

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 Management 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 typically agreed. Risks are also identified as part of decision reports.

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

As risks are identified, 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 of the risk occurring and impact of the risk to the council which produces an inherent risk score. This is the risk score should no controls be applied – effectively the worst case scenario.

Risk Assessment: Likelihood

The table below shows the scores for the likelihood element of the risk.

Score	Likelihood	Description
1	Rare	It is unlikely that the event will occur
2	Possible	It is likely that this event will occur
3	Likely	There is a fair chance (50:50) that this event will occur
4	Almost certain	The event will almost surely occur
5	Certain	The event has occurred or will definitely occur

Risk assessment: Impact

The table below shows the risks scores for impact and a basic overview of the sort of implications that would realise these scores.

Score	Impact	Description
1	Negligible	Day to day operational problems that can be dealt with
2	Minor	Budgetary issues that can be resolved within Service in accordance with the finance procedure rules {link} Manageable disruption to services Noticeable internal impact, but the Service would remain on course to achieve priorities for the year 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 [link]

		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 in accordance with the finance procedure rules {link} Serious Injury to employees or those in the Council's care
5	Critical	Potential to threaten the existence of a service/s Budgetary issues that cannot be resolved 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

Risks tend to fall in to one of the following categories, using these might help managers in assessing the implications of risks that might impact on their service;

- Delivery and operational
- Compliance
- Financial
- Environment
- Reputation
- Health & Safety
- Risk to vulnerable people

Detailed in appendix 1 is a list of risk categories and scoring criteria against them.

The likelihood and impact scores are multiplied to give a risk score as shown in the grid below.

Likelihood	Consequence				
	1 Negligible	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

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

In most instances, the council will already have some controls in place to help reduce the likelihood or impact of a risk. These should be documented in the controls section of the risk register. Given the existing controls in place, the risk must then be scored again to provide a residual risk score. This residual score is used to determine how the risk should be escalated and reviewed. The score will also give an indications of what needs to happen to address the risk.

The service/directorate would take one of the following 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. mitigating action, contingency planning and more. This might also include transferring the risk; examples include additional insurance, or outsourcing services.
- **Accept:** An informed decision to accept the likelihood and impact of a particular risk without additional controls but subject to monitoring of the impact and likelihood to see if requires different management. This will ordinarily be the option where there is little in the council's control which will have an impact on the risk scores, or where the cost (financial or staff resource) would be prohibitive.

Planned additional action to address the risk must be referenced within the mitigating activity column of the risk register, with key dates identified. It might be that this is a reference to a detailed project/programme plans, or it might be that form activities recorded within a service business plan. Any key actions and dates described in the register must use SMART methodology; i.e. must describe an action which is

- Specific,
- Measureable,
- Achievable,
- Realistic and
- Time-based.

Risk Appetite

The council accepts that there will always be risks to delivering our services, however sometimes these reach a threshold and something must be done to mitigate the ongoing exposure to the risk. In determining whether the council needs to do something to manage the risk the residual score will give an indication as to what should happen.

As a rule of thumb;

- Red risks **MUST** have a set of mitigating activities to reduce either the likelihood of a risk or the impact of the risk
- Orange risks **SHOULD** have a set of mitigating actions, however in cases where the amount of officer time or financial cost would outweigh the level of risk exposed to, this might not be necessary
- Yellow risks **MIGHT** have a set of mitigating activities, again dependent on whether the cost of change or amount of resource required is disproportionate to the amount of risk exposure
- Green risks Unlikely to need further mitigating activities, unless there is a lack of basic policy/procedure to reduce exposure to this risk

Step 4: Monitor and Review

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

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 and mitigating action needs 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. In reviewing the risk, it is important that services ensure that the residual risk score remains up to date, planned activities are refreshed to ensure completed actions are moved in to the controls column and any new future mitigating activities are included.

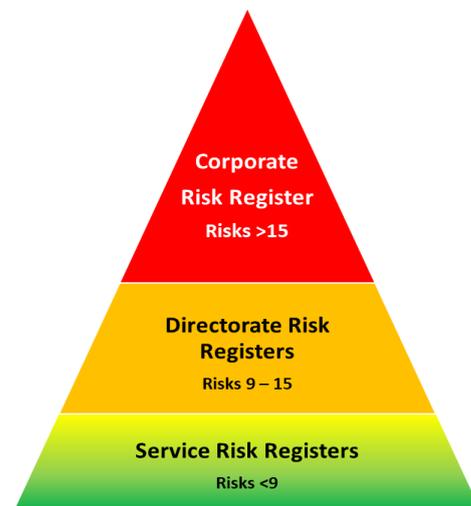
The Corporate Centre Team Meeting will also review and moderate Directorate Risk Registers, with a view to ensuring that scores have been applied consistently across the council and to verify or challenge directorates on escalation of risks to the Corporate Risk Register. Risk will be considered at this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

Annually, the Corporate Centre will also undertake an annual review of the Corporate Risk Register, comparing with a range of other local authorities, as well as reviewing against the national risk register.

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

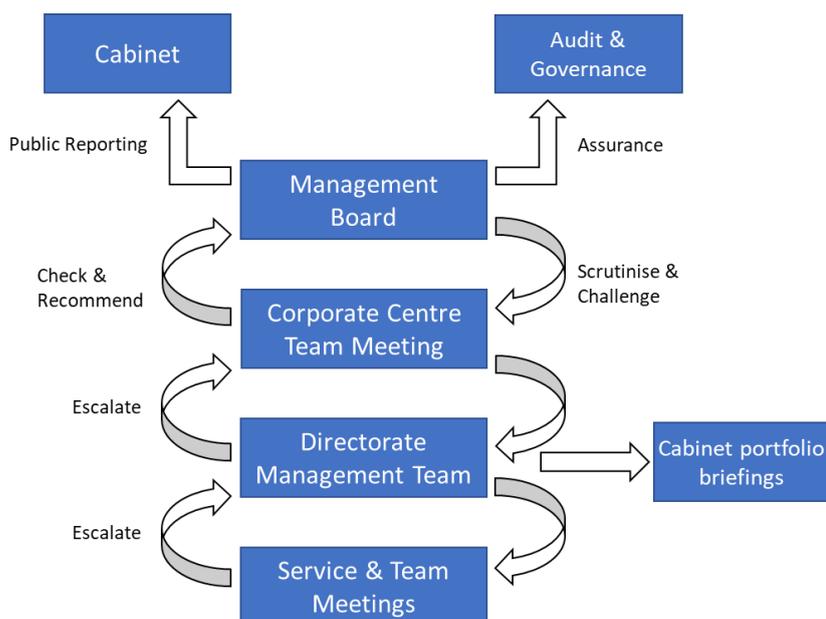
The council uses one set of scores to evaluate risks in service, directorate and corporate risk registers. It is therefore very important for all risks to be accurately assessed using the scoring criteria above. Taking this approach, rather than using different scoring templates to demonstrate various 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. De-escalation is consistent with the triggers above, scores dropping below 16 will step down from the corporate risk register to directorate risk registers, and will drop to service risk registers as they drop below 9.



In summary;

Risk Score	Colour	Register Level
> 16	Red	Corporate Risk Register
9 – 25	Amber	Directorate Risk Register

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 closed list holds risks for 1 year.

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 (CCMT) 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 or greater.</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> <p>Any corporate risks owned by the directorate will also be kept in the directorate risk register, to ensure the visibility.</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 all risks in the service areas.</p> <p>All relevant service risks are kept in this document as the master copy for services, which are then referenced in either directorate or corporate risk registers.</p>

Programme and Project risk registers	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. Risks will be assessed at programme level and will be escalated on to the Corporate Centre Risk Register, should it score 9 or more in the scoring criteria below. This is the responsibility of programme managers
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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
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	Assess risks for inclusion on corporate risk register when escalated from Directorates. Consider risks which appear high on directorate risk registers which have not been escalated to the corporate risk register. This will typically be done by challenging the application of scoring on directorate risk registers to ensure comparability

	<p>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, 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. However, directorate & service risk registers remain the responsibility of operational staff not performance leads.</p> <p>Performance Leads will 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>

Appendix 1 – Risk Categories and Impact Scoring

	1	2	3	4	5
	Insignificant	Minor	Moderate	Major	Significant
Delivery and operational	Day to day operational problems	Manageable disruption to the service	Disruption to one critical Council Service for more than 48hrs	Major disruption to Council's critical services for more than 48hrs (e.g. major ICT failure)	Potential to threaten the existence of a service/s
Compliance	Concern raised Complaint received	Warning received	Breach Improvement Notice	Enforcement Action Breach of legal or contractual obligation attracting medium-term attention of legislative or regulatory bodies	Prosecution Service delivery has to be taken over by Central Government
Financial as per the finance procedure rules	Up to £100,000 – within a directorate	Up to £100,000 – across directorates	Between £100,001 & £250,000 – within a directorate Between £100,001 & £250,000 – across directorates	Between £250,001 & £500,000 – within a directorate Over £250,001 – across directorates	Over £500,001 – within a directorate
Environment (incl. consideration of - Biodiversity - Carbon emissions - Waste & pollution - Air Quality)	Minimal impact on waste/pollution levels/carbon emissions requiring no/minimal intervention	Minor impact on waste/pollution levels/carbon emissions requiring minor intervention	Moderate impact on waste/pollution levels/carbon emissions requiring intervention	Increase in pollutant/carbon emissions/waste from service delivery requiring additional offsetting and mitigation measures	Significant increase in pollutant/waste/carbon emission levels which compromise the Council's ability to deliver carbon neutrality and biodiversity net gain. Significant loss to

					protected sites, species and loss of life.
Reputation	Short term local media attention	Sustained local media attention	Front page news locally	Adverse coverage in National Press	Potential public interest report, third party intervention
Health & Safety	Minimal injury requiring no/minimal intervention	Minor injury or illness, requiring minor intervention	Moderate injury requiring professional intervention. RIDDOR/ agency reportable incident.	Major injury leading to long-term incapacity/ disability	Incident leading to death, multiple permanent injuries or irreversible health effects Death of employees
Risk to vulnerable people	Minimal impact on individuals in the authorities care	Minor impact on individuals in the authorities care requiring minor intervention	An event which impacts on a small number of individuals in the authorities care	Serious impact to individuals in the authorities care Mis-management of care with long term effects Breach of human rights	Death to individuals in the authorities care

Appendix 2 – Worked example

Identifying the risk:

Following a drop in performance in Delayed Transfers of Care, it was recognised that Herefordshire's performance was being reported as one of the worst nationally. At the time, new and ambitious targets had been set by NHS with the potential threat of financial penalties for local authorities not meeting targets, as well as the potential impact on a Better Care Fund "grant" received by Herefordshire Council and health partners.

Scoring the risk:

Due to the performance being recognised as one of the worst nationally and the fact that the reported numbers were poor, the likelihood of the risk was scored as 5 - the problems were already happening.

The potential impacts on Herefordshire Council were also significant; there was financial risk due to the possible fines that would be levied on the council, as well as the possible implications for the Better Care Fund income. There were also impacts on the reputation of the council, as well as an impact on people in hospitals, as they needed support from community services, but the council's response wasn't timely enough. The impact score was therefore identified as 5.

Therefore the inherent risk was recorded as 25.

Initially, the controls already in place were having little impact on the performance, therefore the residual risk remained as 25.

Addressing the risk

Due to the severity of the risk, significant programmes of work were identified as necessary to control the risk – this was included within the risk register.

Monitor and review

The risk was regularly reviewed at Adults & Communities Directorate Leadership Team. There was a continual focus on making sure that hospital cases were managed effectively, to minimise the number of delayed transfers of care, as well as new processes being implemented. As part of this focus, risk scores were reviewed to ensure that they remained an accurate picture, as well as actions being updated with additional controls recorded as they were implemented.

As there was a sustained improvement in performance over a 6 month period, the risk score was reviewed by the risk owner to a lower score; as the likelihood

$$\text{likelihood} = 3 * \text{impact} = 4 = 12$$

Further improvements over a continued period of time, saw the risk score reviewed again, and the risk closed down due to the now negligible risk.

Reporting the risk

Initially, due to the residual risk score of 25, this risk was escalated on to the corporate risk register (whilst continuing to be seen on service risk registers and directorate risk register to ensure visibility).

As a result of being on the corporate risk register, the risk was seen by Cabinet, as well as Audit & Governance Committee. In addition, the risk was regularly visible as part of Cabinet Member Briefing, and Management Board.

As the risk was reduced, this risk could step down to the directorate risk register. At this point it continued to be regularly viewed as part of Directorate Leadership Teams and also as part of Cabinet Member Briefings.

Further reductions to the risk, means that this risk has now been closed and will sit as part of the closed list on the service risk register.