Risk Management Process

Version 6.0 April 2016

Contents

Version Control

Version	By	Date	Comments
V1 June 2011	Risk and performance officer	13/07/2011	Risk process simplified, shortened and Internal Audit Recommendations included. Cabinet approval.
V2 March 2012	Risk and performance office	05/03/2012	Reviewed – no changes required
V3 June 2013	Risk and performance office	01/06/2013	Reviewed – minor changes required
V4 March 2014	Principal performance and intelligence officer	20/03/2014	Reviewed – minor changes required and Risk Prioritisation Matrix simplified
V5 March 2015	Risk and performance office	Jan 2015	Reviewed – management of partnership risks better defined
V6 April 2016	Risk and performance office	Mar 2016	Reviewed – minor changes required. Reference to fraud or corruption risks added as required by audit.

How we review this document

Partnerships and Organisational Development will facilitate a periodic review in line with government guidance.

Risk Management Process

Introduction

This document outlines how South Lakeland District Council is taking on its responsibility to manage risks and opportunities using a structured and focused approach.

This process will enable the Council to identify:

1. Partnership risks
2. Strategic risks
3. Operational risks
4. Assess the risks for likelihood and impact
5. Identify mitigating controls
6. Allocate responsibility for both risks and controls.

What is Risk?

A risk is an event which has a negative or positive effect on the achievement of the Council's objectives.

What is Risk Management?

Risk management is both the awareness of risks and the management processes that are directed towards effective reduction or mitigation of risks. Identifying and dealing with the principal risks facing an authority enables it to identify key actions it must take to deliver its objectives.

Corporate processes and risk

These corporate processes require the consideration of risk.

- Council Planning Process
- Project Management
- Financial Planning
- Partnerships
- Cabinet/Council reports
- Business Continuity
- Health and safety
- Fraud and corruption
- Insurance

Why do we need a Risk Management Process?

Risk management will strengthen the ability of South Lakeland District Council to achieve its objectives and enhance the value of services provided, to make the area a place where people want to live and work, where they are able to enjoy a high quality of life.

Risk management is also an essential part of the Chartered Institute of Public Finance and Accountancy/ framework on Corporate Governance that has been adopted by SLDC. Alongside Corporate Governance the Council is required to publish an annual assurance statement in respect of internal controls. This determines that the Council is responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

Roles and Responsibilities

The Innovation and Improvement Portfolio Holder and the Chief Executive jointly have overall responsibility for risk management throughout the Council.

Strategic Risks:

Senior Management Team is pivotal in the management of the Council's high level risks by identifying and reviewing existing risks and ensuring mitigation. These decisions will determine which risks are included on the Strategic Risk Register. Senior Management Team reviews the risks along with corporate plan performance on a quarterly basis.

The Performance and Risk Officer is located within Partnerships and Organisational Development and maintains the strategic risks and mitigating controls each quarter on behalf of the Senior Management Team. The officer also organises appropriate training for staff and members and reviews the risk process. The officer prepares quarterly monitoring reports covering risks and performance with the Council Plan for:

1. Senior Management Team
2. Performance Sub Committee
3. Cabinet

Performance Sub-Committee will monitor the mitigation of the Strategic Risks in quarters two, three and four. This reporting ensures that all senior elected members understand the Strategic Risks and their mitigating controls.

Operational Risks:

Directorates will identify, manage and monitor their operational risks. Assistant Directors will review their register of risks each year and list them on operational level plans. Assistant Directors and senior managers can escalate these risks to Senior Management Team if they feel that they are more of a strategic nature or that they need help with mitigation. In this way operational risks are identified and managed - and where necessary escalated for further control.

Partnership Risks:

There are two kinds of risks involved in partnership working. The first are the risks that the Council faces because it is a partner. These risks will be identified by the key partnership lead and managed via service plans and if necessary escalated as a potential strategic risk. The Second risks are the risks that the partnership faces as a whole. Where a key partnership is significant enough to warrant risk management arrangements these risks will be reviewed and managed by the partnership itself. The risks will be communicated back to the Council via the Council's representative on that Partnership. These risks may then bring about new strategic risks which would then be subject to the Council's performance management arrangements.

Links with Audit findings:

Internal audit is responsible for undertaking periodic assessment of the Council's risk management processes as part of reviewing of corporate governance arrangements. Internal Audit will also as a result of their risk assessments in other areas of the Councils operations highlight to Senior Management Team further risks for their consideration and possible inclusion on the Strategic Risk Register. These risks are then performance managed as part of the quarterly performance monitoring process

Risk Management – Five practical steps

Managing risks involves adopting a systematic and robust process. The following risk management cycle describes the processes that should be followed.

Step 1 - Identifying the risks

When identifying risks it is suggested that as a minimum the following categories of risk be used. They will act as a prompt and as a trigger for officers involved in the identification process. These categories are Financial (including Fraud and Corruption), Environmental, Customer (including Equalities), Reputational and Legislative.

Risks can also be positive rather than just negative - in that there may be positive opportunities brought about by the impact of a risk. These opportunities should be identified so that they can be maximised if the risk occurs. A project can also be thought of as positive risk taking as it is something that will bring benefits - but there will be risks to manage along the way.

Risks can also be strategic or operational in nature and it is important that both types of risk are managed effectively. If risks identified at an operational level are considered to be strategic in nature they should be brought to the attention of Senior Management Team by Assistant Directors.

Step 2 - Analysing the risks

It will help understanding of each risk if analysis of the vulnerabilities, triggers and consequences are completed. This better understanding will aid the next step in the process - prioritisation of risks. There may be Equalities considerations when completing this analysis work.

Step 3 - Risk Profiling and prioritisation

A standard prioritisation matrix is used across the Council to plot the risks in terms of likelihood and impact. Once completed this risk profile clearly illustrates the risks which are priorities for management. The Council's line of risk tolerance or appetite is set on the matrix. This line determines which risks cannot be tolerated and must be managed down, transferred or avoided.

Step 4 - Action Planning

Most risks are capable of being managed – either by managing down the likelihood or impact or both. Action plans will also identify the resources required to deliver the improvements, key dates and deadlines and critical success factors. There may be Equalities issues when agreeing risk actions

Step 5 - Risk management monitoring and reporting framework

Quarterly monitoring of the effective management of risks through Overview &Scrutiny including regular reporting on council plan performance.

Risk Prioritization

We have process for deciding how often we will review a risk.

1. We judge likelihood of a risk occurring on a four level scale:

- High
- Medium
- Low
- Very low

2. We balance this against the impact of the risk occurring on a four level scale:

- Critical
- Serious
- Marginal
- Negligable

So, for example:

- If a risk has a low likelihood and a negligible impact, it is rated as a low priority risk that requires annual review
- If a risk is judged to have a high likelihood and a critical impact, it is rated as a priority risk that need mitigating controls and quarterly review.