ARUN DISTRICT COUNCIL

RISK MANAGEMENT FRAMEWORK

Version 1

Version 1	May 2022
Version 2	
Version 3	
Version 4	

CONTENTS

Appendices

Arun District Council

Risk Management Policy Statement

Context

Arun District Council is a complex organisation, providing a diverse range of services to its residents, customers, employees, partners, and visitors. It works with other public, private, and voluntary bodies to make the Arun district a better place for people to live, work and visit.

The council faces unprecedented challenges over the next few years in delivering its services. Funding challenges mean the Council will need to explore and develop an alternative model for local government. These challenges create significant risks and uncertainty; however, they can also create opportunities. The Council must manage the risks and opportunities associated with the delivery of its services and will endeavour to apply high standards of governance and to be efficient, effective, transparent, and accountable.

This strategy is focused on providing the risk management principles, tools, techniques, advice, and support for developing the organisation from where we are to where we need to be.

It is impossible to remove all risk, but effective practicable risk management will help to ensure that the Council has the correct level of control in place to provide sufficient protection from risks whilst maximising its opportunities. This will improve the Councils outcomes and its ability to deliver its priorities.

The Councils overriding attitude to risk is to drive a culture of creativity and innovation, in which all key risks are identified in all areas of the organisation. Risks must be understood and managed, not necessarily avoided. Risk management needs to be embedded throughout the organisation with established structures and processes to ensure Council activities identify, assess, and manage risks and opportunities.

Achievement of effective risk management objective requires the full support and active participation of Councillors, Corporate Management Team, Senior Management Team, all employees and partnering organisations. At all levels there is a need for an understanding of the nature of risk and acceptance of responsibility for control of risks within the area of work with which they are associated.

Management of risk is a continuous and dynamic process and the Council's approach will be kept under regular review.

The Council's Risk Management Objectives

- Adopt a strategic approach to risk management to make better informed decisions which is critical to successful service delivery.

- Set the 'tone from the top' on the level of risk we are prepared to accept on our different service delivery activities and priorities.

- Acknowledge that despite effective risk management and our best-efforts things can still go wrong. If this occurs, it will be used to learn lessons and prevent it from happening again.

- Develop leadership capacity and skills in identifying, understanding, and managing the risks and opportunities facing the Council.

- Promote and integrate risk management into the culture of the organization, its business processes and service delivery. Sound risk management processes help us to achieve our core purpose, priorities, and outcomes.

- Support a culture of well-measured risk taking throughout the Council's business, including strategic, partnership, project and operational. This includes setting risk ownership and accountabilities and responding to risk in a balanced way considering the level of risk, reward, impact, and cost of control measures.

- Ensure that the Council continues to meet all statutory and best practice requirements in relation to risk management.

- Ensure risk management continues to be a key and effective element of our Corporate Governance arrangement.

How our objectives will be achieved

- Maintain a robust and consistent risk management approach that will:
  - Identify and effectively manage strategic, operational and project risks
  - Focus on key risks that because of their likelihood and impact make them a priority

- Ensure accountabilities, roles, and responsibilities for managing risks are clearly defined and communicated, having defined roles, responsibilities, and reporting lines within the Council for risk management.

- Consider risk as an integral part of business planning, service delivery, key decision-making processes and project and partnership governance.

- Communicate risk information effectively through a clear reporting framework.

- Increase understanding and expertise in risk management through targeted training and the sharing of good practice.

The Risk Management Framework will be reviewed at least annually to take account of changing legislation, government initiatives, best practice and experience gained within the Council. Any amendments will be reported to the Audit and Governance Committee.

Risk Management Approach

1. Introduction

The purpose of the risk management approach outlined in this document is to:

- Provide standard definitions and language to underpin the risk management process.

- Ensure risks are identified and assessed consistently throughout the organisation.

- Clarify roles and responsibilities for managing risks.

- Implement an approach that meets current legislative requirements and follows best practice and relevant standards.

2. Definitions

Risk can be defined as "an uncertain event that should it occur, will have an effect on the Council's objectives and/ or reputation." It is the combination of the probability of an event (likelihood) and its effect (impact).

Risk management generated opportunities can arise because of effectively managing risks, for example additional grant funding or improved working practices.

Risk management is the "systematic application of principles, approach and processes to the identification, assessment and monitoring of risks." Effective management of risk processes will put the Council in a better position to safeguard against potential threats and exploit potential opportunities to improve services and provide better value for money.

Risk management is applied to all levels of service delivery and include:

- <u>Corporate Strategic Risks:</u> Risks that could influence the successful achievement of our long- term core purpose, priorities, and outcomes. These are:
    1. Risks that could potentially have a council-wide impact and/or
    2. Risks that cannot be managed solely at a Service Area level because higher level support or intervention is needed.

- <u>Service Area Risks:</u> Risks at a service area level that could influence the successful achievement of the group and service area outcomes/ objectives. Potentially these risks could have a significant financial, reputational and/ or service delivery impact on the whole service area.

- <u>Contract Risks:</u> Risks that could influence the successful achievement of the contract's outcome/ delivery of objectives, outcomes, and value for money. Contract risks are managed throughout the contracting process including contract management/ business as usual.

- <u>Project Risks:</u> Risks that could influence the successful achievement of the project's outcome/ service delivery objectives, benefits realisation, and engagement with key stakeholders (service users, third partners, partners etc).

- <u>Partnership Risks:</u> Risks that could influence the successful achievement of the partnership's outcomes/ objectives including engagement with key stakeholders. These can be strategic and operational depending on the size and purpose of the partnership.

3. Approach

The Council is working towards a comprehensive and integrated approach to risk management where:
- Staff are clear about what risk management is intended to achieve.
- Significant risks are being identified and managed effectively.
- Training and guidance on risk management are easily accessible.
- A consistent corporate approach is followed using a common 'risk language' and it is seen as an integral part of good corporate governance.

Risk Management Process

The Council's approach to risk management is based on best practice and involves several key steps as outlines in Diagram 1.

Diagram 1: Arun District Council's Risk Management Process

Communicate and Consult

Step 1: Objectives	Step 2: Identify risks	Step 3: Assess Gross Risk Level	Step 4: Identify Existing Actions	Step 5: Assess Net Risk Level	Step 6: Risk Response & Further Actions

Step 7: Review and Report
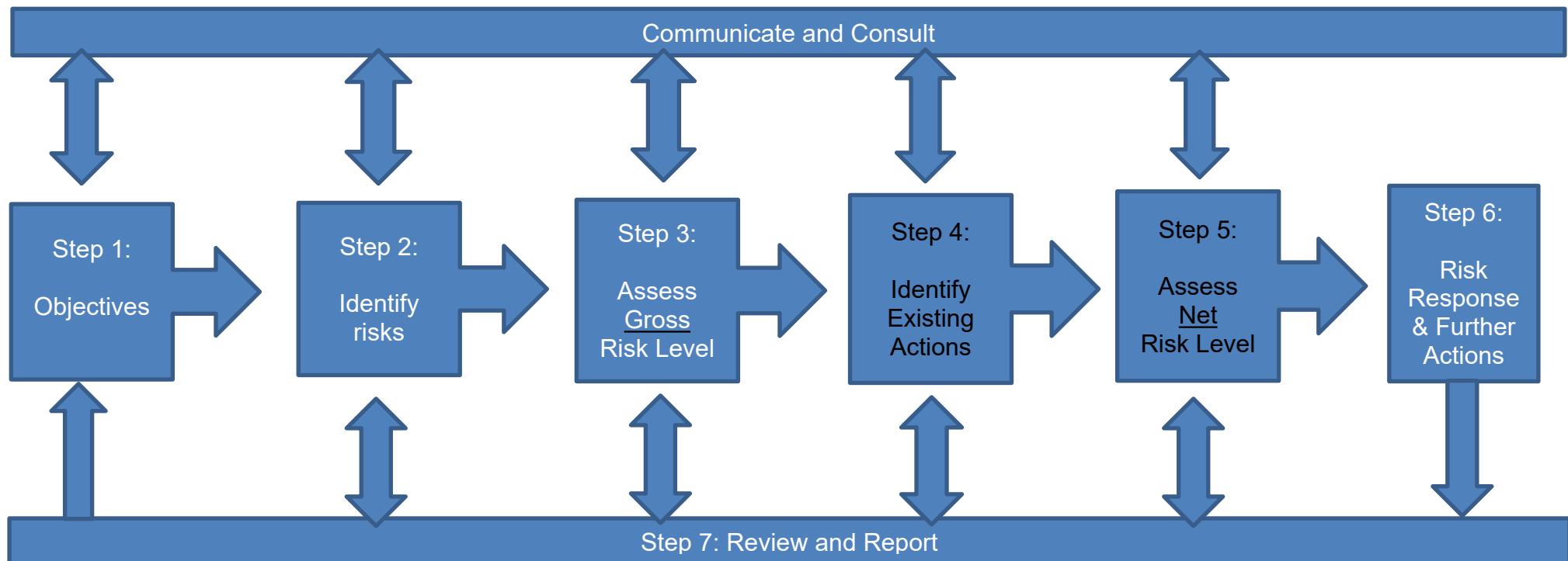
Effective communication and consultation are critical to the successful management of risk. Each step is an important factor at every point of the process, and it is vital that staff at all levels of the organisation are involved to embed risk management as an effective management tool.

Step 1: Objectives

Before we can identify risks, we need to establish the context by what we are trying to achieve and what our proposed outcomes are. Depending on the area under review, the relevant objectives and outcomes will usually be detailed in existing documents, including the following:
- The Council's Vision 2022- 2026
- Directorate Objectives
- Service Delivery Plans
- Project Briefs/ Project Initiation Documents
- Partnership Agreements

Step 2: Identify Risks

There are several different types of risks faced by organisations including financial loss, failure of service delivery, physical risks to people and damage to the organisation's reputation.

To act as a prompt and to ensure completeness, a checklist of risk categories has been developed around the acronym **PERFORMANCE**.

- **P**olitical
- **E**conomic
- **R**egulatory
- **F**inancial
- **O**pportunities/ Outcomes
- **R**eputation
- **M**anagement
- **A**ssets
- **N**ew Partnerships/ Projects/ Contracts
- **C**ustomers/ Citizens
- **E**nvironment

Examples of risks from each category are detailed in the Risk Identification Checklist (Appendix 1).

Describing the risk is equally important to ensure that risks are fully understood, and to assist with the identification of actions, the cause and effect of each risk must

Description	Cause	Effect
Risk of………	…..due to……	….leads to….
Failure to…..	…..because….	….results in…
Lack of…....		
Loss of……		
Uncertainty of…..		
Delay in……		
Inability to…..		
Inadequate…..		
Partnership with…..		
Development of…..		
Opportunity to……		
Damage to……..		

Once identified, all risks are recorded in a 'Risk Register'.

A risk owner must be allocated and recorded against each risk on the risk register. Accountability helps to ensure 'ownership' of the risk is documented and recognised. A risk owner is defined as a person with the accountability and authority to effectively manage the risk.

At this stage there may well be a long list of possible risks. The next step will help to prioritise these in order of importance.

Step 3: Assess Gross Risk Level

To ensure resources are focused on the most significant risks. The Council's approach to risk management is to assess the risks identified in terms of both the potential likelihood and impact so that actions can be prioritised.

The risk management process requires each risk to be assessed twice- gross and net risk levels.

Gross Risk Level: is taken on the basis that there is no action being taken to manage the identified risk and/ or any existing actions are not operating effectively. The worst-case scenario if the risk were to occur.

To ensure that a consistent scoring mechanism is in place across the Council, risks are assessed using the agreed criteria for likelihood and impact detailed in Appendix 2. When assessing the risk, the highest measure identified in each table is the score taken to plot the risk level on the risk matrix (Diagram 2).

Diagram 2: Arun District Council's Risk Matrix

		Unlikely (1)	Possible (2)	Likely (3)	Very Likely (4)
IMPACT	Very High (4)	4	8	12	16
	High (3)	3	6	9	12
	Medium (2)	2	4	6	8
	Low (1)	1	2	3	4
		LIKELIHOOD			

The Council considers gross risk to ensure that:
- Informed decisions can be made about the consequences of stopping risk actions that are currently in place; and
- Resources are not wasted over- controlling risks that are not likely to happen and would have little impact.

Step 4: Identify Existing Risk Actions

Existing actions which are helping to minimise the likelihood and/ or impact of the risk occurring, are identified for each risk. These actions are specifically those in place or completed.

Step 5: Assess Net Risk Level

Net Risk Level: This step re-evaluates the risk, taking into consideration the effectiveness of the identified existing actions. The reality if the risk were to occur in the immediate future.

Net risks are prioritised by applying the same criteria and matrix used for assessing the gross risk level (step 3). It is the risk owner's responsibility to ensure that the agreed net risk level for each risk is an accurate reflection of the likelihood and impact measure detailed in Appendix 2.

The Council considers the net risk to ensure that:
- Identified risks are prioritised in terms of their significance as it is not practical or possible to manage every risk all the time; and
- Existing actions are relevant and effectively managing and/ or reducing the likelihood of the impact of the identified risks.

Step 6: Risk Response and Further Actions

Not all risks can be managed all the time, so having assessed, and prioritised the identified risks, cost effective action needs to be taken to manage those that pose the most significant threat.

Risk may be managed in one, or a combination of the following:

- **Avoid:** A decision is made not to take a risk.
- **Accept:** A decision is taken to accept the risk.
- **Transfer:** All or part of the risk is transferred through insurance or to a third party.
- **Reduce:** Further additional actions are implemented to reduce the risk.
- **Exploit:** Whilst taking action to mitigate risks, a decision is made to exploit a resulting opportunity.

These are described in more detail in Appendix 3.

It is important to note that the Council has a risk appetite, where it is prepared to accept certain risks. This is illustrated by the black line on Diagram 2 and means that any risk that has been assessed as a 'net red' risk must be a priority for immediate management action. A decision needs to be taken whether to avoid, transfer or reduce the risk. **A 'net red' risk cannot be accepted.**

Step 7: Review and Report

Risk management is an ongoing process and risks need to be reviewed regularly to ensure that prompt and appropriate action is taken to reduce their likelihood and/ or impact.

Arun's approach is to focus on those risks that because of their likelihood and impact make them priorities.

The Corporate Management Team Performance Board will review the Corporate Risk Register monthly. The Finance and Risk Manager will update the Corporate Risk Register accordingly.

The frequency at which risks within Operational Risk Registers will be reviewed is dependent on their risk level. These risks will be reviewed in line with the frequency detailed in the Review and Reporting Framework (Appendix 4)

The annual budget process will include updating individual service area risk registers to reflect current aims/ outcomes.

Risk registers have been developed using Microsoft Excel as a tool, enabling risks to be recorded and managed in a consistent way. Data can be interrogated to produce management information by Directorate, risk level (net and/ or gross) and/ or risk owner.

The Annual Governance Statement (AGS) process incorporates the review and challenge of service area and significant project risk registers and will result in an updated Corporate Risk Register which will be reported with the proposed AGS.

4. Roles and Responsibilities

To ensure risk management is effectively implemented, all Arun District Council Members and officers should have a level of understanding of the Council's risk management approach and regard risk management as part of their responsibilities.

The following describes the roles and responsibilities that Members and officers will play in introducing, embedding, and owning the risk management process.

All Employees
- Manage day-to-day risks and opportunities effectively and report risk management concerns to their line manager.
- Participate fully in risk workshops and action planning as appropriate.
- Attend training and awareness sessions as appropriate.

All Members
- Support and promote an effective risk management culture.
- Constructively review and scrutinise the risks involved in delivering the Council's core purpose, priorities, and outcomes.

There are some individuals and groups with specific leadership roles and responsibilities:

Audit and Governance Committee
- Provide independent assurance to the Council on the overall adequacy of the Risk Management Framework, including proposed amendments prior to its presentation at Full Council.

Corporate Management Team
- Champion an effective Council wide risk management culture.
- Ensure members receive relevant risk information.
- Responsible for owning and managing corporate strategic risks.
- The Chief Executive is the Corporate Champion for Risk Management. The Corporate Champion promotes the adequate and proper consideration of

risk management to senior managers and more widely throughout the Council.

- Review recommendations and amendments to the Risk Management Framework.
- Review the Corporate Risk Register in conjunction with Key Performance Indicators. Progress identified actions, delegating accordingly to Service Areas and Risk Owners.
- Contribute to and approve the Council's Annual Governance Statement.
- Ensure the Internal Audit work plan is focused on the key risks facing the Council.

Directors
- Risk manage their Group in delivering the Council's core purpose, priorities, and outcomes.
- Constructively review and challenge the risks involved in decision making.
- Review and challenge the content of risk registers.

Group Heads
- Responsible for the effective leadership and management of risk in their service areas to meet objectives and outcomes in line with the Council's Risk Management Framework and confirming annually they have done this as part of the Annual Governance Statement process.
- With the appropriate Risk Owner, maintain the relevant service area risk registers ensuring all key risks are identified, managed, and reviewed in line with the corporate risk management approach.
- Promptly escalate risks to the Corporate Management Team where appropriate.
- Encourage staff to be open and honest in identifying risks and opportunities.
- Ensure the risk management process is an explicit part of all significant projects.

Service Managers and Project Managers
- Responsible for the effective leadership and management of risks in their area of responsibility, including significant projects in line with the Council's Risk Management Framework. Confirm they have done this annually as part of the Annual Governance Statement process.
- Identify, assess, and appropriately document significant risks.
- Clearly identify and communicate risk ownership.
- Manage risks in line with corporately agreed timescales/ policies.
- Escalate risks for to the Corporate Management Team for inclusion on the Corporate Risk Register where appropriate.

Risk Owners
- Ensure that appropriate resources and importance are allocated to the process.
- Confirm the existence and effectiveness of existing actions and ensure that any further actions are being progressed/ implemented.
- Provide assurance that the risks allocated to them are being effectively managed.

Action Owners
- Take ownership of the action they are responsible for by either confirming the existence and effectiveness of existing actions or ensuring that any further actions are being progressed/ implemented.

Partners
- Where appropriate participate in the development of a partnership risk register where the Council is the lead accountable body.
- Actively manage risk within the partnership.
- Report on risk management issues to relevant committees/ boards.

Internal Audit
- Provide assurance that risks are being effectively assessed and managed.
- During all relevant audits challenge the content of risk registers.

Finance and Risk Manager
- Design and facilitate the implementation of a risk management framework within the Council ensuring it meets the needs of the organisation.
- Provide direction and guidance to specialist functions to ensure that a risk-based approach is taken to the development of policies and procedures.
- Collate risk information and prepare reports as required.
- Develop, support, and promote the Corporate and Service Area Risk Registers.

5. Embedding Risk Management

For risk management to be effective and a meaningful management tool, it needs to be an integral part of key management processes and day-to-day working. Risks and monitoring of associated actions should be considered as part of several of the Council's significant business processes, including:

- Corporate Decision Making- significant risks which are associated with policy or action to be taken when making key decisions will be included in appropriate committee reports.
- Business/ Budget Planning- this annual process will include updating individual service area risk registers to reflect current aims/ outcomes.
- Project Management- all significant projects should formally consider the risks to delivering the project outcomes before and throughout the project. This includes risks that could impact service delivery, benefits realisation, and engagement with key stakeholders (service users, third parties, partners etc).
- Partnership Working- partnerships should establish procedures to record and monitor risks and opportunities that may impact the Council and/ or the Partnership's aims and objectives.

- Procurement- Contract Standing Orders clearly specify that all risk and actions associated with the purchase need to be assessed, kept under review, and amended as necessary during the procurement process.
- Contract Management- all significant risks associated with all stages of contract management are identified and kept under review.
- Information Governance- an annual information risk assessment will be developed to assess the level of risk and compliance with regards the use of information.
- Insurance- the Council's insurance team manages insurable risks and self-insurance arrangements.
- Health and Safety- the Council has a specific risk assessment policy to be followed in relation to health and safety risks.

6. Culture

The Council will be open in its approach to managing risk and will seek to avoid a blame culture. Lessons from events that lead to loss or reputational damage will be shared as well as lessons from things that go well. Discussion on risk in any context will be conducted in an open and honest manner.

7. Training and Awareness

It is important to provide Members and officers with the knowledge and skills necessary to enable them to manage risk effectively.

The Senior Management Team will receive annual refresher training on risk management conducted by a specialist external provider.

In addition, a range of training methods to meet the needs of the organisation will be provided but will primarily rely on intranet-based awareness training. This will be accessible via the Council's Sharepoint page.

Risk management information will be available on the intranet, including links to Risk Registers, more detailed guidance, training, and case studies.

Appendix 1: Risk Identification Checklist

Effective Risk Management improves……. **PERFORMANCE**

Political	- Change in Government Policy - Member support/ approval - Political personalities - New political arrangements
Economic	- Demographics - Economic downturn- prosperity of local businesses/ local communities
Regulatory	- Legislation and internal policies/ regulations including: - Health & Safety at Work Act, General Data Protection Regulations, Freedom of Information, Equalities Act 2010 and Public Sector Equalities Act 2011, Employment Law, TUPE, Environmental legislation etc. - Grant funding conditions - Legal challenges, legal powers, judicial reviews, or public interest reports.
Financial	- Budgetary pressures - Loss of/ reduction in income/ funding, increase in energy costs - Cost of living, interest rates, inflation etc - Financial management arrangements - Investment decisions, Sustainable economic growth - Affordability models and financial checks - Inadequate insurance cover - System/ procedure weakness that could lead to fraud
Opportunities/ Outcomes	- Add value or improve customer experience/ satisfaction - Reduce waste and inefficiency - Developing sustainable places and communities - Improving the wellbeing of the community
Reputation	- Negative publicity (local and national) - Increase in complaints

Management	- Loss of key staff, recruitment, and retention - Training issues - Lack of/ or inadequate management support - Poor communication/ consultation - Capacity issues- availability, sickness absence etc. - Emergency preparedness/ Business continuity
Assets	- Property- land, buildings, and equipment - Information- security, retention, timeliness, accuracy, intellectual property rights - ICT- integrity, security, availability, e-government - Environmental- landscape, countryside, historic environment, open space
New Partnerships/ Projects/ Contracts	- New initiatives, new ways of working, new policies, and procedures - New relationships- accountability issues/ unclear roles and responsibilities - Monitoring arrangements - Managing change
Customers/ Citizens	- Changing needs and expectations of customers - Poor communication or consultation - Poor quality or reduced service delivery- impact on vulnerable groups - Health inequalities, safeguarding issues etc.
Environment	- Recycling, green issues, energy efficiency, land use and green belt issues, noise contamination, pollution, increased waste, or emissions - Impact of planning policies - Climate change- hotter drier summers, milder wetter winters, and more extreme events- heat waves, flooding, storms etc.

Appendix 2 – Measures of Likelihood and Impact

		Unlikely (1)	Possible (2)	Likely (3)	Very Likely (4)
IMPACT	Very High (4)	4	8	12	16
	High (3)	3	6	9	12
	Medium (2)	2	4	6	8
	Low (1)	1	2	3	4
		Unlikely (1)	Possible (2)	Likely (3)	Very Likely (4)
		LIKELIHOOD			

Likelihood Measures

	Unlikely 1	Possible 2	Likely 3	Very Likely 4
Probability	**Less than 10%** chance of circumstances arising	**10% to 40%** chance of circumstances arising	**41% to 75%** chance of circumstances arising	**More than 75%** chance of circumstances arising
Timescale	Is **unlikely** to occur.	Possible in the **next 3 or more years.**	Likely to occur in the **next 1 to 2 years.**	Occurred in the **past year** or is very likely to occur in the **next year.**

Impact Measures

	Low 1	Medium 2	High 3	Very High 4
People/ Duty of Care	Low level of foreseeable minor injuries	High level of foreseeable minor injuries Low level of foreseeable serious injuries	High level of foreseeable severe injuries	Foreseeable long-term injury, illness, or fatality
Financial Impact	Up to £50k Less than 5% over project budget	Up to £100k 5- 10% over project budget	Up to £250k 11- 25% over project budget	Over £250k More than 25% over project budget
Legal Impact	Minor civil litigation	Major civil litigation and/ or local public inquiry	Major civil litigation and/ or national public inquiry	Legal action certain Section 151 or government intervention or criminal charges
Service Impact	Short term service disruption	Noticeable service disruption affecting customers	Significant service failure but not directly affecting vulnerable groups	Serious service failure directly affecting vulnerable groups
Project Delivery	Minor delay to project	Significant delay to project	Project fails to deliver target impacting on the Service Area's performance	Project fails to deliver target impacting on Council's performance
Intervention Required	Intervention by Service Manager, Project Manager or equivalent	Intervention by Group Head	Intervention by Corporate Management Team	Intervention by Members
Reputation Impact	Short term negative impact	Significant negative local media attention	Sustained negative local media attention and/ or significant national media attention	Sustained negative national media attention

Appendix 3 – Risk Response Categories

	Description
Avoid	A decision is made not to take a risk. Where the risks outweigh the possible benefits, avoid the risk by doing things differently e.g. revise strategy, revisit objectives or stop the activity.
Accept	A decision is taken to accept the risk. Management and/ or the risk owner make an informed decision to accept that existing actions sufficiently reduce the likelihood and impact of a risk and there is no added value in doing more. *Net red risks are outside of the Council's risk appetite (these risks cannot be accepted).*
Transfer	Transfer all or part of the risk through insurance to a third party e.g. contractor or partner, who is better able to manage the risk. *Although responsibility can be transferred, in most cases accountability remains with the Council so monitoring will still be required.*
Reduce	Implement <u>further additional action(s)</u> to reduce the risk by: • Minimising the likelihood of an event occurring e.g. preventative action and/ or • Reducing the potential impact should the risk occur e.g. business continuity plans.
Exploit	Whilst taking action to mitigate risks, a decision is made to exploit a resulting opportunity.

Appendix 4 – Reviewing and Reporting Framework

Net Risk Level and Score	Frequency of Reviews (applies to **all** risk registers)
High 12-16	These are significant risks which may have a significant impact on the Council and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk. Any net red risks at a service area level will be included alongside corporate risks reported to the Corporate Management Team. **As a minimum review monthly**
Medium 4-9	Although usually accepted, these risks may require some additional mitigation to reduce likelihood if this can be done cost effectively. These risks should be reassessed to ensure conditions remain the same and existing actions/ controls are operating effectively. **As a minimum review quarterly**
Low 1-3	These risks are being effectively managed and any further action to reduce the risk would be inefficient in terms of time and resources. These risks should be reassessed to ensure that conditions remain the same and existing actions/ controls are operating effectively. **As a minimum review 6- monthly**

Task	Corporate Strategic Risk Register	Service Area Operational Risk Register	Significant Project Risk Register
Risks identified by:	Corporate Management Team	Group Heads and their management teams	Project Team Key Stakeholders
Risks owned by:	Directors	Group Heads and their management teams	As appropriate
Risks reviewed by:	Corporate Management Team	Group Heads Risk Owners	Project Board/ Team Project Sponsor Risk Owners
Risks scrutinised by:	Senior officers and Members via Committee reports, and ad-hoc reports as required. Periodic scrutiny of individual risk registers by the Governance & Risk Group Internal Audit.		
Risk Register maintained and updated by:	Finance and Risk Manager and/ or Risk Owner	Group Heads or Heads of Service, their nominee and/ or Risk Owner	Project Managers and/ or Risk Owner
Escalation of Risks	Risks can be escalated by Group Heads or their management teams to the Corporate Management Team for inclusion on the Corporate Strategic Risk Register.		
Review of the Risk Management Framework	Undertaken at least annually by the Corporate Management Team with recommendations and amendments taken to the Audit and Governance Committee for review.		