

## Embedding the Risk Management Plan

# Today's Session

- Introduction
- The Template
- Risk Identification
- Risk Scoring
- Risk Escalation
- Risk Monitoring
- Expectations & Risk Appetite
- Roles & Responsibilities
- Project Risk
- Current Position
- The Ask
- Future Work

# Introduction

- Risk is an uncertain event, or set of events, that will have an effect on performance and therefore the ability to achieve the council's objectives.
- 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
- Risk Management Plan, part of the Performance Management Framework, details how it is done, agreed by Cabinet in September

# Why is risk important in Herefordshire?

- Not about covering individuals' backs, but about making our planning as effective as possible
  - Awareness of potential hurdles
  - Making conscious decisions (potentially to maximise opportunities)
- Not about tripping people up, but driving an accountable culture within the organisation

# The Template

Risk Reference	Risk Description	Opened	Risk score before controls (LxC)	Existing Controls in Place	Risk score after controls (LxC)	Risk Appetite	Further actions required	Residual Risk trend (6 months)	Risk Owner
CS.01	<b>EU exit</b> IF: following the EU exit there is uncertainty or policy decisions that impact the council <b>THEN:</b> there may be an impact on the economic and social programmes of the Council and its partners, including: interest rates and exchange rates impacting on the Affordability of the council's capital programme; and restriction on the free movement of people which could lead to skills gaps and adverse impact on the workforce.	Aug-18	16 (4x4)	Inclusion of an assessment of the risks associated with EU exit in our MTFS and Treasury Management Strategy, and our debt profile is monitored and managed to avoid exposure to interest rate fluctuations. The Capital Programme will include a risk assessment of the cost of borrowing, and it will be reviewed constantly to ensure its continued affordability.	16 (4x4)	Accept	The council is not able to influence the ongoing negotiations dealing with the EU exit and subsequent policy decisions. Due to the ongoing Pandemic there is a risk of that the normal scrutiny processes around the negotiations and policy changes are not followed.		Chief Finance Officer

These sections will rarely change!

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Residual Risk trend (6 months)	Risk Owner
	Chief Finance Officer

# The Template cont.

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These 4 columns *should* change regularly

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# Risk Identification

- Identifying the risk
  - Risks will be identified as part of day to day operations, or potentially as part of a self-assessment of a service
  - Fall in to 1 of 3 types of risk
    - Preventable Risks
    - Strategic Risks
    - External Risks
- Recording the risk
  - Should be recorded on the relevant service risk register
  - Master register
  - Title and description important to accurately reflect the risk

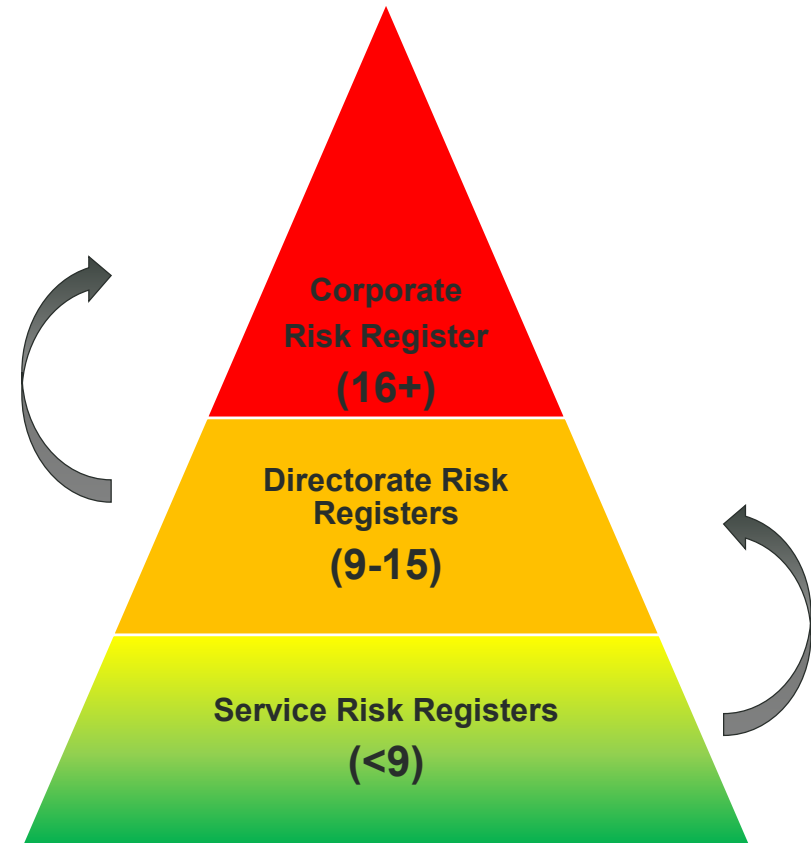
# Risk Scoring

- Risk scored initially as part of the identification
- **Likelihood** scored from 1 – 5
  - 1 = Rare (it is unlikely that the event might occur; to
  - 5 = Certain (the event has occurred or will definitely occur)
- **Impact** scored from 1 – 5
  - scores dictated by the type of risk
  - detail in RMP appendices
- Multiplied to give a risk score of 1 – 25
- Risk scored again to reflect the current controls (residual score)



# Risk Escalation

- All risks start at service risk registers
- Risks will escalate if the residual score is above thresholds
- Performance Leads will support with escalation by replicating risks on the appropriate register



# Risk Monitoring

- Regular monitoring of risks is crucial – in most instances monthly
- The main requirement is to review
  - the existing controls in place
  - current residual score
  - further mitigation required, and what these actions are
  - last review date
- It would be anticipated that we would regularly see changes to risk scores...we don't currently
- If risks materialise, the likelihood score should be raised to 5 to ensure visibility (and escalated according to thresholds).

# Expectations & Risk Appetite

- Risk appetite, whether we chose to reduce or accept the risk, is driven by risk score

Reduce	Red 16+	<b>MUST</b> have mitigating activities
Reduce	Amber 9 - 15	<b>SHOULD</b> have mitigating activities, except where cost (financial/time) might prohibit this
Accept	Yellow 5 - 8	<b>MIGHT</b> have mitigating activities, except where cost (financial/time) might prohibit this
Accept	Green >5	Unlikely to need further mitigation, unless basic policy/procedure is lacking

# Closing a risk

- As a risk is reduced, or the potential event passes, risks should be closed
- At this stage, these can be moved on to a second tab and recorded as closed, detailing
  - Brief description of why risk has closed
  - Date closed
- As risks which have occurred and scored at 5, are managed, these should be closed. In some instances these might be replaced by other risks

# Roles & Responsibilities

## Officer/Risk Owners

Identification of risk

Regular monitoring and updating of scores/controls

Delivery of identified mitigating activities

Where action is having little impact, to consider additional actions required

## Risk Leads (ADs)

Challenge within directorates to strengthen and embed approach

Senior leadership on risk within DLTs etc

## Performance Leads

Checks & Challenge within directorate

Identification of service risks for escalation

Collation of directorate risk register and those for corporate risk register

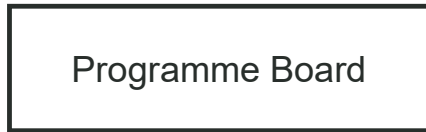
Assistance with processes, e.g. scoring, closing risks etc

NOT ADMIN SUPPORT

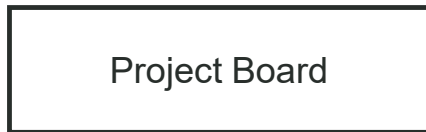
# Project Risk

- Project risks are monitored in relevant project and programme boards.
- Any significant risks identified at programme may be “escalated” to the relevant service risk register, and from here according to standard escalation processes (i.e. to directorate/corporate risk registers)

Programme Board to consider specific project risks and collective impact of programme



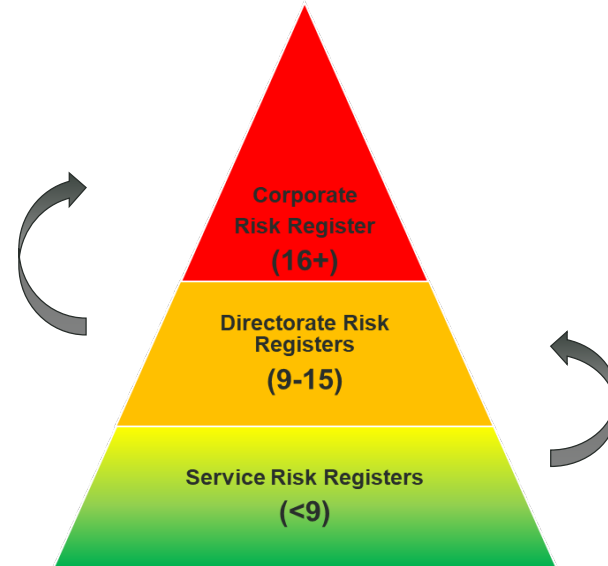
Project risks  $\geq 16$  escalated to Programme Board



Programme Sponsor responsibility to take any risks back to relevant SRR (and convert scoring). Checks to be done by Performance staff



Programme Sponsor to provide feedback on risks, any mitigation taken place outside of Programme Board and changes to risk score.



Risks "imported" from Programme Board to be escalated as appropriate

Risks from CRR viewed at Cabinet & AGC.  
Risks on DRR viewed at AGC

# Current Position

- Risk Management Plan agreed by Cabinet in September
- Q2 risk register produced using new methodology
  - Whilst new scores were used to escalate as per f/w the risks recorded often did not meet expectations based on the known risks to the organisation
    - This raises queries over the scores being recorded against risks
  - Many of the risks have seen little/no change in a number of years, despite there being “mitigating action” being identified – regularly challenged by AGC
  - New plan needs to be implemented



# Standard flow

- Each month risks in Service Risk Registers updated
- Updated Directorate Risk Registers should be scrutinised at DLTs/DMTs
- Directorate and Corporate Risks Registers available for Corporate Centre Team Meeting
- Quarterly Directorate and Corporate Risk Registers shared with Cabinet & Audit & Governance Committee

# The ask

- **Please review your service risk registers by c.o.p. January 15<sup>th</sup>, paying particular attention to the risks identified**
  - These will feed in to Directorate and Corporate Risk Registers. Registers are to be reviewed
    - Corporate Centre Team Meeting (week beginning 25/01)
    - Q3 budget & Performance report to cabinet (Feb 2021)
    - Audit & Governance Committee (Mar 2021)
- Raise the profile of risk within directorates, reminding of the benefits and importance
- Check that risks are regularly reviewed within the directorate (and not as the last items given 5 minutes attention), at both DMT and SMTs
- Challenge risk recording and practices within directorates
- Act as part of the corporate group to embed and evolve risk management

# Future work/options

- Embedding the framework over coming months
- Annual review of the framework in 2021 to allow changes to Risk Management Plan
- System developments – testing Sharepoint, or standalone systems (but be careful what you wish for!)