Risk Management Framework
2021-2023

Risk is the effect of uncertainty on objectives

The effect may be positive, negative or a deviation from the expected, and that risk is often described by an event, a change in circumstances or a consequence

Risk Management is defined as: Coordinated activities to direct and control an organisation with regards to risk[1]

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[1] As defined within the ISO 31000:2018 Risk Management – guidelines

Introduction

This framework provides an outline of the Council's arrangements for risk management. It updates the previous Risk Management Framework 2018-2020 and seeks to clarify the various roles, responsibilities and governance structures. The procedural guidance may be subject to further review and amendment as required subject to approval by the Section 151 Officer, Corporate Management Team and Governance and Audit Committee.

Through the Corporate Plan and the supporting service plans, the Council must balance the demands of service users and taxpayers; involve communities in service provision; deliver, commission and regulate services; and enter into local and strategic partnerships, sometimes involving complex funding arrangements. Balancing all these competing demands and objectives means that the Council needs a framework that ensures that a pro-active approach is taken, and risks are considered and managed, before decisions are made.

The Council acknowledges its statutory responsibility to manage risks and deliver cost effective and efficient services. The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, and effectively. The Council has a duty under the Local Government Act to make arrangements to secure continuous improvement in the way in which its functions are exercised. In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective delivery of its functions, which include arrangements for the management of risk.

The management of risk is woven throughout the Council's key governance frameworks and there are specific requirements to adopt a formal approach to risk management in the following areas:

- Key decision making reports
- Corporate, directorate and service area planning
- Programme and project management
- Procurement processes
- Partnership working arrangements
- Change management processes

Risk management is an essential part of strengthening the "health" of the Council because it is a crucial part of the overall arrangements for securing effective corporate governance. Risk management can make a difference and enhance performance by identifying and preventing the bad things from happening and ensuring all the good things the Council want to do actually happen.

The effectiveness of the council's risk management arrangements is assessed annually as part of the Annual Governance Statement (AGS), which includes the Annual Audit Opinion, and is signed off by the Chief Executive and Leader of the Council. In compiling the AGS, assurances are obtained from a wide range of sources, in consultation with directorates and divisions.

This framework is based on good enterprise risk management practices as defined in the ISO 31000: 2018 Risk Management guidelines and the ALARM (Association of Local Authority Risk Managers) Risk Management Guide and Toolkit. The framework consists of the following components:

Risk Management Policy Statement	Statement of intent on the Council's approach to risk
Risk Management Strategy	Defines the activities and responsibilities for managing risk and reporting arrangements
Risk Management Guidance	Guidance on how to fulfil strategy objectives
Strategic Risk Register	Register recording all strategic risks and who is responsible for managing them
Service Risk Register	Register recording all service area risks and who is responsible for managing them
Project Risk Register	Register of project risks

Risk Management Policy Statement

South Kesteven District Council recognises risk management is a vital activity that both underpins and forms part of our vision, values and strategic objectives, including those of operating effectively and efficiently, as well as providing confidence to our community.

Risk is present in everything we do, and it is therefore our policy to identify, assess and manage the key areas of risk on a pro-active basis. We seek to embed risk management into the culture of the Council and the behaviour of all those involved in the management, operation and development of the Council.

Risk management needs to be embedded throughout all processes, projects and strategic decisions, including procurement and contracting which will ensure partnerships and third party relationships are fully compliant with our risk management policy and strategy.

The aim for our risk management framework is that it will be fit for purpose, reflect our size and the nature of our various operations and use our skills and capabilities to the full. In order for risk management to be most effective, and become an enabling tool, we must ensure we have a robust, consistent, communicated and formalised process across the Council.

In order to obtain a clear picture of which risks will threaten the ability of the Council to achieve its objectives it is important the level of risk which the Council considers acceptable for the organisation to be exposed to, that is the risk appetite of the Council, is defined.

This Risk Management Policy Statement, and supporting documentation, form an integrated framework that supports the Council in the effective management of risk. In implementing our management of risk system we seek to provide assurance to all our stakeholders that the identification and management of risk plays a key role in the delivery of our strategy and related objectives.

The Council will involve, empower and give ownership to its staff in the identification and management of risk. Management of risk activity will be regularly supported through discussion and appropriate action by senior management. This will include a thorough review and confirmation of the significant risks, evaluating their mitigation strategies and establishing supporting actions to be taken to reduce them to an acceptable level. Managing risks will be an integral part of both strategic and operational planning and the day-to-day running, monitoring, development and maintenance of the Council.

Risk Management Strategy

The purpose of this framework is to set out how the Council will manage risk, and to ensure that risks are identified at the right time, to facilitate effective decision making.

The main objectives of the Risk Management Strategy are to:

Ensure risk management is part of strategic and operational management decision making, planning and implementation

Manage risks in accordance with the Council's Risk Management Framework, recognised best practice and to enable good governance

Take account of internal and external changes that may impact on the Council's overall risk profile

Respond to risk in a balanced way, mindful of the Council's risk appetite, considering risk level, risk reduction potential, cost/benefit and relationship to resource constraints

Raise awareness of the need for effective risk management

The objectives and outcomes of this strategy will be achieved by working closely with teams across all the Council by ensuring:

Risk management is integral to the decision making process of the Council

Elected Members, Corporate Management Team, external regulators and the public at large can obtain necessary assurance that the Council is managing its risks

Strategic, service and project risks are discussed on a regular basis

All risks within projects are fully identified, assessed and managed in accordance with the Council methodologies

Joint working across directorates on projects to protect the Council and comply with statutory responsibilities such as Health and Safety

Opportunities for shared learning on risk management across the Council's partners is provided

Measurement of what is done and participation in comparison and benchmarking activity

Risk Management Guidance

What is risk?

Risk can be defined as anything that poses a threat to the achievement of the Council's Corporate Plan ambitions, programmes or service delivery to residents, businesses and communities. It can come from inside or outside the organisation; may involve financial loss or gain; reputational damage; physical damage to people or property; customer dissatisfaction; failure of equipment; fraudulent activity, etc. Failure to take advantage of opportunities may also have risks such as not embracing an opportunity to bid for external funding, etc.

Risk management is a management tool and forms part of the governance system of every public service organisation. When applied appropriately risk management can bring an organisation multiple benefits. It can help organisations achieve their stated objectives and better deliver on intended outcomes. It can also help managers to demonstrate good governance, better understand their risk profile and better mitigate risks (particularly uninsurable risks). Externally it can help the organisation to enhance political and community support and satisfy stakeholders' expectations on internal control.

Examples of the benefits of risk management

Better delivery of intended outcomes	Demonstration of good governance	Improved efficiency of operations	Better mitigation of key risks	Protection of reputation
Supports the achievement of objectives	Protection of assets	Protection of budgets from unexpected financial losses	Increased effectiveness of projects	Enhanced political and community support

What is risk management?

Risk management is the range of activities that an organisation intentionally undertakes to understand, and reduce the effects of, risk in a manner consistent with the virtues of economy, efficiency and effectiveness. Put simply when things go wrong then the cost of rectification brings about an unexpected draw on resources, ie waste, this distracts from delivering services and achieving objectives and, in the worst case, can de-rail the Council completely. It is also about making the most of opportunities that present themselves and knowing that the Council is able to respond appropriately when it is in the Council's interests to do so and help achieve objectives.

There is no such thing as a risk free environment, but many risks can be avoided, managed, reduced or eliminated through good risk management.

Areas of risk

The following areas of risk have been identified as relevant to the Council to ensure suitable coverage – strategic, operational, emerging and business as usual.

These will form the basis of reporting and monitoring on risks, controls and actions and are explained further below:

Strategic

- Risks that may be materially damaging to the achievement of one, some or all of the Council's key objectives
- High level and cross cutting risks which need to be considered in judgements and decisions being made in connection with the Council's priorities, plans and objectives
- Identified as part of the process of preparing the Corporate Plan and other related strategies eg the Medium Term Financial Plan
- Members and officers are involved in the identification, assessment and treatment of those risks
- Cyclically assurance will be sort from Council management that the strategic risk controls are operating effectively
- Strategic risks could be triggered or influenced by the materialisation of operational risks or emerging risks (see below)

Operational risk areas:

Service

- Risks that relate to activity at service level (or projects) and are considered exceptional (or not considered business as usual) in that they have come about through a change in activities (internally/externally) that cannot be managed through normal day to day controls
- Risks could also be the result of a failure in control that threatens the ability to maintain business as usual and jeopardises the Council's ability to achieve its objectives (thus by its nature is exceptional)
- These risks are likely to be specific to one service area

Financial

- Risks that have explicit financial implications for the Council and could jeopardise financial management and the Medium Term Financial Plan ie failure in or lack of key financial controls, fraud, quantifiable economic uncertainty, commercial risks etc
- Risks are considered exceptional (or not considered business as usual) in that they have come about through a change in activities (internally/externally) that cannot be managed through normal day to day controls
- They could be a result of failure in control that threatens the ability to maintain business as usual and jeopardises the Council's ability to achieve its objectives (thus by its nature is exceptional)
- These risks could relate to one specific service or the Council as a whole

Compliance and Regulatory Risks

- Risks that have explicit compliance and/or regulatory implications for the Council and could jeopardise the Council's ability to remain legal, meet specific or mandatory standards required to deliver services, ensure a positive outcome from inspection etc.
- Risks are considered exceptional (or not considered business as usual) in that they have come about through a change in activities (internally/externally) that cannot be managed through normal day to day controls
- They could be a result of failure in control that threatens the ability to maintain business as usual and jeopardises the Council's ability to achieve its objectives (thus by its nature is exceptional)
- These risks could relate to one specific service or the Council as a whole

Emerging

- Risks that are still morphing. The full nature, understanding and implications of these risks on the Council is yet to be determined. They are often triggered by external events globally, nationally or locally and therefore by their nature are worthy of monitoring
- These risks may disappear, contribute to a change or be subsumed within an existing risk or become a risk in their own right, either at strategic or operational level. Once it is understood what these emerging risks might mean for the Council they will be allocated accordingly to one of the areas of risk
- These risks could relate to one specific operation, the Council as a whole or be strategic by nature

The provision of good risk intelligence promotes discussion, encourages challenge and enables the organisation to consider risks and opportunities as an integrated element of the day to day management of the business.

All reports to committees are required to consider and make explicit the implications they present for the Council's risk appetite and the management of strategic risks, operational risks and business as usual risks.

Business as usual

- Risks that are associated with the failure of the Council's controls and arrangements that are put in place to ensure the continued delivery of services on a day to day basis, ensuring probity, regularity and value for money as far as possible
- This includes areas such as adherence with policies and procedures, risk assessment of activities and decisions, completion of actions stemming from business planning or continuous improvement plans etc, performance management and measurement, learning and development, management or committee monitoring, review, oversight and scrutiny. The emphasis is therefore on ensuring that these controls remain effective and being assured that this is so

Assurance

Assurance is a level of confidence provided, or obtained, that a given outcome will be achieved as expected.

The Council has various assurance routines including completion of the management Annual Assurance Statements, the cyclical assurance provided over key controls in the Strategic Risk Register and the work of internal audit and other independent reviews of activities that may be undertaken. All outcomes of assurance work will be captured, reported and reviewed via the Corporate Management Team and then presented to consideration to the Governance and Audit Committee as appropriate.

Failures in business as usual controls will require rectification and progress of these improvements will be tracked, monitored and reported, as well the implications on the Council's risk profile being considered, with amendment or updating of the risks areas and risk registers as required. Where the failure is so material that it presents a significant ongoing risk to the Council then this could require the creation of a new risk record in an appropriate risk area.

Assurance will be provided that the Council's approach to risk management is working by:

Action	Evidence
Risk registers	- Risks identified with risk owners, risk treatment and reporting mechanism
Review of the risk management system	- Risk Management Group - Governance and Audit Committee - Internal and external audit
Annual Assurance Statements	- Ensures the efficient application and integration of risks, controls and assurances coupled with their reporting
Committee reports	- Integration of risk identification as part of the member review and approval process

Risk appetite

Risk appetite can be defined as the amount of risk that an organisation is willing to take on in pursuit of its strategic objectives.

Risk management is not about being 'risk averse'. Risk is ever present and some amount of risk taking is inevitable if the Council is to achieve its objectives. Risk management is about making the most of opportunities and about achieving objectives once those decisions are made. In defining its risk appetite the Council is in a better position to avoid threats and take advantage of opportunities. A clearly understood and articulated risk appetite assists the Council through more informed risk focussed decision-making.

Factors such as the external environment, people, business systems and polices, and how key stakeholders perceive the Council, will all influence the Council's risk appetite. The Council's risk appetite is defined in **Appendix A**.

Embedding risk management

The Cabinet Member for Finance and Resources and the Corporate Management Team are jointly responsible for ensuring that risk management is embedded throughout the Council

Assistant Directors and Heads of Service are responsible for ensuring that, within their areas, risks are being effectively managed

The Governance and Audit Committee is responsible for scrutinising risk management systems

The principles of this framework should be communicated to partners and that the arrangements for managing risk are clearly understood

The Governance & Risk Officer will provide advice and assurance on a day to day basis

Risk assurance and review procedures

To ensure the Risk Management Framework remains fit for purpose, the Council will continually seek to review and improve its risk management methodology and embrace new initiatives and industry practices that suit the needs of the organisation. The Council will adapt to its changing operating environment and economic conditions and have a risk framework with sufficient flexibility to cope with these changes.

Risk management is subject to the Council's internal audit practices and is periodically audited to enable the auditors to provide assurance that processes are in place to identify, assess and manage the risks the Council faces. Any recommendations arising from audits are channelled back through annual work plans to ensure they are implemented.

Assurance that the risk management processes are working effectively is obtained by following the risk management governance framework as set out in **Appendix B**.

Roles and responsibilities

All Officers and Members have a key responsibility to ensure that risk management is effective across the whole of the Council's operations. Specific roles and responsibilities are set out in **Appendix C**.

Process

We use the methodology as summarised in **Appendix D** when undertaking the assessment of risk.

Glossary

A glossary of risk management terminology is attached as **Appendix E**.

Risk Management Action Plan

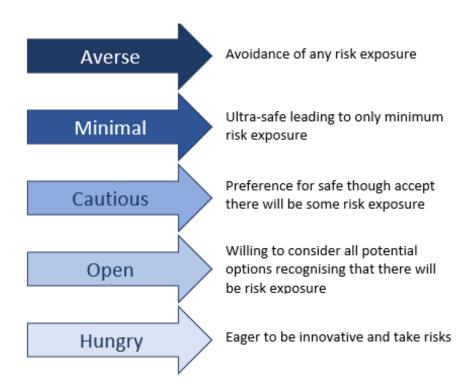| Key improvement area |
|---|
| Incorporate governance and risk training into the overarching corporate training programme for officers utilising appropriate training tools such as elearning |
| Introduce 'back to basics' manager training to all key post holders ensuring appropriate levels of competency for governance areas such as procurement, financial regulations, risk management and contract procedure rules |
| Ensure members are trained on the key areas of risk management and all reports identify risk management issues for their consideration |
| Undertake a review of procedures to ensure compliance with the Risk Management Framework |
| Work with colleagues across the county to learn and share best practice regarding risk management |
| Ongoing review of Strategic Risk Register to ensure all risks are captured and evaluated |

Appendix A – Risk Appetite Statement

Risk appetite overview

Risk is the exposure to something happening, often negative but sometimes positive, associated with the achievement of objectives. Only in extreme circumstances is the risk unforeseen. Therefore, with information available, analysis and understanding of the circumstances, then the Council is able to determine when it can take more risk and when it should not. Risk appetite is defined as the level of risk an organisation is prepared to accept or take in the pursuit of its objectives. There is no one size fits all, neither is risk appetite easy to define. The Council's appetite for risk can vary dependent on the nature of the risk and the prevailing operating conditions or circumstances.

The Council has developed a risk appetite. The risk appetite is not absolutely prescriptive but instead provides a number of underlying component parts that encourages structured thinking. The aim of the risk appetite being to allow the Council to reach an informed conclusion as to whether the risk can be accepted, and to what extent, to achieve the desired outcomes.

Risk appetite levels description

Averse	Avoidance of any risk exposure
Minimal	Ultra-safe leading to only minimum risk exposure
Cautious	Preference for safe though accept there will be some risk exposure
Open	Willing to consider all potential options recognising that there will be risk exposure
Hungry	Eager to be innovative and take risks

Risk appetite monitoring and reporting

The Council will continue to keep under review its risk appetite, fully recognising that this may be susceptible to change due to various factors, both internal and external, that could shape the nature and extent the Council is prepared to take risks.

Risk appetite themes

All risks should be considered in the context of the Council's risk appetite. To assist this further the Council has identified a number of risk appetite themes, driven by the Council's strategic objectives, against which they have assigned a risk appetite. Therefore, in the instances where risks are associated with the theme and dependent on the risk score assigned, the Council will be more easily able to determine how they respond and so make best use of mitigation resources.

The following risk appetite themes and descriptions below were determined after considering key negative and positive events that might affect the achievement of the strategic aims. They are not presented in any order of priority.

Strategic Risk	Risk appetite
1. Ensuring efficient and effective internal control/compliance Ensuring public resources are protected and used to best effect relies on the establishment and application of an internal control/compliance environment that is proportionate to the level of risk, not overburdensome and therefore stifling agility. However, the Council do expect that management take responsibility for the operation of controls, ensuring their consistent application and taking remedial corrective action where they are not.	*Risk appetite is considered* **MINIMAL** *in respect of effective and efficient internal control/ compliance*
2. Achieving Council transformation Modernisation of the Council's approach to the provision of services is a key area of focus for the Council management team. They realise that the 21st century presents a number of opportunities to make the Council more efficient and effective – continually challenging existing arrangements and use of resources to ensure that the Council is best placed to play its part and deliver value for money to the taxpayers of the District.	*Risk appetite is considered* **OPEN** *in achieving Council transformation*
3. Supporting communities The Council understands that for the district of South Kesteven to flourish that it must play a pivotal part in the continued social and commercial development and improvement, acting as an enabler, facilitator, broker or in some cases deliverer of services that benefit the District.	*Risk appetite is considered* **OPEN** *in respect of enabling community transformation*
4. Achieving future financial resilience The Council's Medium Term Financial Plan identifies a number of challenges and this continues to be threatened by external events (that are often unexpected) and require responses in their own rights, these might be economic or social. All creating financial pressure. That said the Council financial reserves remain buoyant, they enable flexibility and position the Council well to achieve it transformation aims, these in turn contributing to future financial reserves once complete and established.	*Risk appetite is considered* **CAUTIOUS** *in the respect of ensuring financial resilience*
5. Creating the right culture, capacity and capability The quality of the Council's services, its ability to innovate, engage with, undertake the transformation expected is dependent on the people responsible for, and involved with, the provision of services. Therefore, retaining and recruiting the right staff with the right attitude is imperative to the Council in this respect. It is equally important for Members to understand, support and extend a similar culture into the committee rooms, their discussions and decision making in an open, objective and unbiased manner in the interest of the District.	*Risk appetite is considered* **OPEN** *in the respect of creating the right culture, capacity and capability*
6. Ability to be agile and shift focus in response to policy and political change The Council needs to be suitably positioned to identify and make the most of change and to seek out the opportunities that this brings.	*Risk appetite is considered* **OPEN** *in the respect of the ability to be agile and shift focus in response to policy and political change*
7. Ensuring robust security measures to protect the Council's data and network from external threats The Council needs to defend itself against the constantly evolving threat from cyber based attack. The Council, in common with other public bodies, should be regarded as a high profile target given the impact and publicity a successful attack can have.	*Risk appetite is considered* **MINIMAL** *in respect of effective and efficient internal control/compliance*

Appendix B – Risk Management Governance Framework

Stage	Strategic	Service	Project	Health & Safety	Business Continuity
Identify	Biannual review Corporate Management Team Governance & Risk Officer	Biannual review Heads of Service Governance & Risk Officer	Established as part of the Project Initiation Document	Heads of Service IOSH Managing Safely trained officers	Continuous review Heads of Service
Evaluate	Biannual review Corporate Management Team	Biannual review Heads of Service	Project Manager Senior Responsible Officer	Heads of Service IOSH Managing Safely trained officers	Heads of Service Emergency Planning Officer
Report	Biannually G&A Committee	Risk Management Group	Steering groups Corporate Management Team Performance Review	H&S Group Annual Report to G&A Committee	Risk Management Group Annual Report to G&A Committee
Assurance	Review by internal and external audit Annual Governance Statement	Annual Assurance Statement Internal audit review	Strategic Management Team Performance Review	External reviews	Desk top exercises to determine robustness External reviews

Appendix C – Roles and Responsibilities

All Officers and Members have a responsibility to ensure that risk management is effective across the whole of the Council's operations. Specific roles and responsibilities are set out below:

The Council	– Overall responsibility for risk management – Provide a corporate perspective on the risk appetite of the Council – Ensure risk management is embedded into all processes and activities
Cabinet Member for Finance & Resources	– Strategic endorsement of the overall approach and attitude to risk management – Champion risk management
Governance and Audit Committee	– Approve and monitor the implementation of the Risk Management Framework – Review Annual Governance Statement including effectiveness of risk management – Provide assurance to members that risks are being identified and managed, which includes oversight of the Strategic Risk Register, and scrutinise the system of internal control
Chief Executive	– Strategic leadership that endorses the implementation of the Risk Management Framework across the Council
Section 151 Officer	– Overall responsibility for maintenance and delivery of risk management across the Council – Disseminate and promote the framework – Champion risk management
Corporate Management Team	– Take ownership of the identified strategic risks, consider their importance against strategic objectives and action further controls as required – Monitor the Strategic Risk Register – Create an environment and culture where risk management is promoted, facilitated and appropriately undertaken – Raise awareness of risk with Members and officers as appropriate – Monitor project risk registers
Directors Assistant Directors Heads of Service	– Understands the Risk Management Framework and their accountabilities – Communicate risk management approach and framework throughout the Council – Identify, assess and communicate risks within their area of responsibility – Provide support/assistance to employees in fulfilling their risk management duties – Undertakes assessment of risk for their service in relation to service planning and budget setting process – Identifies partnership and contractual arrangements where there are shared risks, ensuring these are recorded and properly managed – Reviews risks on a regular basis and discusses the management of risks with relevant team members
Risk Management Group	– Provide a forum for the discussion of risk management issues – Review and monitor the Service Risk Register – Promote and embed risk management throughout service areas – Help ensure commitment of key stakeholders is obtained – Share best practice across the risk champion network

Director of Finance Governance & Risk Officer	– Operational responsibility for supporting and guiding risk management across the Council – Facilitate discussion of risk at local and corporate level, including risk identification and practical techniques for identifying, assessing and mitigating risks – Provides the link between risk management and the other related disciplines eg insurance, business continuity, emergency planning and health and safety – Ensures appropriate staff and Members are adequately trained in the management of risk
Risk Owner	– Ensures the integrity of information recorded on the risk register – Oversees control measures and reviews proposed mitigating actions – Ensures effective action is taken to manage risk
All staff	– Understand, accept and implement risk management processes – Report inefficient, unnecessary or unworkable controls – Report loss events, near miss incidents and co-operate with management on investigations – Manage risk effectively in their job and report opportunities and risks to their service managers – Attend training and development sessions as appropriate
Internal Audit	– Act in accordance with the Accounts & Audit (England) Regulations 2015 and Public Sector Internal Audit Standards – Compiles the internal audit annual plan to meet the Council's overall strategic direction and provide assurance on risk management, governance and internal control arrangements – Undertakes annual programme of audits, to test and validate existing controls, and presents progress reports against the plan – Reviews the progress of planned actions – Provide an informed opinion on the effectiveness of the risk management framework

Appendix D – Risk Management Process Summary

Risk appetite

The Council has developed a risk appetite. The risk appetite is not absolutely prescriptive but instead provides a number of underlying component parts that encourages structured thinking. The aim of the risk appetite being to allow the Council to reach an informed conclusion as to whether the risk can be accepted, and to what extent, to achieve the desired outcomes.

Process

Risk management is an important element of the system of internal control and is based on a process designed to identify and prioritise the risks to the Council achieving its objectives. Risk management can be split into a number of different levels – strategic, operational and project.

The risk management process involves the systematic application of policies, procedures and practices to the activities of communicating and consulting, establishing the context and assessing, treating, monitoring, reviewing, recording and reporting of risk.

A risk is an uncertainty that could have adverse or beneficial effects on the achievements of objectives. The initial stage of risk management sets out to identify the exposure to these uncertainties. This requires knowledge of the Council and its services, the market in which it operates, the legal, social, political and cultural environment in which it exists, as well as the development of a sound understanding of its corporate and business objectives, including factors critical to the success and the achievement of objectives.

Step 1 – Risk identification

The initial stage of risk management sets out to identify the exposure to uncertainties. This requires knowledge of the Council and its services, the market in which it operates, the legal, social, political and cultural environment in which it exists, as well as the development of a sound understanding of its corporate and business objectives, including factors critical to the success and the achievement of objectives.

The starting point should be the corporate vision as detailed in the Corporate Plan and the supporting priorities. The delivery of the priority actions is then supported by priority plans and risk management should be in place to ensure the actions can be delivered in order to ensure delivery of the corporate vision. There will also be some cross cutting corporate objectives that impact on the service areas, as well as objectives that the service has for key projects. Key project risks are captured within project risk registers.

Risk identification can occur in a number of different ways:

- Risk register refresh (cyclical)
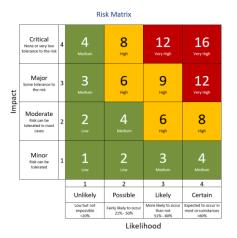- Service planning (annual)
- Risk assessment process (ad hoc)

Step 2 – Risk analysis

Once the risk has been identified and defined, the details need to be entered onto the appropriate risk register.

Risk is assessed by the combination of two factors:
- the likelihood of something happening and
- the impact if it does happen

This is represented graphically on a 4x4 matrix:

Each risk is scored twice – firstly to obtain a current risk score and secondly to identify a residual risk score with controls in place.

Step 3 – Risk response

Consider the controls in place to mitigate or reduce the risk.

- What further controls are required?
- Record these as actions until completed
- Consider the cost of any controls against the potential benefit gained
- What is the Risk Appetite?

When actions have been identified to further mitigate a risk they must be recorded onto the risk register and assigned an action owner and implementation date, to ensure monitoring and review of actions is effective.

Risk Management Responses:

Treat the risk – *implement risk control measures to reduce the likelihood and/or impact of the risk to acceptable levels*

Tolerate the risk – *accept the risk as it is while continuing to monitor and review*

Transfer the risk – *transfer the risk to a third party eg insurance, contract, outsourcing*

Terminate the risk – *eliminate the uncertainty by making it impossible for the risk to occur or execute a different approach to eliminate or stop the risk*

Step 4 – Record, monitor and report

Risk management is a dynamic process, and it is vital that registers are kept up to date. New risks will be identified, and some will be managed and removed.

Risks need to be reviewed and reported upon to identify if risks are changing and their impact on the Council's objectives and to gain assurance that risk management is effective. The assessment of likelihood and impact levels for existing risks/opportunities will need to be updated to take into account the management actions undertaken, and contingency arrangements will need to be reviewed in response to changing internal and/or external events.

Regular review of risk registers to be undertaken considering the following points:

- Does the current risk score reflect the risk's likelihood and impact at this point in time?
- Is the control environment still sufficient?
- Are the identified controls effective?
- Are there any assurances that can be provided to validate the controls effectiveness levels?
- Is the information shared with officers and are they amending and refining their actions in light of any changes?

Appendix E – Glossary

Control	Measure that is modifying risk
Establishing the context	Defining the external and internal parameters to be considered when managing risk and setting the scope and risk criteria for the risk management framework
Event	Occurrence or change of a particular set of circumstances
Frequency	Number of events or outcomes per defined unit of time
Impact	Outcome of an event affecting objectives
Issue	A previously uncertain event that has occurred
Likelihood	Chance of something happening
Monitoring	Continual checking, supervising, critically observing or determining the status in order to identify change from the performance level required or expected
Opportunity	An uncertainty that will enhance the Council's ability to achieve its objectives (positive effect)
Residual risk	Risk remaining after risk treatment
Resilience	Adaptive capacity of an organisation in a complex and changing environment
Review	Activity undertaken to determine the suitability, adequacy and effectiveness of the subject matter to achieve established objectives
Risk	The effect of uncertainty on objectives
Risk acceptance	Informed decision to take a particular risk
Risk aggregation	Combination of a number of risks into one risk to develop a more complete understanding of the overall risk
Risk analysis	Process to comprehend the nature of risk and to determine the level of risk
Risk appetite	The amount and type of risk the Council is willing to pursue or retain
Risk assessment	Overall process of risk identification, risk analysis and risk evaluation
Risk attitude	Organisation's approach to assess and eventually pursue, retain, take or turn away from risk
Risk aversion	Attitude to turn away from risk
Risk avoidance	Informed decision not to be involved in, or to withdraw from, an activity in order not to be exposed to a particular risk
Risk category	The type of risk eg PESTLE (political, economic, social, technological, legislative or environmental)
Risk criteria	Terms of reference against which the significance of a risk is evaluated
Risk description	Structured statement of risk usually containing four elements: sources, events, causes and consequences
Risk evaluation	Process of comparing the results of risk analysis with risk criteria to determine whether the risk and/or its magnitude is acceptable or tolerable

Risk financing	Form of risk treatment involving contingent arrangements for the provision of funds to meet or modify the financial consequences should they occur
Risk governance framework	Sets out the various groups, teams, boards where risk management activity and intelligence is discussed and reported
Risk identification	Process of finding, recognising and describing risks
Risk level	The level of risk identified by the impact/likelihood analysis eg very high, high, medium, low
Risk management	Coordinated activities to direct and control an organisation with regard to risk
Risk management audit	Systematic, independent and documented process for obtaining evidence and evaluating it objectively in order to determine the extent to which the risk management framework, or any selected part of it, is adequate and effective
Risk management framework	Set of components that provide the foundation and organisational arrangements for designing, implementing and monitoring
Risk management process	Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context and identifying, analysing, evaluating, treating, monitoring and reviewing risk
Risk matrix	Tool for ranking and displaying risks by defining ranges for likelihood and impact
Risk owner	Person with the accountability and authority to manage a risk
Risk perception	Stakeholder's view on a risk
Risk profile	Description of any set of risks
Risk register	Record of information about identified risks
Risk reporting	Form of communication intended to inform particular internal or external stakeholders by providing information regarding the current state of risk and its management
Risk retention	Acceptance of the potential benefit of gain, or burden of loss, from a particular risk
Risk score	The total risk score calculated by multiplying the likelihood and impact scores
Risk sharing	Form of risk treatment involving the agreed distribution of risk with other parties
Risk source	Element which alone or in combination has the intrinsic potential to give rise to risk
Risk tolerance	Organisation's or stakeholder's readiness to bear the risk after risk treatment in order to achieve its objectives
Risk treatment	Process to modify risk
Stakeholder	Person or organisation that can affect, be affected by, or perceive themselves to be affected by a decision or activity
Strategic risks and opportunities	Strategic (cross cutting) or organisational issues that are likely to impact more than one service area and tend to link to the objectives of the Council
Uncertainty	A risk or opportunity that could have adverse or beneficial effects on the achievement of objectives (in relation to risk/opportunity management)