers regularly to ensure that the content is accurate and risks are being managed appropriately.

The Corporate Centre Team Meeting will also review and moderate Directorate Risk Registers, with a view to ensuring that scores have been applied consistently across the council and to verify or challenge directorates on escalation of risks to the Corporate Risk Register. Risk will be considered at this meeting each month.

## Step 5: Reporting Risks

The council operates 3 tiers of risk registers in relation to its business as usual activities; a corporate risk register, directorate risk register and service risk register. In addition, the council also maintains project and programme risk registers to record risks in relation to projects.

Risks move between registers in order to allow effective management and visibility of risk.

### Escalation & De-escalation

The council uses one set of scores to evaluate risks in service, directorate and corporate risk registers. It is therefore very important for all risks to be accurately assessed using the scoring criteria above. Taking this approach, rather than using different scoring templates to demonstrate various levels of materiality, helps to ensure that risk processes are as simple for staff as possible.

### Service Risk Registers - > Directorate Risk Registers - > Service Risk Registers

Heads of Service should ensure that risks from their service level registers which score over 9 are escalated to the Directorate risk register because there is a fair chance significant impact will occur.

Directors should ensure that risks from their service levels which score over 16 are escalated to the Directorate risk register because there is a fair chance major impact will occur.

Risks can be de-escalated from the corporate and directorate risk register but will remain in the service risk register until such time as the Head of service accepts the risk and the risk is moved to the accepted risk list for the service.

### Project & Programme Risks

Project and programme risks have separate guidance, available from the programme team. Significant project and programme risks are escalated in to the Corporate Services directorate risk register.

## Closing Risks

Whilst some risks will be ever-present, as work is done to mitigate risks some risks will reach a point where they no longer need to be reported. Heads of Service accept these risks by moving them into the list of accepted risks in the risk register.

The following summarises the attributes of each tier of risk register.

Corporate Risk Register	<p>This register flows out from the directorates risk registers and is owned by Management Board.</p> <p>These risks are reviewed by the Corporate Centre Management Team monthly and by Management Board as an overview each month, but in depth every quarter.</p> <p>Risks which are escalated here are with a risk score of 16.</p>
Directorate risk register	<p>This register flows out from the Service risk registers and is owned by the Directorate Management Teams (DMT's).</p> <p>These risk registers are challenged by CCMT on a quarterly basis to ensure consistent application of the risk plan and scoring criteria.</p> <p>Risks which are escalated here are those with a risk score of 9 or above.</p>
Service risk register	<p>This register flows out from the Service area/Team (risk registers) and is regularly reviewed at Service Team Meetings (ST's).</p> <p>This is the master risk register and controls the escalation and closure of risks.</p>
Programme and Project risk registers	<p>Where it is considered appropriate, major partnerships, programmes and projects will produce and maintain their own risk registers. Risk to the programme/project should be recorded within Verto and managed through the corporate Project framework. If the risk is more than 9 it should be escalated to the Corporate Centre Risk Register via the programme team</p>

## Roles and Responsibilities

Risk management is an intrinsic part of corporate governance. For this to be effective it is vital that everybody within the council understands the role they play in effective management of risk.

Tier	Responsibility and reporting framework
Audit and Governance Committee	Responsible for ensuring that the council's risk management process is carried out effectively. It is not a function of the committee to examine specific risks in detail, but satisfy itself that risk management in the council is operating effectively. Should the committee have a concern about the scoring or detail of the risk, it might refer back to officers attending the committee, or scrutiny.
Cabinet	Oversee risk management as part of the quarterly performance monitoring on the Budget & Performance Report. Cabinet might be required to drive active steps to manage certain risks, particularly risks to strategic objectives, through decision making. Individual Cabinet members should also regularly review risks within their portfolio as part of Cabinet Member Briefings; this should
Management Board	Own the council's Corporate Risk Register. Monitor and review risks on the corporate risk register ensuring adequate response. As part of this review, Management Board should challenge one another in their delivery of activity which effectively mitigates identified risks.
Internal Audit	Responsible for considering the risk registers when proposing the annual plan.
Corporate Centre Management Team	<p>Assess risks for inclusion on corporate risk register when escalated from Directorates.</p> <p>Consider risks which appear high on Directorate Risk Registers which have not been escalated to the Corporate Risk Register.</p> <p>Challenge of the application of scoring on Directorate risk registers to ensure comparability across the council.</p> <p>Consider any risks identified in internal and or external audit reports and challenge directorates on their inclusion.</p> <p>Undertake an annual review of national risks, considering local implications of emerging national risks.</p>
Solicitor to the council	<p>Responsible for promoting the consistent use of risk management, developing the risk management plan and facilitation of the council's corporate risk register.</p> <p>Will review the Risk Management Plan annually in order to ensure effective management.</p>

Directors	<p>Accountable for effective risk management within their directorate, escalating risks to the corporate register as appropriate. This requires directors to ensure that staff are continually identifying emerging risks and monitoring and reviewing their risks in line with guidance. In addition, it is necessary that directors ensure that risks which are an unacceptable levels are managed to reduce the risk/impact to the council, and that these risks are an integral part of business planning processes.</p> <p>Responsible for providing cabinet members of the oversight of significant risks within their portfolios.</p>
Heads of Service	<p>Accountable for effective risk management within their service, escalating risks to the directorate register as appropriate. This requires them to ensure that staff are continually identifying emerging risks and monitoring and reviewing their risks in line with guidance. In addition, it is necessary that they ensure that risks that have been managed can be accepted and transferred to the accepted risks section of the register.</p>
Risk Owners	<p>Risks owners are responsible for recording risks, updating risks, managing actions and ensuring that risk registers are up to date.</p>
Performance Leads	<p>Will support directorates to update risk registers and act as an intermediary with the Corporate Centre. Directorate &amp; Service Risk Registers are owned by operational staff though, not performance leads.</p> <p>They should provide challenge to directorates on their risk recording and support directors to embed risk within their directorates.</p>
All Staff	<p>Responsibility to be risk aware; to assess and manage risk effectively in their job and report potential hazards or risks to their managers, work to mitigate risks and to work within the appropriate risk management guidelines.</p>





