

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Governance and Audit Committee
Date:	18 April 2023
Subject:	Review of the Risk Management Framework
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Nature and Reason for Reporting: Audit committees are a key component of corporate governance and are an important source of assurance about an organisation's arrangements for managing risk. Further, the Committee's terms of reference require the Committee to oversee the Council's risk management policy and its implementation in practice.	

1. INTRODUCTION

- 1.1. The Council's risk management policy identifies the Governance and Audit Committee as having responsibility for reviewing the appropriateness of the risk management and assurance processes that are in place.
- 1.2. The Committee's terms of reference also provide it with responsibilities to seek assurance over risk management arrangements. In particular, it has a responsibility to oversee the Council's risk management policy and strategy, and their implementation in practice.

2. RISK MANAGEMENT POLICY & STRATEGY

- 2.1. The Council's Risk Management Policy Statement was approved in May 2019, and it was considered prudent to review and refresh the policy to ensure that it remained appropriate and relevant.
- 2.2. This report presents the Council's proposed new Risk Management Policy & Strategy, together with the accompanying Risk Management Guidance to the Committee. These documents are included in Appendix A and B respectively.
- 2.3. The main aspects of the Risk Management Policy are the recognition that risks:
 - can impact on aims, objectives and service delivery
 - can pose a threat and provide opportunities
 - need to be managed within the risk appetite

- need to be identified to allow fully informed decisions to be taken
- 2.4. The Risk Management Strategy explains how the policy will be delivered. It includes the risk appetite statement which is the level of risk that the Leadership Team feel that the Council aims to operate within. The Executive have been consulted on the risk appetite and agree with Leadership Team's view.
 - 2.5. The Risk Management Guidance provides details of the process to be followed and explains the different considerations needed depending on whether the risk is strategic, service, project or programme, or partnership related.
 - 2.6. The guidance includes a new section on the positive or opportunities aspect of risk.
 - 2.7. Training will be offered to Members and relevant officers once the Policy has been approved. This should coincide with the roll out of the new version of the risk management software. Moving to this new platform will result in changing from the alpha numeric method of scoring risks that has been used for a number of years to the traditional numeric way of scoring risks. For example, a risk currently scored as A1 (A- Almost Certain to happen and an impact of 1 – Catastrophic) will be scored as 25 (5 – Almost Certain to happen and an impact of 5 – Catastrophic). Reporting the risk score alone could lead to uncertainty of what the impact and likelihood is for each risk, reports will therefore also include the impact and likelihood score.
 - 2.8. The draft Risk Management Policy and Strategy, together with the accompanying Risk Management Guidance, have also been shared for information and comment with Audit Wales, Care Inspectorate Wales and Estyn.

3. RECOMMENDATION

- 3.1. That the Governance and Audit Committee considers and provides comments on the Risk Management Policy and Strategy, and the Risk Management Guidance.

Risk Management Policy & Strategy



Version FINAL DRAFT (April 2023)

About this policy

This document, together with the associated guidance, provide the Council's framework for risk management. The framework is relevant to all Council staff and Members.

Revision History

Version	Date	Summary of Changes
1.0	April 2023	

Date of next review	
This policy will be reviewed on:	April 2026
The review will be undertaken by:	Risk & Insurance Manager

Contact Details: Julie Jones (juliejones@anglesey.gov.wales)

We are happy to provide this policy in alternative formats on request. Please use the above contact details.

Mae'r ddogfen yma ar gael yn y Gymraeg.

This document is available in Welsh.

Foreword

There are risks involved in all aspects of life and business. As a diverse organisation, the risks that the Isle of Anglesey County Council faces are widespread and varied. We believe the Council should not shy away from risk but instead seek to proactively manage it. This will allow us to not only meet the needs of today, but also be prepared to meet the future challenges of tomorrow.

We recognise that risks pose a threat but that they also presents opportunities to innovate. A good understanding and awareness of the risks that we face is therefore needed if we are to successfully achieve the aims and objectives set out in our Council Plan, service delivery plans and project plans, and take fully informed decisions.

Risk management is a fundamental of good governance and internal control and is an essential component in delivering our aims and objectives. This document and the accompanying guidance sets out the good risk management behaviours and practice that we expect throughout the Council and will help us develop a risk aware culture.

The Executive and Leadership Team have a clear picture of the risks which threaten the ability to achieve our objectives and the level of risk exposure that we want to accept. Managing these risks effectively and ensuring that they are considered when decisions are taken, will put the Council in a stronger position to deliver quality services, achieve our objectives, provide value for money, and respond to a changing risk profile.



Councillor Llinos Medi

Council Leader



Dylan Williams

Chief Executive

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1 Introduction

The risk management policy, strategy and accompanying guidance set out the principles and approach of the Isle of Anglesey County Council to managing risk.

The aim is to provide a consistent process that underpins the management of risk throughout the Council, which reflects the size and the nature of our various operations, and use our skills and capabilities to the full.

These documents apply to all Council employees and Members. Any partner organisations should be encouraged to embrace the principles contained in the documents.

1.1 Risk Management Policy and Strategy Objectives

The objectives of this document are:

- To develop a risk aware culture that runs throughout the Council's activities.
- That it leads to a more consistent and informed decision making process at all levels, thus improving accountability and transparency.
- For the Council to be able to anticipate and respond to change and manage the risks and opportunities that may impact its objectives.
- To ensure employees and elected Members have the knowledge, skills and tools to understand the need and benefits of risk management and take responsibility for managing risk within their area.
- For the Council to become a more risk mature organisation.

1.2 Definition of Risk & Risk Management

Risk is defined as “the effect of uncertainty on objectives.”¹ In other words, the possibility that an event may or may not occur and it affects the achievement of an objective. The effect can be negative or positive.

Risk should not be confused or interchanged with an issue which is an event or situation that already exists.

Risk Management is defined as “co-ordinated activities to direct and control an organisation with regards to risk”². In other words, it is the process of methodically addressing the risks attached to activities with the goal of achieving sustained benefit within each activity and across all activities.

1.3 Reasons for Managing Risk

There are many reasons for managing risks including:

- It increases the probability of success, and reduces both the probability of failure and the uncertainty of achieving the organisation's overall objectives.
- Improves decision-making, planning and prioritisation by providing a framework that enables future activity to take place in a consistent and controlled manner.
- It can help managers demonstrate good governance, and leads to a better understanding of the risk profile and risk mitigation.
- It can drive the effective delivery of objectives and efficient use / allocation of resources by focusing senior managers and elected members on the possible risks and opportunities to aid success.
- Regulators and partners are increasingly asking for evidence of good risk management practice, and this is also a requirement of many contractual agreements.
- Externally it can help to enhance political and community support and protect and enhance reputation. However, failure to identify, assess and manage risks may result in considerable unbudgeted expenditure and reputational damage.

¹ ISO 31000 2018

² ISO 31000 2018

2 Risk Management Policy

The Council is a diverse organisation committed to achieving its aims and objectives as set out in the Council Plan, Service Delivery plans and project plans. Risk is an unavoidable part of delivering these plans, and there are other risks that fall outside such plans that could impact on the Council's ability to provide quality services to the residents of Anglesey and those who visit and work on the island. The Council acknowledges that risk can pose a threat and provide opportunities.

It is the Council's policy to adopt a proactive and consistent approach to managing its risks within a recognised risk appetite. This proactive and consistent approach of identifying, assessing, managing and monitoring key risks is an integral part of our management processes at both strategic and operational levels, and ensures a culture of knowledgeable risk taking. Embedding risk management throughout all processes, projects and strategic decisions will put the Council in a stronger position to deliver quality services, achieve objectives, provide value for money, and respond to a changing risk profile.

3 Risk Management Strategy

This strategy sets out how we aim to deliver the risk management policy, and where the responsibilities for managing risks lie. This will be achieved by:

3.1 Agreeing the Council's risk appetite and risk maturity

Risk appetite is the amount and type of risk that the Council aims to accept. By agreeing its risk appetite, the Council is setting itself boundaries in terms of how much risk is acceptable and which risks it aims to manage if it is to realise its objectives.

Risk maturity is the level, understanding and effectiveness of the Council's management of risk. Assurance of the Council's risk maturity and an opinion of whether the risk management processes are fit for purpose will be sought from an independent party periodically, and identifies areas where further improvement is required

The Executive and Leadership Team have agreed the Council's risk appetite and this is set out and explained in greater detail in [Section 4](#) of the document.

The risk appetite and risk maturity will be reviewed at least once every administration.

3.2 Develop a risk aware culture

Risk culture refers to the values, attitudes and understanding of the Council's staff and Members in relation to the risks faced by the Council. Where an organisation operates and makes decisions in the full knowledge of the risks involved, the risk culture is described as being **risk aware**.

To develop a risk aware culture staff and Members will need to better understand the risks that are relevant to their area of work and how to evaluate risks. Integration, training, and communication all have a positive influence on risk culture.

Everyone manages risk and exploits opportunities to some degree in their day-to-day role. By integrating risk management into our processes and activities, we aim that staff and Members will understand, value and perform risk management, resulting in the Council becoming a risk aware organisation.

Appropriate training will be delivered to Members, managers at all levels, and those with specific risk management roles. Our cohorts of trainees are potentially the managers and senior leaders of the future. It is therefore important to develop their understanding of risk management by providing them with appropriate training and awareness sessions.

By communicating the risk management policy, strategy and accompanying guidance to staff and Members the importance of effective risk management principles in our everyday activities will be highlighted. The documents will therefore be available on the Council's intranet (MonITor) and

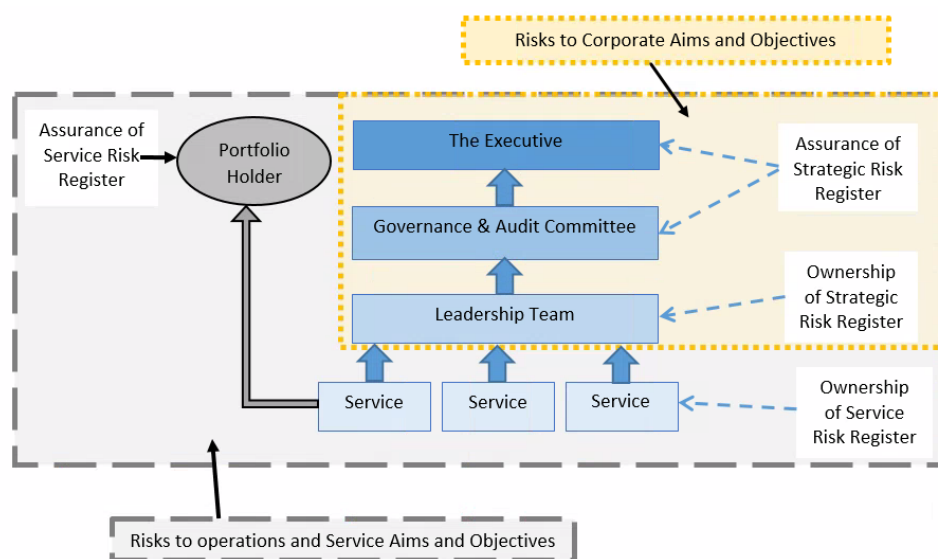
included as a policy that certain staff with management responsibilities and Members are required to accept via Porth Polisi.

3.3 Clearly defining roles, responsibilities and governance arrangements

Roles and responsibilities are set out in [Section 5](#) of this document.

Risk co-ordinator is a new role and each Service is asked to designate an appropriate officer and deputy to undertake the role of their Risk Co-ordinator as part of their duties. This should ensure the importance of risk management is understood and embedded across the Service.

We aim to improve the governance arrangements around risk management by encouraging a reference to risks in all reports which require a decision to be taken, and ensure that risk registers are routinely considered at the appropriate level. For example, this chart shows the relationship between strategic and service risk registers and explains who owns and who needs assurance of the risks.

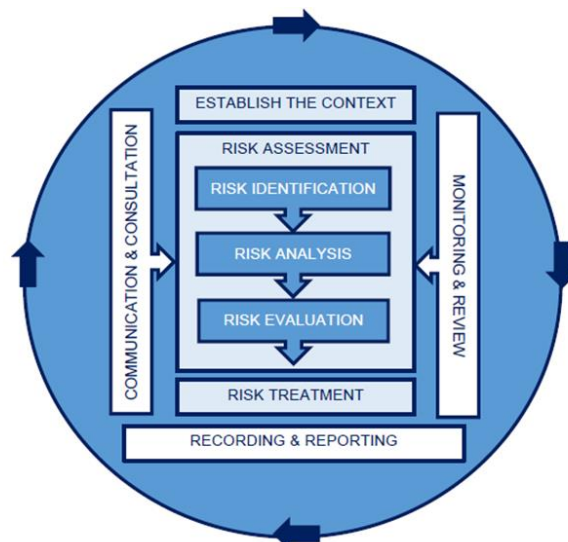


The Strategic Risk Register is reported to the Informal Executive and the Governance and Audit Committee twice a year.

Risks are regularly reviewed and discussed at Corporate / Strategic level, with key risks escalated from Services.

3.4 Providing a risk management process

A generic risk management process provides a consistent approach to managing risk throughout the organisation. The risk management guidance accompanying this document sets out the detailed risk management process and is summarised in the following diagram.



The findings of each step of the risk management process are recorded in the risk register. The Council maintains a Strategic Risk Register, Service Risk Registers, project and programme risk registers, and other activity specific risk registers as required.

Assessing the likelihood and impact of each risk and plotting them on a risk matrix provides a risk score for each risk and allows risks to be compared and prioritised. Each risk is assessed on an inherent (worst-case), residual (current position), and target (desired position) basis. Separate risk matrices have been developed for Strategic, Service, and Project risks, and for Opportunities, and these are included in the accompanying guidance.

3.5 Monitoring risk management performance

The Council has developed a series of key performance indicators (KPIs) to monitor the progress and achievements of the risk management strategy. The KPIs include:-

- risks and risk registers reviewed at strategic and service levels
- assurance provided relating to the effectiveness of controls
- staff and Members who have received training
- staff and Members who have accepted the policy on Porth Polisi

Responsibility for calculating these KPIs rests with the Internal Audit and Risk Management Team and these will be included in the annual Risk report reported to the Leadership Team, the Governance and Audit Committee and the Executive.

Key risk indicators (KRIs) provide an early signal of a change in the risk exposure, and key control indicators (KCIs) an early signal of ineffective or less effective controls, providing an early opportunity to review the risks and where necessary introduce additional controls. Therefore, where appropriate and relevant, KRIs and KCIs will be developed in conjunction with the risk co-ordinators and performance team.

4 Risk Appetite & Maturity

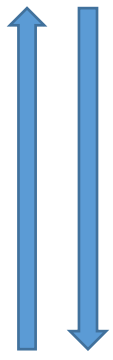
4.1 Risk Appetite

4.1.1 Definition

Risk appetite is defined as “Amount and type of risk that an organization is prepared to pursue, retain or take”³ or the level of risk that the Council **aims** to operate within.

This should not be confused with or interchanged with risk tolerance, which is the absolute level of risk within which the Council will operate.

Levels of risk appetite are defined below:

Risk Appetite	Description	High risk appetite
Eager	Eager to be innovative and to choose options offering potentially higher rewards despite greater risk	
Open	Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward, value for money, and moderate / high risk.	
Cautious	Preference for safe delivery options that have a low degree of risk and may only have limited potential for reward.	
Minimal	Preference for very safe business delivery options that have a low degree of risk and only have a potential for limited reward.	
Averse	Avoidance of risk and uncertainty is a key organisational objective	

³ ISO 31000 2018

A lower appetite for risk should be reflected by a higher risk management focus.

4.1.2 Risk Appetite Statement

The following table expresses the Council’s risk appetite for each category of risk, as agreed by the Leadership Team.

Risk Category	Risk Appetite
Objectives	Eager
Service Delivery	Open
Financial	Cautious
Reputation	Open
People (H&S / safeguarding)	Minimal
Regulation	Cautious
Environmental	Open

4.1.3 Why is Risk Appetite Important?

By defining its risk appetite, the Council is setting itself boundaries in terms of how much risk is acceptable and which risks it aims to manage if it is to realise its objectives.

The benefits of adopting a risk appetite include:

- Leads to informed decision-making
- Reduces uncertainty
- Improves consistency across governance mechanisms and decision-making
- Supports performance improvement
- Focuses on priority areas
- Informs spending review and resource prioritisation processes

4.2 Risk Maturity

Risk maturity is the level, understanding and effectiveness of an organisation’s management of risk.

Establishing a Risk Maturity Model is a key aspect of monitoring and reporting progress, provides assurance that risk management processes are fit for purpose, and identifies areas where further improvement is required. The level of maturity aspired to be is a balance of the resources available and the risk appetite.

The Council’s risk maturity model is:

		Level of Maturity				
		Immature	Performed	Managed	Predictable	Mature
Parameters of Implementation	Use of Standards, tools and techniques	Not using	Aware but no formalised use	Using	Regular use, outcomes consistent	Sound understanding, good use of tools
	Knowledge of the risk management discipline	Little knowledge	Aware but not clear of benefits	Understanding across some parts of the organisation	Sound knowledge of discipline and value	High degree of awareness and knowledge
	Risk management activities undertaken	None	Some ad-hoc, insufficient resources	Have framework and active when time permits	Formal program	Embedded in decision making
	Awareness of benefits and value of risk management	Unsure of benefits	Aware but not clear of benefits	Aware of some benefits	Aware of benefits and deployed across the organisation	Incorporated into business planning and strategic thinking

The Council's Level of Risk Maturity was last independently assessed in November 2018 by Zurich Risk Engineering, and determined as Level 3 'Managed', using a similar Risk Maturity Model, also containing five levels of maturity. The Council has arranged for Zurich Risk Engineering to carry out another independent review during 2023.

5 Roles and Responsibilities

	Role	Responsibilities
Members	The Executive	<ul style="list-style-type: none"> • Ensure risk is considered when agreeing the Council's direction of travel. • Agree the delivery of the Risk Management Policy and Strategy. • Review the Strategic Risk register regularly. • Work with the Leadership Team to identify new or emerging risks. • Consider risk as an integral part of strategic planning and decision making. • Each Executive Member to oversee risks relating to their portfolio.
	Governance and Audit Committee	<ul style="list-style-type: none"> • Oversee the delivery of the Risk Management Policy and Strategy. • Review the appropriateness of the risk management and assurance processes and advice on any action necessary to ensure compliance. • Understand the role and activities of the Leadership Team in relation to managing risk.
	Scrutiny Committees	<ul style="list-style-type: none"> • Scrutinise major critical risks. • Challenge decisions made by Executive Members where risks have not been considered properly.
	Elected Members	<ul style="list-style-type: none"> • Consider risk as an integral part of strategic planning and decision making.
Management	Chief Executive	<ul style="list-style-type: none"> • Overall leadership for the effective delivery of risk management including the Strategic risk register, Risk Management Policy and Strategy. • Report progress and change in relation to risk management to Members.
	Leadership Team	<ul style="list-style-type: none"> • Set the tone from the top and promote the benefits of risk management. • Ensure all risks are aligned to corporate objectives • Regularly discuss and review the Strategic risk register and associated reports ensuring that the Strategic risk register is accurate. • Work with the Corporate Management Team to identify new or emerging strategic risks. • Ensure full compliance with all corporate governance requirements, including the production of the Annual Governance Statement.
	Corporate Directors & Heads of Service	<ul style="list-style-type: none"> • Ensure there are effective risk management arrangements in their Service in line with the risk management policy, strategy and accompanying guidance • Take ownership for risks within their Service and ensure risk registers, including project and partnership registers, are regularly discussed, reviewed, updated and key Service risks are escalated as appropriate. • Identify cross cutting risks which impact on the achievement of Service objectives. • Ensure Service risk registers and actions are regularly reported to the Leadership Team and relevant Executive Member. • Ensure key decision reports contain balanced and considered risk. • Ensure that the risk implications of all new business change proposals are satisfactorily taken into account.

	Role	Responsibilities
Risk Function		<ul style="list-style-type: none"> Where key services are to be provided through a partnership arrangement clear lines of risk ownership and accountability are established.
	Service Management Teams	<ul style="list-style-type: none"> Ensure the risk management within their area of responsibility is implemented in line with Risk Management policy, strategy and accompanying guidance Take ownership for the risks within their areas of responsibility, ensuring the risk register is regularly discussed, reviewed and updated and identifying analysing, prioritising and managing risks with the Service as part of the business planning process. Escalate risks up to the Director / Head of Service when required Ensure mitigating actions are completed and the effectiveness of controls are regularly reviewed
	Internal Audit and Risk Management Team	<ul style="list-style-type: none"> Ensure a periodic independent review of the corporate approach to risk management and compliance with it. Contribute to the accuracy and integrity of risk registers with particular regard to the effectiveness of mitigating actions. Develop the Risk Management policy, strategy and accompanying guidance and review periodically. Act as corporate advisor of risk and co-ordinate strategic risk initiatives, ensuring that risk management is integrated within all corporate strategies and procedures. Provide corporate and service-based advice and support to ensure appropriate risk management is included in all decision making and other Member reports. Promote a positive culture of risk awareness, demonstrating the ability to improve outcomes. Ensure that risk management supports the delivery of innovative and challenging projects. Encourage the Council's external partners to adopt an effective and transparent approach to proactively manage risk. Support the Leadership Team in maintaining the Strategic Risk Register and identify new and emerging risks. Ensure the design and systematic implementation of policies, procedures and practises for risk identification, assessment, treatment, monitoring and reporting. Plan audit work to take into account key risks, and how effectively they are managed providing assurances for the Annual Governance Statement, the Strategic Risk Register and the Governance and Audit Committee
	Risk Owners	<ul style="list-style-type: none"> Manage all aspects of risks assigned to them Obtaining additional resources or support as required to manage and monitor risks assigned to them Ensure that risks assigned to them are regularly updated in risk registers Determine any actions required to mitigate risks, ensure that these are implemented fully and effectively, and ensure that risk score reflects the impacts of these actions.
	Risk Co-ordinators	<ul style="list-style-type: none"> Ensure that the risk management policy, strategy and accompanying guidance is championed and adhered to consistently across the Service

	Role	Responsibilities
		<ul style="list-style-type: none"> • Ensure that risk registers are developed, maintained and regularly reviewed for the overall Service, and individual sections / teams as required • Report the Service risk register to the Service Management Team on a regular basis, and no less frequently than once a quarter • Ensure that the Service Risk Register is regularly reported to the Leadership team and forms part of the Service Challenge • Arrangements are in place for risk management training, information, guidance to be communicated to all relevant staff
Everyone	All staff	<ul style="list-style-type: none"> • Develop an understanding and familiarise themselves with the Risk Management policy, strategy and accompanying guidance and attend risk management training as required. • Maintain awareness of risks and take steps to manage risk as part of their role. • Report risks and any ineffective controls to managers. This includes reporting accidents and near misses.

Risk Management Guidance

Version FINAL DRAFT (April 2023)

About this policy

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Revision History

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1.0	April 2023	

Date of next review	
This policy will be reviewed on:	April 2026
The review will be undertaken by:	Risk & Insurance Manager

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1 Introduction

This document provides details of the risk management process used throughout the Isle of Anglesey County Council, whether these be strategic, service, project, or other risks.

The aim is for a consistent and proactive culture and approach in terms of the process for managing risks, while acknowledging differences between strategic, service, project or other risks and a collective responsibility for managing risks facing the Council as a whole.

Few risks and risk action plans remain static; risks change, priorities change, actions are completed, risk controls that were once effective may become irrelevant. Regular monitoring and reporting of risks is therefore essential.

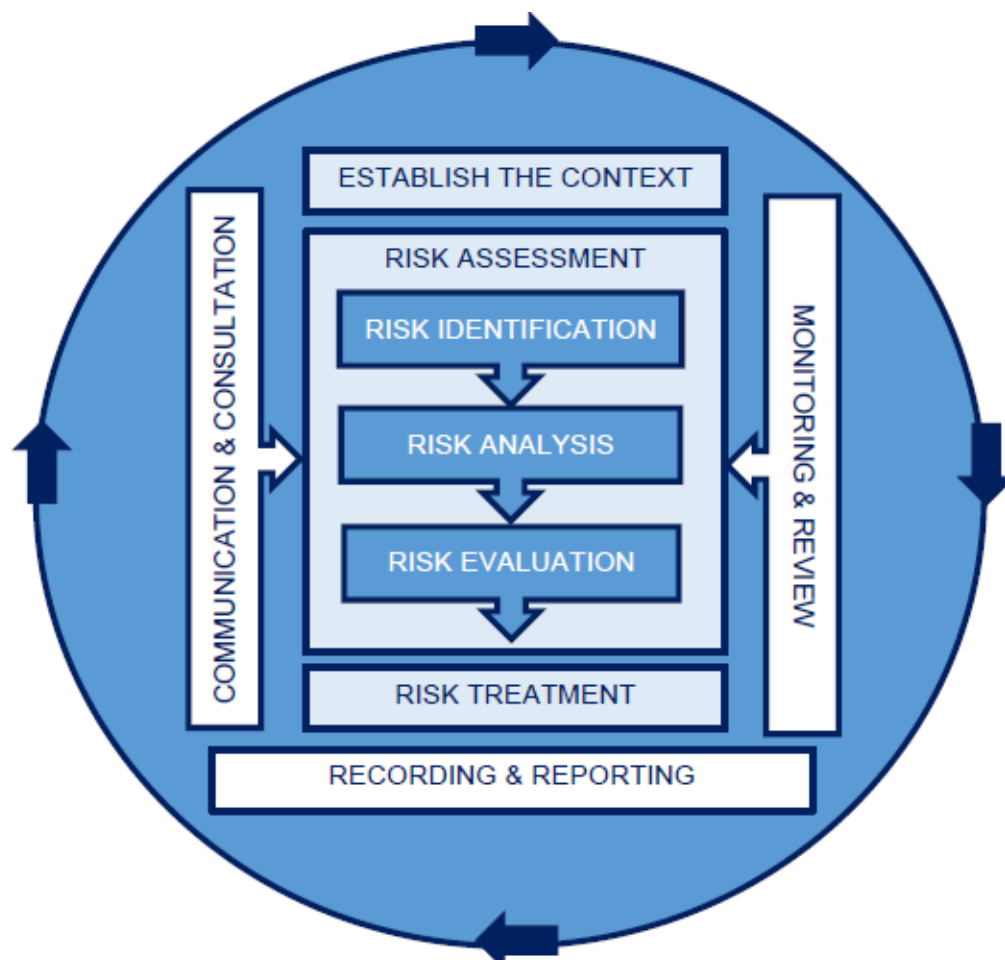
2 Risk Management Process

The risk management process is continuous. It involves identifying, prioritising and treating risks. It is recommended that risk is a standing agenda item on management team meetings, working groups / forums, project and programme boards.

It is more effective to involve a number of individuals in the risk process to avoid the subjectivity of individual risk perceptions that can lead to a misjudgement of risk due to the effect of heuristics and bias. People are often driven by biases such as:

- Overconfidence – a tendency to overestimate the likelihood that outcomes will be positive
- Groupthink – a tendency to conform to group beliefs
- Anchoring – a tendency to rely on one piece of information rather than search for another
- Confirmation – a tendency to search for information that supports existing belief.

The following diagram depicts the risk management process:



2.1 Establishing the Context

The first step is to establish the context of the risk. This frames the risk in terms of scope, objectives / business plans, risk appetite, and any assumptions made.

Strategic

- The context for strategic risks is the Council Plan

Service

- The context for service risks is their service delivery plan, and the aims, objectives and purpose of the service or business unit.

Project & Programme

- The context for project and programme risks is their project plan.

Partnership

- Partnership and collaboration is integral to the way the Council seeks to achieve its ambitions. It is an important means of building capacity and is fundamental to the Council's approach to achieving shared priorities.
- There are risks associated with any partnership that need management from the outset. All partnerships need a culture supporting well thought through risk taking and innovation by integrating risk management within the governance arrangements and consistently applying risk and management processes throughout all the partnerships activities.
- The context for partnerships is the business plan, terms and governance arrangements of the partnership

2.2 Risk Assessment

Having established the context, the risk needs to be assessed. A risk assessment involves three steps – identifying, analysing, and evaluating risk.

2.2.1 Risk Identification

Risk identification is the process of determining what risks might prevent the achievement of aims and objectives. This is an ongoing activity, as internal and external factors are rarely static and therefore the impact and/or likelihood of risks materialising change regularly.

Risk identification should be approached in a methodical way to ensure that all significant activities have been identified and all the risks flowing from these activities have been defined. This requires an intimate knowledge of the area / activities being assessed and the wider legal, social, political and cultural environment in which it exists. Undertaking [SWOT](#) or [bow tie analysis](#), holding workshops or brainstorming sessions are particularly useful when identifying risks for a new area or activity. Regular horizon scanning is recommended to identify new and emerging risks.

Service

- Should focus on the aims and objectives of the service as set out in their service delivery plan and risks to the day to day operation of the service.
- There are risks when engaging contractors. These include the ability to provide a service if the contractor fails to do so or fails to provide the goods required for the Council to provide a service. Such risks should be noted in the relevant Service risk register.
- A list of risks that should be considered are included in Appendix 4.2.

Project & Programme

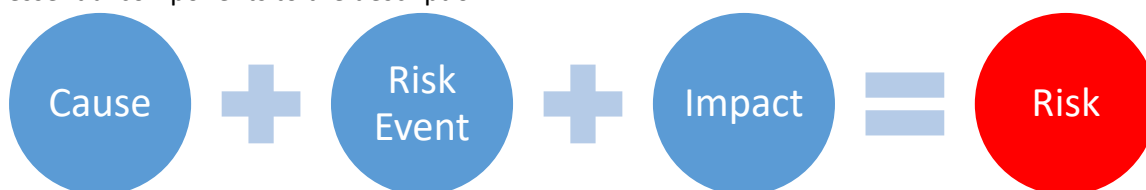
- Should focus on the risks that may impact the achievement of the project / programme objectives, the time frame which the project / programme is to be delivered, and resources required to deliver the project / programme.

Partnership

- Should focus on the risks that may impact the achievement of the project / programme objectives, the time frame which the project / programme is to be delivered, and resources required to deliver the project / programme.
- A twin track approach to risk management is required for partnerships, namely:
 - **Outside Looking In** - the risks to the Council in getting involved in or being part of the partnership.
 - **These risks should be included in the relevant service risk register.** Examples:
 - Cost to the Council of being part of the partnership is greater than delivering the service directly.
 - The partnership does not deliver the needs of the Council or its residents.
 - The resources in terms of staff time required by the partnership outweigh the benefits.
 - **Inside out** - the risks to the partnership achieving its objectives.
 - Each significant partnership should develop their own risk register relevant to the partnership's objectives and plan. This should be developed in conjunction with all of the partners. Examples:
 - Fundamental differences in political agendas or partners operating under different governance arrangements.
 - Misalignment of strategy and objectives across the partnership
 - A lack of relevant skills across the partnership to fulfil the objectives
 - Poor communication or non-acceptance of the roles and responsibilities of each partner.

Risk Description

Once a risk has been identified, it must be described so that it is clearly understood. There are three essential components to the description:



To keep the description as brief as possible, it is useful to note the causes and impacts separately. This approach is also useful in limiting the number of risks where there are several causes and impacts linked to one risk. It is however important not to be too vague as ambiguity will make analysing and evaluating the risk difficult.

Example: Defining a risk as “Staffing” could be construed as several different risks, whereas “The risk that key employees cannot be retained” is clearer.

Cause & Impact

Identifying what could cause the risk event to happen and the impact of the risk event assists in identifying possible risk treatments. Proactive or preventative treatments eliminate or reduce the cause and therefore reduce the likelihood of the risk event occurring. Reactive treatments influence the effect and therefore reduce the impact of the risk event if it were to happen. Where there are several possible causes or impacts, they should all be listed. Example:

- Risk: failure to retain key employees.
- Cause: uncompetitive pay, working conditions, high levels of absence or vacancies.
- Impact: disruption to services, increase in temporary staffing costs, increased pressures on recruitment team.

Risk Owner

Each risk must have an owner who is responsible for the risk area and is senior enough to insist actions are completed.

Strategic	
• a member of the Leadership Team	
Service	
• Corporate Director, Head of Service or a member of the Service Management Team.	
Project & Programme	
• project sponsor or Senior Responsible Officer	

2.2.2 Risk Analysis

The next step is to analyse the risk by considering the **likelihood** of the risk occurring and the **impact** on the organisation if that risk was to occur.



Risk analysis can be quantitative, semi-quantitative or qualitative in terms of the likelihood of occurrence and the possible impact. Providing descriptors assists with the analysis and increases consistency.

Plotting the **risk score** for each risk on a **risk matrix** allows risks to be compared and prioritised.

Separate risk matrices have been developed for strategic, service, project risks, and for opportunities, and these are included in [Appendix 4.3](#). Each partnership should develop and agree a risk assessment criteria based on the parameters of the partnership. For example, the likelihood scale should reflect the partnership timeframe.

Please note that if a risk is significant enough to be considered at a different level, the risk needs to be re-evaluated against the relevant risk matrix. For example, if a service risk is to be considered as a strategic risk it must be re-evaluated using the strategic risk matrix.

For all matrices, likelihood and impact are measured numerically with 1 being the least likely and the least impact. For example, a strategic risk considered to have a Catastrophic impact if it does occur and is Almost Certain of occurring will have a risk score of 25.

The colour associated with the risk score depicts the **risk level**, the broad responses to each risk level is set out in the following table.

Risk Level	Response
Critical	Priority risks; Escalate and actively monitored; Allocate resources to mitigate
Major	Escalate and regularly monitored; Likely to require action to mitigate
Moderate	Monitor the risk at least twice a year; Mitigation if obvious and cost effective
Minor	Accept but continue to monitor at least annually; Mitigate if obvious and cost effective

Inherent Risk

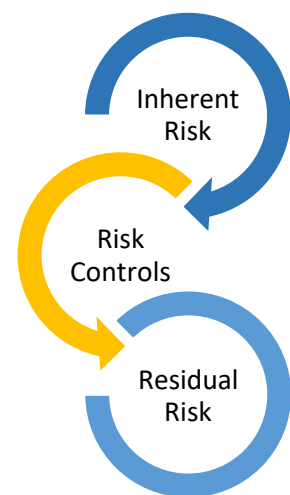
Each risk is initially analysed on an inherent basis. This is the level of risk before treatment measures and existing controls have been considered, or in other words, **the worst-case scenario**.

Risk Controls

These are the treatments already in place to reduce the likelihood of the risk occurring, or minimise the impact of the risk should it occur. It is rare that a single risk control will influence both the impact and likelihood. Treatments can be in the form of procedures, contingency plans, training etc.

Residual Risk

Each risk must also be analysed on a residual risk basis. This is the remaining level of risk after any existing risk controls have been considered or in other words, **the current level of risk**. This analysis must be undertaken using the same risk matrix used for analysing the inherent risk.



Risk Control Effectiveness and Lines of Assurance

The residual risk assumes that all identified controls are effective. However, if a control fails or is ineffective it will increase the likelihood of the risk occurring or the impact should the risk occur, and impact the decision whether additional treatment is required. The effectiveness of each control therefore needs to be assessed.

Lines of assurance provide evidence of how effective a risk control is, or how effectively the entire risk is managed. The Council uses a ‘Three lines of assurance’ model.

Line of Assurance	Provided by
1 st	Risk or control owner.
2 nd	Central support function, e.g. finance, HR, performance and legal.
3 rd	Independent sources e.g. internal or external audit, external regulators.

The frequency and volume of assurance reduces down from the first line of assurance, through the second line of assurance, and culminating in the third level independent assurance. All three levels are important and should be presented and recorded.

Officers responsible for providing the assurance are responsible for adding the assurance to the risk register, with the Performance Team inputting external sources of assurance.

2.3 Risk Evaluation

When the risk analysis process is complete, it is necessary to evaluate or compare the residual risk against the risk appetite. Risk evaluation helps decide how significant a risk is, whether it should be accepted or treated, and prioritises risks for treatment.

Risk appetite is the amount and type of risk that the Council aims to accept. This should not be confused with or interchanged with risk tolerance, which is the absolute level of risk within which the Council will operate. The Council's risk appetite is set out in the Risk Management Policy and Strategy Document and sets the boundaries in terms of how much risk the Council finds acceptable and which risks it aims to manage if it is to realise its objectives.

2.4 Risk Treatment

There are four primary risk treatment options.

Terminate	Treat
Avoid or stopping a certain process or activity completely. Alternatively, the activity could be carried out in a different way	Implement mitigating actions or controls measures to reduce the likelihood or the impact of the risk. It is rare for a single control measure to reduce the likelihood and impact. Controls should be monitored on a regular basis to ensure that they are effective. The vast majority of risk treatment options fall within this category.
Example: if a particular project is very high risk and the risk cannot be mitigated it might be decided to cancel the project.	Example: Checking electrical installations can reduce the likelihood of a fire and installing a sprinkler system can reduce the impact of the fire.
Transfer	Tolerate
Transferring the cost of the risk to another party who bears all or shares part of the risk. Please note that where the Council has a statutory duty to act (e.g. refuse collection) the liability for failing to act remains with the Council and cannot be transferred to the contractor undertaking the duty on the Council's behalf.	Accept the risk and do nothing to mitigate it. It may not always be necessary or appropriate to take action to treat risks. If the risk is shown as 'green' after mitigating actions then it can probably be tolerated. Risks that are accepted still need to be monitored and reviewed.
Example: Outsourcing an area of work to a contractor or buying insurance cover.	Example: the cost of treating the risk outweighs the potential benefits.

Any risk above the risk appetite will require additional treatment.

When evaluating what treatment options to employ, consider:

- Existing best practices to treat the risk.
- Critical controls that will reduce the risk required as part of the risk treatment or mitigation plan.
- Costs associated with different treatment options against associated benefits.
- How other organisations mitigate the same risk.

Time and resource should therefore be focused on risks where the residual risk are above the risk appetite or at a critical level (red).

2.4.1 Action Plan

Where the risk owner believes additional treatment is required, they should record what action is required, by whom, and by when in the risk register and communicate this to the action owner. Where such a decision falls outside the risk owner's authority they must escalate the decision to someone who has authority.

Actions identified should be SMART (Specific, Measurable, Achievable, Realistic, Time-limited.)

Action owners are responsible for updating the risk register in respect of actions assigned to them, especially if completion of an action is delayed or unlikely to happen, and must confirm when an action is complete.

Once an action is complete, the risk owner should consider the impact on the residual risk score or if there is a new control.

2.4.2 Target Risk

Where additional actions are to be implemented, an analysis of what the expected risk score will be once the actions are completed should be undertaken. This is the **target risk** and is calculated using the same risk matrix as was used for analysing the inherent and residual risk levels.

2.5 Risk Recording, Monitoring & Reporting

2.5.1 Risk Register

The findings of each step of the risk management process are recorded in the risk register. Risk is the Council's preferred method for capturing risk registers.

Strategic

- The Risk & Insurance Manager will facilitate the maintenance and update of the strategic risk register on behalf of the Leadership Team.

Service

- Each Service will maintain and update their own service risk register.
- Larger services or those with distinct business units may decide to also have risk registers for each or some teams within the service. Responsibility for maintaining such risk registers will be decided within the service.

Project & Programme

- Project and programme managers will maintain and update project and programme risk registers.

2.5.2 Monitoring

Regular monitoring of every stage of the risk management process is essential.

Regular monitoring of individual risks ensures that the likelihood and impact remain representative, the controls remain relevant, and whether actions are on track. The frequency of review depends on the risk level; the higher the risk level the more often the review. Risks should also be reviewed after release of new legislation or government guidance and after an audit.

Regular monitoring of risk registers in their entirety ensures that they provide a fair overall representation of the risk to the organisation and that the level of the risks remain relative to one another.

Risks should feature as a standard agenda item at management teams (at all levels within the organisation), corporate forums/working groups where appropriate, project and programme boards, and partnership meetings, so that risks can be identified and captured. Discussions on risk should include:

- are any risks missing from the risk register
- review of existing risks
- the effectiveness of the current controls
- are actions on track
- new or emerging issues and risks

Strategic

- The Leadership Team will review the Strategic risk register as a whole at least twice a year.
- The Leadership Team will review a small number of strategic risks each month.

Service

- Services are responsible for monitoring and updating their risk registers. Services are encouraged to review their risk registers at least once a quarter.

Project & Programme

- Risks should be monitored at the beginning of each stage of the project / programme to ensure key project / programme milestones are not compromised.

Partnership

- The partnership should agree the ongoing monitoring of the risk profile and progress of the action plan, and the frequency and content of risk reports.

Risk Control Effectiveness

Monitoring the effectiveness of controls regularly ensures the residual risk score is a true reflection of the risk. There are various methods of monitoring the effectiveness of controls including:

- periodic reviews where a judgement is made
- lines of assurance
- formal methods of testing the controls
- establishing key control indicators (KCIs)

Key Indicators

These can assist the monitoring process.

Key Performance Indicators	Key Risk Indictaors	Key Control Indicators
<ul style="list-style-type: none"> •monitor the progress and achievements of the risk management strategy. 	<ul style="list-style-type: none"> •early warning indicators to monitor the risk cause, making risk monitoring proactive rather than reactive. •an indicator of change in the likelihood or impact of a risk, provide an early signal of increasing risk exposure and assist in the decision-making process for risk mitigation 	<ul style="list-style-type: none"> •early warning indicators for key risk controls •Where controls are ineffective or less effective, the residual risk level should be reviewed.

2.5.3 Risk Reporting

Risk Escalation

This ensures significant risks are escalated and brought to the attention of the appropriate person or group and is necessary to ensure that the appropriate decisions are taken and actions are implemented to mitigate the risk.

The timely availability of risk information to the right people is vital to the risk escalation process. There is no restriction on what may be escalated for action; the key criteria is that some form of intervention is required from management that is more senior.

Individual risk owners are responsible for escalating risks through the normal management hierarchy. Although it may be appropriate to include a risk in a different risk register, the responsibility for addressing the risk may remain with the originator. The Leadership Team should be informed of any risk that are above the appetite level; however, responsibility for managing those risks will usually remain with the risk owner but with increased scrutiny from the Leadership Team.

Risk Reporting

Risk reporting provides many benefits including allowing organisations to demonstrate an understanding of the risks they face and how best to deal with them. This provides greater confidence in the organisation's ability to mitigate risk and assurance that the Council's risks are being well-managed and mitigated. It also shows effective leadership and integration of risk management into the wider governance arrangements.

Risk reporting should be within the normal reporting lines of the Council to support better decision-making and ensure that planning and control is embedded and transparent. The communication of risk horizontally and vertically within the Council is critical to this process as risks cannot be considered in isolation and the management of one risk can impact on another.

There is no prescribed format for risk reporting, however concise and focused reports based on good quality information are key to ensure reports are user-friendly, actionable and can be used easily in decision-making. Data collated for analysis should be meaningful to support decision-making and presented in a succinct and accessible way that focuses on key points.

Where a decision is required, any risks and opportunities associated with the decision should be clearly articulated in a succinct and accessible way to those with the authority to make that decision. This includes the risks and opportunities of proceeding with or ceasing an activity, and not proceeding with or ceasing an activity.

Strategic

- Reports to the informal Executive and Governance & Audit Committees on the strategic risk register highlighting any changes to the strategic risks, any new risks identified and any risks that have been closed is presented to these committees twice a year.

Service

- Service risks will be scrutinised during the Service Challenge
- Service risk registers should be presented to the Portfolio Member at least annually

Project & Programme

- Risk reporting should be integrated with established reporting lines. This is usually Project Manager > Senior Responsible Officer > Project Board > Leadership Team.

Partnership

- All partners should receive copies of the risk register and any risk reports at least once a year with concerns escalated within the normal management process.

3 Opportunity Risk Management

If only threat risks are managed, the best outcome expected is to meet the promised objectives but never to improve on them. Identifying and managing opportunities is therefore encouraged within the Council’s risk appetite. The process for opportunity risk management remains similar to that outlined in [section 2](#) with the following considerations:

3.1.1 Risk Assessment

It is important to identify real opportunities and not simply log the flip side of threats. A [SWOT analysis](#) is a useful tool to identify opportunities.

Risk Matrix

LIKELIHOOD	Favourable outcome likely to be achieved in less than 12 months	Likely	3			
	Reasonable chance of a favourable outcome in the next 2 years	Possible	2			
	Some chance of a favourable outcome in the next 5 years	Unlikely	1			
			1	2	3	
			Minor	Moderate	Significant	
Objectives			Little or no positive impact	Some positive impact	Notable positive impact	
Service Delivery			Little impact on either quality or provision	Improvement in quality or provision	Notable improvement in quality and provision	
Financial Benefit			<£250k	£250k - £1m	>£1m	
Reputation			Little or no impact	Local recognition	National recognition	
IMPACT						

3.1.2 Opportunities Treatment

The risk appetite will have a bearing on how opportunities are treated.

There are four primary responses to opportunities.

Exploit	Share
Exploit is where you do not take any action but if the risk does happen, you would take advantage of it and use it.	Work with another organisation to share the cost, resources and knowledge in order to realise the opportunity.
Example: Selling shares if the price rises to an unprecedented level.	Example: Establishing a new company jointly owned with another organisation.
Enhance	Reject
Take actions to increase the likelihood of event occurring and / or impact should the opportunity occur. This is not the same as Exploit, but doing certain things will give a greater chance for the opportunity to happen.	Identify an opportunity but decide not to take any action.
Example: Adding more resources to reduce time or provide training to improve quality	Example: The additional cost / resources required are greater than the potential return.

3.1.3 Monitoring & Reporting

Opportunity monitoring and reporting should be integrated with established risk reporting lines. Also, opportunities should be clearly highlighted in reports alongside any risks.

4 Appendices

4.1 Terminology

Word/term	Definition
Action / Action Plan	Additional treatments identified to mitigate the risk further. The action plan identifies what is required, by whom and by when.
Action Owner	The individual or group of people tasked with completing an action.
Assurance (Lines of)	Evidence of how effective a risk is managed.
Cause	The circumstance that could lead to a risk event happening
Control	The treatments already in place to reduce the likelihood of the risk occurring, or minimise the impact of the risk should it occur.
Control Owner	The individual or group of people tasked with implementing a control.
Impact	The outcome if a risk event happens.
Inherent Risk	The level of risk before treatment measures and existing controls have been considered - the worst-case scenario.
Issue	An event or situation that already exists.
Likelihood	The probability that the risk will happen.
Opportunity	A positive outcome or impact of a risk.
Partnership	A joint working arrangement where the partners are otherwise independent bodies, agree to co-operate to achieve a common goal of community cohesion and to achieve it, create an organisational structure or process and agreed programme.
Programme	A temporary flexible organisation structure created to coordinate, direct and oversee the implementation of a set of related projects and activities.
Project	A temporary structure that is created for the purpose of delivering one or more business products according to an agreed business case.
Residual Risk	The remaining level of risk after any existing risk controls have been considered - the current level of risk.
Risk	The effect of uncertainty on objectives.
Risk Assessment	The process of identifying, analysing and evaluating a risk.
Risk Appetite	The amount and type of risk that an organisation aims to retain / take.
Risk Co-ordinator	The officer that leads on promoting and embedding risk management within their Service.
Risk Culture	The values, attitudes and understanding of an organisation in relation to the risks it faces.
Risk Event	Occurrence of a particular set of circumstances.
Risk Level	The significance of the risk in terms of likelihood and impact displayed as red, amber, yellow or green.
Risk Management (Process)	The process of methodically identifying, assessing, and addressing the risks attached to activities.
Risk Matrix	A visual display of the relationship between the likelihood and impact of a risk.
Risk Maturity	The level, understanding and effectiveness of an organisation's management of risk.
Risk Owner	The individual or group of people tasked with managing, monitoring and reporting on a risk.
Risk Register	The document that records the outcome of the risk assessment and associated action plans.
Risk Score	The combination of the likelihood and impact.
Risk Treatment	The process of selecting and implementing measures to modify the risk.
Target Risk	The expected level of risk once the action plan is completed.

4.2 Service Risks

The table below includes some of the risks that may be relevant to services.

Category	Examples
Partnerships	<ul style="list-style-type: none">• the risk to the Service of being part of a partnership in terms of value for money, efficiencies, reputational damage etc
Data	<ul style="list-style-type: none">• losing or wrongly disclosing• access denial• retention and destruction• knowing what data is held and where• quality of the data held• accessibility of the data in the future
Health & safety	<ul style="list-style-type: none">• staff• service users• contractors• members of the public
Business continuity	<ul style="list-style-type: none">• loss of IT or telephony• availability of staff• loss of buildings / accommodation• access to records
Welsh language policy	<ul style="list-style-type: none">• breach of the standards
Contracts	<ul style="list-style-type: none">• procurement of goods and services• contract management• supply chain risks
Staffing	<ul style="list-style-type: none">• illness• absence• vacant posts• training & skills• management
Fraud	<ul style="list-style-type: none">• by staff• by external parties
Environmental	<ul style="list-style-type: none">• extreme weather impact• pollution• carbon footprint
Financial	<ul style="list-style-type: none">• reduced real terms budget
Legislation	<ul style="list-style-type: none">• changes in legislation• new legislation

4.3 Risk Matrices

4.3.1 Strategic

LIKELIHOOD	Within the next 3 months	Almost Certain	5					
	Within the next 12 months	Likely	4					
	Within the next 2 years	Possible	3					
	Within the next 5 years	Unlikely	2					
	Not within the next in 25 years	Rare	1					
MINOR		MODERATE		1	2	3	4	5
MAJOR		CRITICAL		Insignificant	Minor	Moderate	Major	Catastrophic
Objectives				Minor delay in achieving objectives	Reduction in scope or quality of a secondary objective	Reduction in scope or quality of a primary objective or achievement of a secondary objective is significantly delayed	Achievement of a primary objective is significantly delayed or a secondary objective can't be met	A primary objective can't be met
Reputation				Public concern restricted to local complaints	Minor adverse local / public / media attention and complaints	Serious adverse local or minor adverse regional or national media attention	Serious negative regional or national criticism	Prolonged regional and national condemnation
Financial Cost				<£100k	£100k - £500k	£500k - £2m	£2m - £5m	>£5m
Health & Safety				Near miss or minor injury not requiring any professional medical treatment	Minor injury requiring professional medical treatment	Serious injury	Life changing injury	Fatality
Safeguarding				No safeguarding impact	Isolated non-compliance with procedures	Continued non-compliance with procedures	Isolated safeguarding incident	Multiple and related safeguarding incidents
Regulation				No regulatory impact	Reportable incident to regulator, follow up not required	Report of a breach to regulator that requires immediate correction	Prosecution by regulator leading to fines or intervention that requires a project to rectify the situation	Prosecution by regulators that results in significant fines and/or large-scale intervention
Environmental				Minor short term effect	Short term effect that requires little resources to resolve	Short term effect that requires significant resources to resolve	Serious short term effect or some long term effect	Serious and long term effect
IMPACT								

4.3.2 Service

LIKELIHOOD	Within the next 3 months	Almost Certain	5					
	Within the next 12 months	Likely	4					
	Within the next 2 years	Possible	3					
	Within the next 5 years	Unlikely	2					
	Not within the next in 25 years	Rare	1					
MINOR		MODERATE		1	2	3	4	5
MAJOR		CRITICAL		Insignificant	Minor	Moderate	Major	Catastrophic
Service				No impact on service quality; minor delays in providing non-critical services	Minor impact on service quality, very short delay in providing a single critical service, or a significant delay to other operations	Significant fall in service quality, short term disruption to critical services, or prolonged disruption to other operations	Prolonged disruption to single critical service	Prolonged disruption to multiple critical services
Reputation				Public concern restricted to local complaints	Minor adverse local / public / media attention and complaints	Serious adverse local or minor adverse regional or national media attention	Serious negative regional or national criticism	Prolonged regional and national condemnation
Financial Cost (% of net Service budget)				<1%	1% - 10%	10% - 25%	25% - 50%	>50%
Health & Safety				Near miss or minor injury not requiring any professional medical treatment	Minor injury requiring professional medical treatment	Serious injury	Life changing injury	Fatality
Safeguarding					Isolated non-compliance with procedures	Continued non-compliance with procedures	Isolated safeguarding incident	Multiple and related safeguarding incidents
Regulation					Reportable incident to regulator, follow up not required	Reportable breach that requires immediate correction	Prosecution leading to fines or intervention that requires a project to rectify the situation	Prosecution that results in significant fines and/or large-scale intervention
Environmental				Minor short term effect	Short term effect that requires little resources to resolve	Short term effect that requires significant resources to resolve	Serious short term effect or some long term effect	Serious and long term effect
IMPACT								

4.3.3 Project

Likelihood	Almost Certain	5				
	Likely	4				
	Possible	3				
	Unlikely	2				
	Rare	1				
		1	2	3	4	
		Insignificant	Minor	Moderate	Major	
Scope / Objectives		minor	require SRO approval	require Board approval	fails to meet objectives or scope	
Cost		<5% increase	5%-10% increase	10%-20% increase	>20% increase	
Timescale		minor slippage	5%-10% increase	significant slippage	>20% increase	
Impact						

4.4 4risk Guide

A separate user guide is available for 4risk.

4.5 Methods of Identifying Risks

4.5.1 SWOT Analysis

A SWOT analysis is a planning tool which seeks to identify the Strengths, Weaknesses, Opportunities and Threats involved in a project or organisation. It is a framework for matching an organisation's goals, programmes and capacities to the environment in which it operates.

The 'SWOT' itself is only a data capture exercise - the analysis follows later.

- **Strengths**
Positive tangible and intangible attributes, internal to an organisation and within the organisation's control
- **Weaknesses**
Internal factors within an organisation's control that detract from the organisation's ability to attain the desired goal. Which areas might the organisation improve?
- **Opportunities**
External attractive factors that represent the reason for an organisation to exist and develop. What opportunities exist in the environment, which will propel the organisation? Identify them by their 'time frames'.
- **Threats**
External factors beyond the organisation's control which could place the organisation mission or operation at risk. The organisation may benefit by having contingency plans to address them if they should occur. Classify them by their severity and probability of occurrence.

INTERNAL FACTORS	
Strengths	Weaknesses
EXTERNAL FACTORS	
Opportunities	Threats

4.5.2 Bow Tie Analysis

A bow tie is a graphical depiction of the pathways from the causes of an event or risk to its consequences.

Identifying what the various causes which could lead to the risk occurring can help identify controls to prevent or reduce the likelihood of the risk from happening. Similarly, identifying the various impacts should the risk materialise can help identify mitigating actions that can be put in place to reduce those impacts.

