Chorley Council

Report of	Meeting	Date
Head of Shared Assurance Services	Governance Committee	21st March 2018

RISK MANAGEMENT FRAMEWORK

PURPOSE OF REPORT

1. The Council introduced its first framework document for risk management at the turn of the millennium. Since then considerable progress has been made in embedding risk management disciplines throughout the Council.

2. This update reflects some further, recent improvements that have been made and demonstrates how the Council is continuing to ensure that the management of risk remains at the centre of its day-to-day work.

RECOMMENDATION

3. That members consider, comment on and approve the adoption of the updated Risk Management Framework

Confidential report Please bold as appropriate	Yes	**No**

CORPORATE PRIORITIES

This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all.		A strong local economy	
Clean, safe and healthy homes and communities		An ambitious council that does more to meet the needs of residents and the local area	**X**

BACKGROUND

4. During 2017/8 the Shared Assurance Service procured and implemented the GRACE (Governance, Risk Assessment & Control Evaluation) system for use within both Chorley and South Ribble Councils. Its main purpose was to facilitate a modern, risk-based approach to internal auditing by engaging service departments in the self-assessment of their own process/system risks via the completion of on-line risk registers prior to the commencement of the audit process.

5. Following extensive officer training, the scope of the GRACE system has since been (and is continuing to be) expanded to enable the completion of risk registers at all levels within each organisation including the Strategic Risk Register, Service Risk Registers and those in relation key projects, procurements and partnerships.

6. This has therefore fundamentally changed the methods of recording, monitoring and reporting on risk within the Council and for that main reason it has become necessary to update the Risk Management Framework document which is appended to this report.

7. The Risk Management Framework will continue to be kept under review to take account of changing legislation, government initiatives, best practice and experience gained within the Council.

IMPLICATIONS OF REPORT

8. The matters raised in the report are cross cutting and impact upon individual services and the Council as a whole.

GARRY BARCLAY
HEAD OF SHARED ASSURANCE SERVICES

Background papers

Risk Management Framework 2018 (attached)

Report Authors	Ext	Date	Doc ID
Garry Barclay Dawn Highton	01772 625272 01257 515468	March 2018	CBC RMF 2018

Chorley Council

Risk Management Framework 2018

CHORLEY BOROUGH COUNCIL - RISK MANAGEMENT FRAMEWORK

1. RISK MANAGEMENT: OBJECTIVES

1.1 We are exposed to risk both in terms of threats to service provision and from missed opportunities. It is essential that we can demonstrate to our residents that we are fully considering the implications of risk as we plan and deliver services to the community.

1.2 Like all organisations, the Council exists to achieve its objectives which are set out in our Corporate Strategy. Risk management can help us achieve these goals by fully considering the opportunities and barriers that we may encounter. Our aim is to use strategic risk management as a tool for continuous improvement and to make effective and transparent use of the Council's resources.

1.3 In addition the Council must also ensure operation and delivery of services, the health and safety of its service users, employees and the public at large. This Risk Management Framework supports continuing change including partnership working and alternative methods of service delivery and provides a structured and focused approach to managing them.

1.4 Risk management is the logical and systematic method of identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process in a way that enables organisations to minimise losses, maximise opportunities and achieve their objectives.

1.5 The Council is prepared to take judicious risks to achieve its corporate objectives and enhance the value of the services it provides to the community.
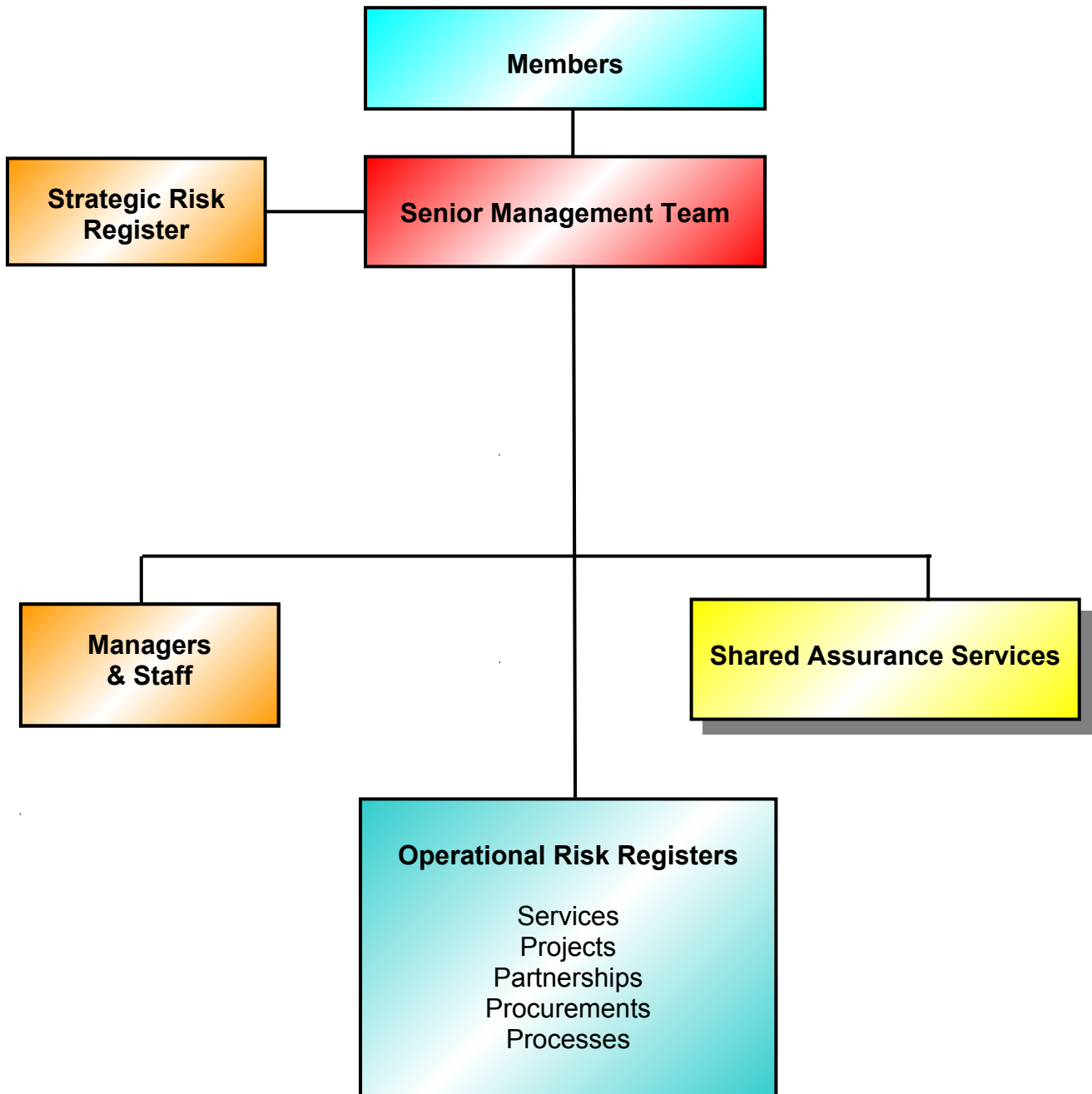
1.6 Its aims are to:

- Ensure risk management is integrated into the culture of the Council.
- Ensure appropriate risk taking is encouraged, particularly to respond to opportunities arising.
- Anticipate and respond to changing social, environmental and legislative needs, pressures or constraints, as well as changes in the internal environment.
- Manage risk in accordance with best practice including integration with performance and financial management including partnership arrangements.
- Improve performance and efficiency and in particular minimise injury, damage and losses and make effective use of resources.
- Protect the Council's assets, reputation and operational capacity.

1.7 These aims will be achieved by:

- Maintaining clear roles, responsibilities and reporting lines for risk management.
- Raising awareness of the need for risk management by all those connected with the Council's delivery of services.
- Gaining commitment from all members and employees, to ensure risk is managed within a consistent framework.
- Ensuring that risk management is explicitly considered in all decision making by, incorporating links to all key decision points e.g. committee reports, delegated decisions, project management and partnership agreements.
- Considering risk in all the Council's key planning processes.
- Providing opportunities for shared learning on risk management across the Council and with our business partners.
- Reinforcing the importance of effective risk management as part of the everyday work of members and employees.
- Providing adequate assurance for the management of risk to support the Annual Governance Statement.

2. RISK MANAGEMENT: ORGANISATIONAL STRUCTURE

2.1 The following table outlines the organisational structure for risk management across the Council:

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                        ┌─────────────────────────┐
                        │        Members          │
                        └─────────────────────────┘
                                    │
┌──────────────────┐    ┌─────────────────────────┐
│ Strategic Risk   │────│  Senior Management Team  │
│ Register         │    └─────────────────────────┘
└──────────────────┘                │
          ┌─────────────────────────┼─────────────────────────┐
┌──────────────────┐                │            ┌──────────────────────────┐
│   Managers       │                │            │ Shared Assurance Services│
│   & Staff        │                │            └──────────────────────────┘
└──────────────────┘                │
                        ┌─────────────────────────┐
                        │ Operational Risk Registers│
                        │                          │
                        │        Services          │
                        │        Projects          │
                        │       Partnerships       │
                        │       Procurements       │
                        │        Processes         │
                        └─────────────────────────┘
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3. ROLES & RESPONSIBILITIES FOR RISK MANAGEMENT

3.1 The various roles and responsibilities for risk management within the Council are attached at Appendix 1.

4. RISK RECORDING & MONITORING

4.1 The GRACE (Governance, Risk Assessment & Control Evaluation) system has been adopted for use within the Council to enable the completion of risk registers at all levels including the Strategic Risk Register, Service Risk Registers and those in relation key projects (including Corporate Strategy projects), key procurements, partnerships and processes.

4.2 The Strategic Risk Register is owned and maintained by Senior Management Team and is kept under continuous review.

4.3 Operational risk registers are assigned to specific Directors and Senior Managers who will have overall responsibility for their maintenance on the GRACE system. They will in turn allocate individual risks to Risk Owners who must decide upon and monitor appropriate actions.

4.5 The specific information to be recorded within GRACE is as follows:

Risk Categories – risks should be assigned to one of the categories listed below:

- **Strategic** – risks impacting upon the achievement of the corporate objectives and priorities;
- **Financial** – risks associated with financial planning and control;
- **Human Resources** – risks associated with recruiting, retaining and motivating staff & developing skills;
- **Environmental** – risks related to pollution, noise or energy efficiency;
- **Information** – risks related to information held;
- **Legal / regulatory** – risk relating to legal / regulatory requirements;
- **Operational** – risks relating to operational activity;
- **Partnership / Contractual** – risk relating to the failure of partners / contractors or the contract itself;
- **Physical** – risk related to fire, security, accident prevention & health and wellbeing;
- **Reputational** – risk relating to the reputational risk to the council;
- **Technological** – risks associated with technology.

Risk Description – this requires an understanding of the legal, social, political and cultural environment in which the Council operates as well as a sound understanding of the Council's corporate and operational objectives i.e. those factors, which are critical to the success of the Council, as well as threats and opportunities.

Inherent Risk Score - having identified areas of potential risk they need to be systematically and accurately assessed. The process requires managers to make an assessment of the likelihood and potential impact of a risk event occurring and scored according to the following matrix:

The Risk Matrix			
4	8	12	16
3	6	9	12
2	4	6	8
1	2	3	4

Impact

Likelihood

Likelihood	**4:** Almost certain the event will occur	
	3: There is a strong possibility the event will occur	
	2: Unlikely the event will occur	
	1: Rarely	
Impact	**4:** Major impact	
	3: Serious impact	
	2: Minor impact	
	1: Insignificant impact	

Risk Owner – a nominated person who is responsible for evaluating and responding to any individual risks allocated to them.

Existing Control Measures – any controls or measures that reduce the likelihood or impact of a risk.

Residual Risk Score – this risk score which takes account of any existing control measures in place (see above matrix).

Target Risk Score – in broad terms there are four main options for responding to risks which remain within the organisation.

Terminate - this involves the Council in terminating the cause of the risk or, opting not to take a current or proposed activity because it believes it is too risky.

Tolerate - this is where the cost of action outweighs the benefit that results from the proposed action. Alternatively no further action can be taken and the risk is accepted with any potential financial loss being highlighted.

Transfer - this involves transferring liability for the consequences of an event to another body. This can occur in two forms. Firstly legal liability may be transferred to an alternative provider under contractual arrangements for service delivery. Secondly, transferring some or all of the financial risk to external insurance companies may reduce the costs associated with a damaging event.

Treat - this is dependent on implementing projects or procedures that will minimise the likelihood of an event occurring or limit the severity of the consequences should it occur.

The target risk score therefore may be the same or lower than the residual risk score and reflects the level of risk the Risk Owner is willing to accept (see above matrix).

Risk Actions – where further treatment of the risk is deemed necessary then the Risk Owner will determine the course of action to be taken. The action to manage risk needs to be appropriate, achievable and affordable. The impact expected if no action is taken should be considered against the cost of action and the reduction of the impact. For opportunities, the benefit gained in relation to the cost of action should be considered.

5. RISK REPORTING

5.1 The Strategic Risk Register is continuously monitored by the Council's Senior Management Team and reported to the Governance Committee at least annually.

5.2 Service Risk Registers and those in relation key projects, procurements, partnerships and processes are monitored by Directorate Management Teams.

5.3 In addition, risks in relation to Corporate Strategy projects are reported to Programme Board on a quarterly basis.

5.4 GRACE has also enabled a modern risk-based approach to internal auditing by engaging service departments in the self-assessment of their own system risks via the completion of on-line risk registers prior to the commencement of audits. System/process risks are reported as part and parcel of ongoing Internal Audit work.

5.5 Finally, all Committee reports, Cabinet decisions taken under delegated powers and corporate projects, including partnership agreements include the consideration and control of the risks associated with the actions proposed.

6. RISK MANAGEMENT: REVIEWING PERFORMANCE

6.1 Individual risks are reviewed in accordance with GRACE parameters depending upon the level of risk:

    Red risks – 3 months
    Amber risks – 6 months
    Green risks – 12 months.

6.2 The overall risk management system is reviewed by Internal Audit as part of their annual audit work plan.

6.3 In accordance with the Public Sector Internal Auditing Standards the Chief Internal Audit Executive's Annual Report is required to provide an opinion based on an objective assessment of the framework of governance, risk management and control.

6.4 Risk management assurance will also be published in the Council's Annual Governance Statement.

Roles and Responsibilities

The Council will approve the Constitution including the system of corporate governance which incorporates risk management arrangements.

The Governance Committee will continuously scrutinise the Risk Management Framework and monitor the effective development and operation of risk management in the Council.

The Chief Executive has overall responsibility for risk management at Chorley Council and in conjunction with the Council's insurers, for supporting risk management by supplying advice and data to Directors.

The Section 151 Officer will, through the Internal Audit Service, provide assurance to the Council on the whole system of internal control, including risk management.

Senior Management Team will function as the corporate risk management group and will consider and evaluate those risks likely to have a significant impact on the Council's objectives. They will ensure that the Council manages risk effectively and monitors delivery by receiving regular reports. In addition they will consider corporate risks and propose the risk appetite of the Council.

Shared Assurance Services in line with their responsibilities for the Council's corporate governance arrangements will lead the risk management initiative and 'champion' risk management throughout the Council.

Directors will identify and manage risks in their service areas. With their own teams they will identify and evaluate the risks associated with service improvement and also those risks which may prevent them from achieving their service objectives.

Risk Owners – will be identified to evaluate controls, establish risk control records, produce and implement action plans to mitigate risks.

Project Managers have a responsibility to ensure that the risks associated with their projects are identified, recorded on GRACE and regularly reviewed as part of the project management process and provide assurance about the management of those risks.

Partnerships – the key stakeholders have a responsibility to ensure that risks are identified, owned, recorded on GRACE reviewed and shared with all relevant partners and ultimately to provide assurance that those risks are being managed.

Employees' responsibility for managing risk is not restricted to any one person or group of specialists. All employees have a responsibility to manage risk effectively in their job and report opportunities, threats and risks to their Directors and undertake their duties within risk management guidelines. Those officers involved in decision-making should also explicitly consider the implications of risk management and document their findings appropriately.

Internal Audit, as part of its role in providing assurance to the Section 151 officer, will review the implementation and effectiveness of the system of risk management. An annual report will provide independent opinion on the adequacies of risk control and the Council's corporate governance arrangements.

Communicate and consult

Monitor and Review

Describe Risk
- What can happen?
- How can it happen?

Assess Risk
Determine existing controls

| Determine Likelihood | Determine Impact |

Estimate level of residual risk

Evaluate Risk Options
Consider the 4 "t"s

Terminate Risk

Quick, decisive action, fundamental change eg revise strategy, revisit objectives or stop the activity

Tolerate Risk

Where costs of action outweigh potential benefits or nothing further can be done to reduce the level of the threat.

Transfer Risk

Insure against the risk or transfer to a third party eg a contractor or partner who is better able to manage the risk

Treat Risk

Plan actions that target the cause of the risk and/or reduce the potential impact