

EAST RENFREWSHIRE COUNCILCABINET23rd February 2023Report by Chief ExecutiveREVISED RISK MANAGEMENT STRATEGY 2023 – 2025 AND RISK MANAGEMENT
FRAMEWORK 2023 - 2025**PURPOSE OF REPORT**

1. As part of the Corporate Governance arrangements the Council is required to have effective systems to manage risks. The revised Risk Management Strategy 2023 – 2025 (Appendix 1) and associated Risk Management Framework 2023 – 2025 (Appendix 2) enable the Council to deliver advanced risk practice by setting out our long term aims incorporating risk within service plans and everyday working and encouraging the use of joint risk registers where possible for projects and partnerships.

RECOMMENDATIONS

2. It is recommended that the Cabinet:
 - Discuss and agree if the risk appetite outlined in paragraph 8 of the Strategy reflects the current approach to risk for East Renfrewshire Council
 - Approve the Risk Management Strategy 2023 – 2025 and associated Risk Management Framework 2023 – 2025.

BACKGROUND

3. East Renfrewshire Council introduced its first strategy for addressing risk management in June 2004. Since then steady progress has been made in embedding risk management throughout the Council and risk management is now an integral part of our service planning process.

4. The previous Risk Management Strategy 2017 – 2020 was due to be reviewed and updated but this work was delayed due to Covid-19 and other associated priorities. The previous Strategy contained all the strategic priorities and the guidance in relation to managing risk in one document and was therefore considerably longer than the Risk Management Strategy 2023 – 2025 which contains only strategic information with the approach to risk management being outlined in the accompanying Risk Management Framework.

5. The Risk Management Strategy 2023 – 2025 and Risk Management Framework 2023 – 2025 were considered by the Audit and Scrutiny Committee on 19th January 2023 and these documents reflect suggestions made during the discussion at this time.

REPORT

6. The Risk Management Strategy 2023 – 2025 sets out a number of objectives as part of a long-term commitment and an inherent part of good management and governance

principles and has been revised to ensure that the approach to risk management within East Renfrewshire Council continues to meet our needs.

7. A key aspect of risk management is “risk appetite” which describes the attitude towards the amount of risk that the Council is prepared to accept in trying to achieve our outcomes. The attitude towards risk can differ across our services, from risk averse to risk taking. Risk appetite is all about taking well thought through risks where the long-term rewards are expected to be greater than any short-term losses.

8. East Renfrewshire Council’s approach to date has been to minimise its exposure to reputational, compliance and financial risk where statutory requirements and regulations must be met, whilst accepting and encouraging an increased degree of risk in pursuit of innovation and improved outcomes providing that we have the ability, skills, knowledge and training to manage those risks well. It is recognised that its appetite for risk varies according to the activity undertaken, and that acceptance of risk is subject to ensuring that potential benefits and risks are fully understood before developments are authorised, that that appropriate measures to mitigate risk are established. Following discussion at the Audit and Scrutiny Committee additional information has been added to the Risk Management Framework to provide broad guidance around risk appetite in relation to the scale from 1 to 10 based on the probability and impact measures in Appendix 2 of the Risk Management Framework.

9. The Council’s current appetite for risk across its activities is illustrated diagrammatically below:

	Unacceptable to take							Higher willingness to take risks			
	1	2	3	4	5	6	7	8	9	10	
Reputation											
Compliance											
Financial											
People and culture											
Operational Services											
Major change activities											
Environmental and social responsibility											

10. In addition a Risk Management Framework 2023 – 2025 has been developed which sets out in detail East Renfrewshire Council’s approach to risk management and will support implementation of the Strategy in practical terms for anyone undertaken this work regardless of the area in which they work across the Council.

FINANCE AND EFFICIENCY

11. There are no specific finance and efficiency considerations for this Strategy and Framework although good risk management will seek to minimise the risk of financial loss.

CONSULTATION

12. The Risk Management Working Group have been invited to contribute to the review of both the Strategy and Framework and additional input was received from the Data Protection Officer and the Strategy and Partnerships Manager.

IMPLICATIONS OF THE PROPOSALS

13. An Equality, Fairness and Rights Impact Assessment was undertaken. The screening showed no relevance to Equality, Strategic social economic impact or the Rights of the Child, therefore an assessment is not required

14. A Climate Change Impact Assessment has been completed, and this Strategy has been found to have no relevant impacts, positive or negative.

CONCLUSION

15. The new Risk Management Strategy 2023 – 2025 has been revised and updated to ensure that it continues to enable the Council to deliver advanced risk practice by setting out our long term aims incorporating risk within service plans and everyday working and encouraging the use of joint risk registers where possible for projects and partnerships.

RECOMMENDATIONS

16. It is recommended that the Cabinet:

- Discuss and agree if the risk appetite outlined in paragraph 8 of the Strategy reflects the current approach to risk for East Renfrewshire Council
- Approve the Risk Management Strategy 2023 – 2025 and associated Risk Management Framework 2023 – 2025.

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Risk Management Strategy 2023 – 2025

APPENDIX 1

INTRODUCTION

1. East Renfrewshire Council is a complex organisation, providing a diverse range of services to over 100,000 people living and working here. It works with other public, private and voluntary bodies to make East Renfrewshire a better place for people to live and work to achieve our agreed outcomes and priorities.
2. East Renfrewshire Council is committed to ensuring a proactive approach in recognising, identifying and managing the risks impacting on us and it is recognised that a certain amount of risk is inevitable to achieve our objectives.
3. The aim of risk management is to reduce the likelihood and/or impact of risk by identifying and controlling risks. Strong oversight at both a corporate and departmental level can ensure risks that are managed appropriately, offering an opportunity for innovation and effectiveness in our approach to service delivery and strategic outcomes.
4. The Council looks to ensure key risks are identified in all areas of the business, and are understood and managed proactively rather than avoided. Risk management therefore needs to be taken into the heart of the Council and our key partners.
5. This Strategy has been considered by the Audit and Scrutiny Committee and will be considered and approved by the Cabinet.

CONTRIBUTION TO COMMUNITY PLANNING OUTCOMES

6. The Risk Management Strategy 2023 - 2025 supports the vision for East Renfrewshire set out in the Community Plan of “An attractive and thriving place to grow up, work, visit, raise a family and enjoy later life” by ensuring that the Council takes steps to ensure risks are identified, reviewed and addressed (mitigated) as appropriate.

CONTEXT AND EVIDENCE BASE

7. East Renfrewshire Council introduced its first strategy for addressing risk management in June 2004. Since then steady progress has been made in embedding risk management throughout the Council and risk management is now an integral part of our service planning process.
8. The previous Risk Management Strategy 2017 – 2020 was due to be reviewed and updated but this work was delayed due to Covid-19 and other associated priorities. This Strategy is considerably shorter as the approach to risk management has been removed and incorporated into an associated Risk Management Framework 2023 – 2025.
9. The Risk Management Strategy is based on supporting the 5 capabilities: Prevention, Empowering Communities, Data, Modernisation and Digital to seek opportunities to address and mitigate risks where appropriate and support work across the Council services.

WHAT WE WANT TO ACHIEVE AND HOW WE WILL DO IT

10. The Risk Management Strategy 2023 – 2025 objectives, outlined below, are a long-term commitment and an inherent part of good management and governance principles.

- Embed risk management approaches into how we run Council business/services which will help us to achieve our core purpose, priorities and outcomes
- Introduce a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice.
- Support a culture of well-measured risk taking throughout the Council's businesses including strategic, programme, partnerships, project and operational.
- Ensure that the Council continues to meet all statutory and best practice requirements in relation to risk management
- Ensure risk management continues to be a key and effective element of our Corporate Governance arrangements.

11. These objectives will be achieved by:

- Maintaining a robust and consistent risk management approach that will –
 - Identify and effectively manage strategic, operational and project risks
 - Focus on those key risks that, because of the likelihood and impact, make them priorities
- Ensuring accountabilities, roles and responsibilities for management risks are clearly defined and communicated
- Considering risk as an integral part of business planning, service delivery, key decision-making process and project and partnership governance
- Communicating risk information effectively through a clear reporting framework
- Increasing understanding and expertise in risk management through targeted training and the sharing of good practice

12. The term “risk appetite” describes our attitude towards the amount of risk that the Council is prepared to accept in trying to achieve our outcomes. The attitude towards risk can differ across our services, from risk averse to risk taking. Risk appetite is all about taking well thought through risks where the long-term rewards are expected to be greater than any short-term losses.

13. East Renfrewshire Council's approach is to minimise its exposure to reputational, compliance and financial risk where statutory requirements and regulations must be met, whilst accepting and encouraging an increased degree of risk in pursuit of innovation and

improved outcomes, providing we have the ability, skills, knowledge and training to manage those risks well. It is recognised that its appetite for risk varies according to the activity undertaken, and that acceptance of risk is subject to ensuring that potential benefits and risks are fully understood before developments are authorised and that the appropriate measures to mitigate risk are established.

14. The Council’s appetite for risk across its activities is illustrated below. Guidance has been included in the Risk Management Framework around risk appetite in relation to the scale from 1 to 10 based on the probability and impact measures in Appendix 2 of the Risk Management Framework

	Unacceptable to take						Higher willingness to take risks			
	1	2	3	4	5	6	7	8	9	10
Reputation										
Compliance										
Financial										
People and culture										
Operational Services										
Major change activities										
Environmental and social responsibility										

15. In addition, a Risk Management Framework 2023 – 2025 has been developed which sets out in detail East Renfrewshire Council’s approach to risk management and will support implementation of this Strategy.

ADDITIONAL INFORMATION

Consultation

16. Input to this Strategy was sought from the Corporate Management Team, colleagues across the Council involved in risk management, the Data Protection Officer and the Strategy and Partnerships Manager.

Environmental Sustainability, Equalities, Finance and Efficiency, Partnership Working

17. An Equalities Impact Assessment (EQIA) screening was undertaken and concluded that given the area of work of this strategy a full assessment was not required as it does not constitute a strategic direction, has no relevance in relation to protected characteristics, human rights or socio-economic inequalities and that any risks which may require an EQIA would be addressed by the Department/Service directly.

18. Following discussion with the Data Protection Officer there is no requirement to consider privacy in terms of this strategy as it is overarching and not directly related to processing activities.

19. A Climate Change Impact Assessment (CCIA) was completed on the assumption that any risks which could have a Climate Change Impact would be assessed and addressed by the Department/Service directly. The CCIA concluded that there were no climate impacts for this Strategy.

20. There are no specific considerations for the Risk Management Strategy in relation to finance, efficiency or partnership working although it is noted that some risks identified may be as a result of work in these areas and should be treated accordingly with appropriate measures undertaken by Departments/Services as required.

Risk

21. The Risk Management Strategy seeks to support services to identify and respond appropriately to any risk associated with work being undertaken by East Renfrewshire Council. There are no specific risks identified in relation to the Strategy itself at this time.

PERFORMANCE MANAGEMENT ARRANGEMENTS

22. Risk Management should be thought of as an “ongoing” process and as such risks will be reviewed regularly to ensure that prompt and appropriate action is taken to reduce to likelihood and/or impact.

23. It is recommended that the frequency of risk reviews is undertaken as outlined below
 –

Net Risk Level and Score	Frequency of Risk Reviews (applies to <u>all</u> risk registers)
<p style="text-align: center;">High 12-16</p>	<p>There are significant risks, which may have a serious impact on the Council and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk. Any net red risks at business unit level will be included, alongside corporate risks, in the Organisational Health reports to members.</p> <p>As a minimum review <u>monthly</u>.</p>
<p style="text-align: center;">Medium 4-9</p>	<p>Although usually accepted, these risks may require some additional mitigating to reduce likelihood if this can be done cost effectively. Reassess to ensure conditions remain the same and existing actions are operating effectively.</p> <p>As a minimum review <u>quarterly</u></p>
<p style="text-align: center;">Low 1-3</p>	<p>These risks are being effectively managed and any further action to reduce the risk would be inefficient in terms of time and resources. Ensure conditions remain the same and existing actions are operating effectively.</p> <p>As a minimum review <u>6-monthly</u></p>

24. Regular reporting through the Council's reporting system enables senior managers and Elected Members to be more fully aware of the extent of the risk and progression being made to manage them.

25. The Strategic Risk Register is included on the weekly agenda for the Corporate Management Team for discussion and is then considered biannually by the Audit and Scrutiny Committee and annually by the Cabinet.

SUPPORTING MATERIALS

26. Risk Management Framework 2023 – 2025

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East Renfrewshire Council

Risk Management Framework 2023 – 2025

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1. Introduction

East Renfrewshire Council is a complex organisation, providing a diverse range of services to over 100,000 people living and working here. It works with other public, private and voluntary bodies to make East Renfrewshire a better place for people to live and work.

Risk is unavoidable. It is an important part of life that allows us all to move forward and develop. Successful risk management is about ensuring that we have the correct level of control in place to provide sufficient protection from harm, without stifling our development.

The Council's overriding attitude to risk is to operate in a culture of creativity and innovation, in which all key risks are identified in all areas of the business, are understood and managed proactively rather than avoided. Risk management therefore needs to be taken into the heart of the Council and our key partners.

We need to have the structures and processes in place to ensure the risks and opportunities of daily Council activities are identified, assessed and addressed in a standard way. We do not shy away from risk but instead seek to proactively manage it. This will allow us to not only meet the needs to the community today, but also to be prepared to meet future challenges.

2. Definitions

Risk can be defined as an uncertain event that, should it occur, will have an effect on the Council's objective and/or reputation. It is the combination of the probability of an event (likelihood) and its effect (impact). (Risk Standard ISO/IEC Guide 73).

Risk Management is the "systematic application of principles, approach and processes to the identification, assessment and monitoring of risks."

By managing our risk processes effectively we will be in a better position to safeguard against potential threats and exploit potential opportunities to improve services and provide better value for money.

3. East Renfrewshire Council's risk management objectives

- Adopt a strategic approach to risk management to make better informed decisions to enable successful transformational change
- Integrate risk management into how we run Council business/services which will help us to achieve our core purpose, priorities and outcomes
- Introduce a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice.
- Support a culture of well-measured risk taking throughout the Council's businesses including strategic, programme, partnerships, project and operational.
- Ensure that the Council continues to meet all statutory and best practice requirements in relation to risk management

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

These objectives will be achieved by

- Maintaining a robust and consistent risk management approach that will –
 - Identify and effectively manage strategic, operational and project risks
 - Focus on those key risks that, because of the likelihood and impact, make them priorities
- Ensuring accountabilities, roles and responsibilities for management risks are clearly defined and communicated
- Considering risk as an integral part of business planning, service delivery, key decision making process and project and partnership governance
- Communicating risk information effectively through a clear reporting framework
- Increasing understanding and expertise in risk management through targeted training and the sharing of good practice.

The Risk Management Framework 2023 – 2025 will be reviewed every 3 years alongside the Risk Management Strategy to take account of changing legislation, government initiatives, best practice and experience gained within the Council.

4. Risk Appetite

The term “risk appetite” describes our attitude towards the amount of risk that the Council is prepared to accept in trying to achieve our outcomes. The attitude towards risk can differ across our services, from risk averse to risk taking. Risk appetite is all about taking well thought through risks where the long-term rewards are expected to be greater than any short-term losses.

There are a number of potentially unavailable risks such as finance/compliance and reputation which all interact with one another (eg the impact of budget cuts) but if the Council is unnecessarily averse to risk we may miss good opportunities. However, in taking some risks it is important not to over extend into territory where the Council cannot afford the possible consequences. It is worth noting that the Accounts Commission supports well-managed risk taking, recognising that innovation and opportunities to improve public services requires risk taking, providing that we have the ability, skills, knowledge and training to manage those risks well.

East Renfrewshire Council’s approach is to minimise its exposure to reputational, compliance and financial risk where statutory requirements and regulations must be met, whilst accepting and encouraging an increased degree of risk in pursuit of innovation and improved outcomes providing we have the ability, skills, knowledge and training to manage those risks well. It is recognised that its appetite for risk varies according to the activity undertaken, and that acceptance of risk is subject to ensuring that potential benefits and risks are fully understood

before developments are authorised, that that appropriate measures to mitigate risk are established.

The risk appetite scale ranges from 1 (low risk appetite) to 10 (higher willingness to take risks). [Appendix 2: Measures of Likelihood and Impact](#) sets out guidance for Impact (low, medium, high and very high) and Likelihood (unlikely, possible, likely and very likely) over the key areas.

Using this information on a 4 x 4 matrix (impact 1 – 4 and likelihood 1 – 4) the scale for risk appetite based on this could be considered as follows:

- An overall risk score (impact x likelihood) of low impact and unlikely likelihood might equate to a risk appetite for that area of 8, 9 or 10 and a higher willingness to take risks
- An overall risk score (impact x likelihood) of medium/high impact and possible/likely likelihood might equate to a risk appetite for that area of between 4 to 7 and
- An overall risk score (impact x likelihood) of high/very high impact and likely/very likely likelihood might equate to a risk appetite for that area of between 1 to 3 and a view that it would be unacceptable to take risks.

The Council’s appetite for risk broadly across its activities is illustrated diagrammatically below:

	Unacceptable to take							Higher willingness to take risks			
	1	2	3	4	5	6	7	8	9	10	
Reputation											
Compliance											
Financial											
People and culture											
Operational Services											
Major change activities											
Environmental and social responsibility											

Reputation: It is regarded as critical that the Council preserves its reputation. The Council therefore has low appetite for risk in the conduct of any of its activities that puts its reputation in jeopardy, could lead to undue adverse publicity, or could lead to loss of confidence by the Scottish Government and funders of its activities.

Compliance: The Council places great importance on compliance, and has no appetite for any breaches in statute, regulation, professional standards ethics, bribery or fraud.

Financial: The Council aims to maintain its long-term financial viability and its overall financial strength. Whilst targets for financial achievement will be higher, the Council will aim to manage its financial risk by not breaching the following criteria

- Unallocated general fund balance to be a minimum of around 2% but ideally 4% of the annual budgeted net revenue expenditure
- Nil qualifications on the accounts audited by External Audit
- Outturn net expenditure over 100% of approved revenue budget as revised by in year budget adjustments

People and culture: The Council aims to value, support, develop and utilise the full potential of our staff to enable a stimulating and safe place to work. It places importance on a culture of equality and diversity, dignity and respect, collegiality, annual performance reviews, the development of staff, and the health and safety of staff, visitors and residents. It has low appetite for any deviation from its standards in these areas. There is an appetite to modernise our services and this will involve developing the skills of our staff. This may include undertaking an Equality, Fairness and Rights Impact Assessment (EFRIA).

Operational services: With declining budgets and growing demand for most of our services, there is a need to develop as an organisation. Our focus has been on responding to and adapting around 5 key areas, prevention, empowering communities, use of data, modernising how we work and embracing digital. Changing the way which some operational services are delivered will bring increased risks but will allow us to maximise resources to deliver services in efficient and effective ways that meet the needs of residents.

Major Change activities (e.g. projects, collaborations): Major change activities are required periodically to develop the Council, and to adapt to changes in the regulatory and technological environment and in the nature and conduct of the Council's activities. Such changes will be managed according to best practice in project and change management and the Council has a low appetite for deviating from such standards.

Environmental and social responsibility: The Council aims to make a significant, sustainable, and socially responsible contribution to Scotland and the rest of the UK. It recognises that this should involve an increased degree of risk and is comfortable in accepting this risk subject always to ensuring that potential benefits and risks are fully understood before developments are authorised and that sensible measures to mitigate risk are established. This may include undertaking a Climate Change Impact Assessment (CCIA).

5. Our risk process

It is essential that a single risk management approach be utilised at all levels throughout the Council. By effectively managing our risks and opportunities, which is all part of good governance, we will be in a strong position to deliver our outcomes, provide improved services to the public, work better as a partner with other organisations and achieve value for money. This approach to risk management will inform the Council's business processes including –

- Strategic Planning
- Financial Planning
- Service Planning
- Policy making and review
- Performance Management
- Project Management
- Partnership Working

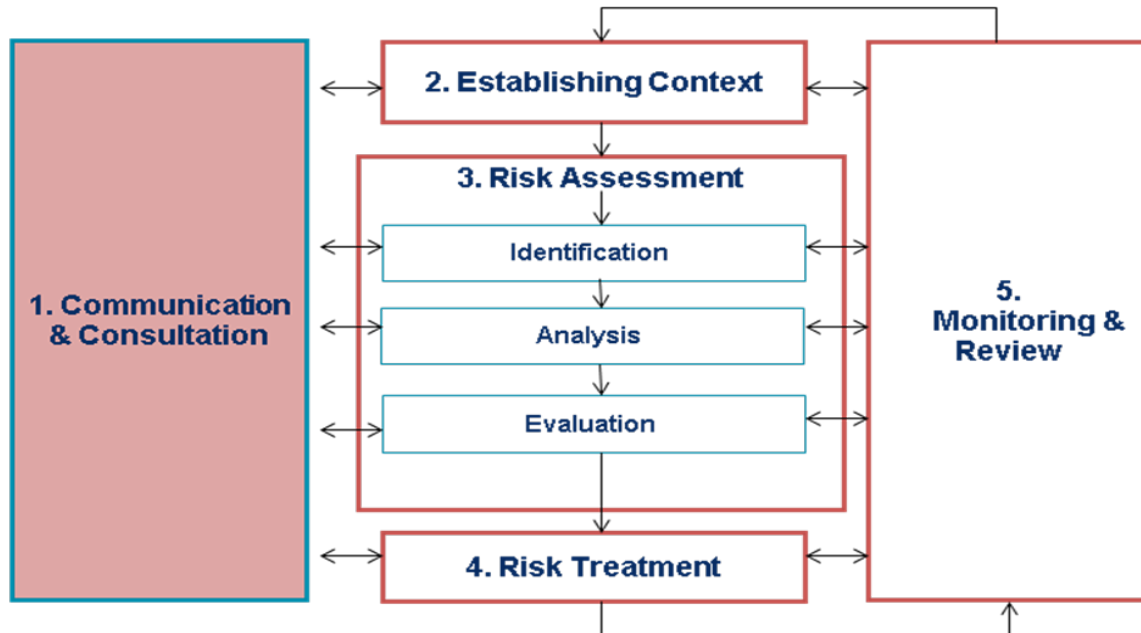
For those with responsibility for delivering a service, they must identify and assess risks and opportunities; develop and implement controls and review and report on progress. They should record this risk information within service plans which will be discussed at regular intervals as part of performance monitoring and good management. Practical guidance on how to identify, assess and treat risks, and monitor their progress is provided on the intranet and supported by training as required.

The risks associated with partnerships and projects should be captured and reviewed regularly. There should be continual discussions on risk and records kept so each partner is aware of their responsibilities. Joint risk registers should be encouraged, where possible, as opposed to each partner maintaining their own register. The risks should be shared with partners on a regular basis.

The Strategic Risk Register sets out the key strategic risks to be considered by East Renfrewshire Council and details the actions that management has put in place to manage these risks. The Corporate Management Team (CMT) provide updates on strategic risks which could prevent the Council from achieving its outcomes. Strategic risks are reviewed on a weekly basis at CMT. The strategic risk register is considered by the Audit and Scrutiny Committee on a 6 monthly basis and annually to Cabinet.

A diagram (from the ISO31000 risk management standard) showing the risk management process is displayed below.

Source ISO31000- risk management process



Step1: Communication and Consultation

The most important element of the process is ensuring effective communication and consultation around the risks and control measures required to deliver effective services and successful management of risk. These are not one-off standalone events but important factors at every point of the process and it is vital that employees at all levels across the organisation are involved if risk management is to be truly embedded and a useful management tool.

Step 2: Establishing Context

Before we can identify our risks we need to establish the context by looking at what we are trying to achieve and what our proposed outcomes are. Depending on the area under review, the relevant objectives and outcomes will usually be detailed in existing documents such as the Outcome Delivery Plan, Departmental Plans or Service Plans.

Step 3: Risk Assessment

Identification of risks

There are a number of different types of risks that an organisation may face including financial loss, failure of service delivery, physical risks to people, and damage to the organisation's reputation.

To act as a prompt and ensure completeness, a checklist of risk categories around the acronym PERFORMANCE may be helpful -

- Political
- Economic
- Regulatory
- Financial
- Opportunities/Outcomes
- Reputation
- Management
- Assets
- New Partnerships/Projects/Contracts
- Customers
- Environment

Examples of risks from each category are detailed in the Risk Identification Checklist ([Appendix 1: Checklist for Risk Identification](#))

It is important to consider that risks may be identified which require an Equality, Fairness and Rights Impact Assessment (EFRIA), ([EFRIA Overview & Information](#)) Data Protection Impact Assessment (DPIA) ([DPIA Overview & Information](#)) and/or a Climate Change Impact Assessment (CCIA) ([CCIA Overview & Information](#)) to be undertaken. It is assumed that the Department/Service will identify and undertake any necessary work in these areas.

Describing the risk is equally important to ensure that risks are fully understood, and to assist with the identification of actions, the cause and effect of each risk must also be detailed – Typical phrases used to do this include –

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

Once identified, all risks are recorded in a “**Risk Register**” (see [Appendix 1: Checklist for Risk Identification](#)). These are management tools and support the identification, assessment and monitoring of risk.

A **Risk Owner** must be allocated and recorded against each risk of the risk register. Such accountability helps to ensure “ownership” of the risk is documented and recognised. A Risk Owner is defined as a person with accountability and authority to effectively manage the risk.

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

Analysis and Evaluation

To ensure resources are focused on the most significant risks, the Council's approach to risk management is to assess the risk identified in terms of both potential **likelihood** of the risk occurring, and if that risk was to occur, what the **impact** (ie consequences) on the organisation would be so that actions can be prioritised.

Likelihood is categorised on a scale of 1 to 4 with one being rare and four being almost certain. Impact will also be assessed on a scale of 1 to 4 with one being insignificant and 4 being severe. Likelihood and impact are multiplied together to obtain a total gross risk score as illustrated below.

The matrix uses a “traffic light” approach to show high (red), medium (amber) and low (green) risks.

For East Renfrewshire Council we have adopted a 4 x 4 scale for impact and likelihood as follows:

East Renfrewshire Council's Risk Matrix

Appendix 2: Measures of Likelihood and Impact

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

The risk management process requires each risk to be assessed twice – once when considering current mitigations in place and again if proposed mitigations were to be implemented.

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

Step 4: Risk Treatment

It is not possible to manage all risks all of the time and therefore having assessed and prioritised the identified risks, cost effective action needs to be taken to manage those that pose the most significant threat.

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

Approach	Description
Tolerate	Is the exposure tolerable without any further action being taken?
Treat	The greatest number of risks will be addressed in this way. While continuing the activity that gives risk to the risk, action is taken to limit the risk to an acceptable level.
Transfer	For some risks, the best response may be to transfer them.
Terminate	Some risks will only be treatable to acceptable levels by terminating the activity

Further details are provided in [Appendix 3: Management and Control of Risk](#).

Risk Mitigation

These are the controls and actions put in place to reduce to likelihood of the risk occurring, or minimise the impact of the risk if it does occur. An internal control system incorporating policies, processes, business continuity arrangements and other aspects of East Renfrewshire Council's operations should, when taken together:

- Enable the organisation to respond appropriately to business risks
- Help ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate the flow of timely, relevant and reliable information and;
- Help ensure compliance with applicable laws and regulations, and also with internal policies.

The residual risk which remains after taking account of the relevant mitigations is the net risk.

Risk Escalation

This is a process which ensures that significant risks are escalated to the appropriate person or group. This is necessary to ensure the appropriate decisions and/or actions are implemented to mitigate the risk.

It is vital to the risk escalation process that the risk information is made available to the right people in a timely way. There is no restriction on what may be escalated for action.

It is the responsibility of the individual risk owners to raise risks which they believe require action by a higher authority.

Step 5: Monitor and Review including reporting

Risk management should be thought of as an “ongoing” process and as such risks need to be reviewed regularly to ensure that prompt and appropriate action is taken to reduce the likelihood and/or impact.

It is recommended that the frequency of risk reviews is undertaken as outlined below:

Net Risk Level and Score	Frequency of Risk Reviews (applies to <u>all</u> risk registers)
<p style="text-align: center;">High 12-16</p>	<p>There are significant risks, which may have a serious impact on the Council and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk. Any net red risks at business unit level will be included, alongside corporate risks, in the Organisational Health reports to members.</p> <p>As a minimum review <u>monthly</u>.</p>
<p style="text-align: center;">Medium 4-9</p>	<p>Although usually accepted, these risks may require some additional mitigating to reduce likelihood if this can be done cost effectively. Reassess to ensure conditions remain the same and existing actions are operating effectively.</p> <p>As a minimum review <u>quarterly</u></p>
<p style="text-align: center;">Low 1-3</p>	<p>These risks are being effectively managed and any further action to reduce the risk would be inefficient in terms of time and resources. Ensure conditions remain the same and existing actions are operating effectively.</p> <p>As a minimum review <u>6-monthly</u></p>

Risk Reporting:

Regular reporting through the organisation reporting system, enables senior managers and Elected Members to be more fully aware of the extent of the risks and progression being made to manage them. The table below sets out the broad agreed reviewing and reporting arrangements for East Renfrewshire Council.

Timeframe	Description	Involvement from	Reported to
As required	Corporate Management Team add/amend or remove risks	Corporate Management Team	Internally (live register of risks)
Biannually (May and November)	Risks related to service delivery (within Departmental or service plans)	Chief Executive and Directors	Chief Executive (meetings)
Biannually (April and September)	Review of the Strategic Risk Register and progress on risk management	Corporate Management Team/ Leadership Group and Corporate Risk Management Group	Audit and Scrutiny Committee
Annually (October)	Review of the Strategic Risk Register and progress on risk management	Corporate Management Team/ Leadership Group and Corporate Risk Management Group Audit & Scrutiny Committee	Cabinet
Every 3 years	Review of the Risk Management Strategy and associated framework to identify and agree major changes	Corporate Management Team/ Leadership Group and Corporate Risk Management Group	Audit and Scrutiny Committee

6. Risk Management roles and responsibilities

Responsibility for risk management should run throughout the Council. Everyone has a role to play in the risk management process to ensure this is effectively implemented.

Group	Role
Cabinet (Reporting Annually) <small>Cabinet</small>	<small>Corporate Management Team</small> Oversee the effective management of risk throughout the council, and gain an understanding of its benefits.
Audit and Scrutiny Committee (Reporting 6 monthly) <small>External Audit</small>	<small>Managers</small> Provide independent assurance of the risk management process and its benefits. To be informed of the key risks facing the Council and the control measures which have been put in place to mitigate those risks
Corporate Management Team (Reporting 6 monthly) <small>Corporate risk management group</small>	<small>Employees</small> Oversee the implementation of the risk management strategy and agree any inputs and resources required supporting the work corporately. Support the development of the risk management process, review the strategic risk register regularly, share experience on risk, and aid/advise in the review of risk management issues
Corporate Risk Management Group (Reporting 6 monthly)	Champion the risk management process throughout the Council with both Members and officers ensuring the process is embedded and effective.
Service Managers	Raise awareness, manage and implement the risk management process effectively in their services areas, attend risk management training and recommend any necessary training for employees on risk management. To produce and review risks relating to the delivery of targets and activities within their service plans
Employees	Manage risk effectively in their jobs, liaising with their manager to assess areas of risk in their job. Identify new or changing risks in their job and feed these back to their line manager.

7. Embedding Risk Management

For risk management to be effective and a meaningful management tool it must be an integral part of key management processes and day to day working. As such risks and the monitoring of associated actions should be considered as part of the Council's business processes including

- Corporate Decision Making – significant risks, which are associated with policy or action to be taken when making key decisions, are included in appropriate Committee reports.
- Business/Budget Planning – this annual process includes updating the individual business risk registers to reflect current risks/outcomes
- Project Management – all significant projects should formally consider the risk to delivering the project outcomes before and throughout the project. This includes risks that could have an effect on service delivery, benefits realisation and engagement with key stakeholders (service users, third parties, partners etc)
- Partnership Working – partnerships should establish procedures to record and monitor risks and opportunities that may impact the Council and/or the Partnership's aims and objectives.
- Procurement – Contract Standing Orders clearly specify that all risks and actions associated with the purchase need to be identified and assessed, kept under review and amended as necessary during the procurement process.
- Contract Management – all significant risks associated with all stages of contract management are identified and kept under review
- Information Governance – risk assessment of the level of risk and compliance with regards to use of information
- Insurance – consideration of insurable risks and self-insurance arrangements
- Health and Safety – there are specific risk assessment policies and arrangements to be followed in relation to Health and Safety risk.

8. Culture

The Council's approach to risk management is reflected in the risk appetite as outlined above. This is intrinsically linked with culture and the approach taken by Elected Members and employees in undertaking any work. The risk appetite map will be kept under review as part of the regular Risk Management reporting to the Audit and Scrutiny Committee and Cabinet and may be revised as appropriate.

The Council works to take an open and honest approach to the management of risks and will seek to avoid a "blame culture". Lessons from events that lead to loss or reputations damage will be shared as well as lessons from situations that went well.

9. Training and Awareness

Having a robust approach and established clear roles and responsibilities and reporting lines is important to provide Elected Members and employees with the knowledge and skills necessary to enable them to manage risk effectively.

Risk management information is available on the Intranet or Teams Site (for the Risk Management Working Group).

10. Further Information

Information on risk management is available on the Teams Site or from the Chief Executive's Business Manager.

Appendices

Appendix 1 – Checklist for Risk Identification

Effective risk management improves PERFORMANCE

Political	Change in Government policy Member support / approval Political personalities New political arrangements
Economic	Demographics Economic downturn - prosperity of local businesses / local communities
Regulatory	Legislation and internal policies/regulations including: <ul style="list-style-type: none"> • Health & Safety at Work Act • Data Protection • Freedom of Information • Human Rights • Equalities Act 2010 and Public Sector Equality Duty 2011 • Employment Law • Environmental legislation etc. Grant funding conditions Legal challenges, legal powers, judicial reviews or public interest reports
Financial	Budgetary pressures Loss of/reduction in income/funding, increase in energy costs Cost of living, interest rates, inflation etc. Financial management arrangements Investment decisions, Sustainable economic growth Affordability models and financial checks Inadequate insurance cover System / procedure weaknesses that could lead to fraud
Opportunities/ Outcomes	Add value or improve customer experience/satisfaction Reduce waste and inefficiency Raising educational attainment and improving the lives of children, young people and families Maximising independence for older people with disabilities Developing sustainable places and communities Protecting the community and making Warwickshire a safer place to live
Reputation	Negative publicity (local and national) including social media, Increase in complaints A change in customer survey feedback
Management	Loss of key staff, recruitment and retention issues Training issues Lack of/or inadequate management support Poor communication/consultation Capacity issues - availability, sickness absence etc

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

Appendix 2: Measures of Likelihood and Impact

Appendix 2: Measures of Likelihood and Impact

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

Likelihood Measures

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

Impact Measures

	Low 1	Medium 2	High 3	Very High 4
People / Duty of Care	Low level of foreseeable minor injuries	High level of foreseeable minor injuries Low level of foreseeable serious injuries	High level of foreseeable severe injuries	Foreseeable long-term injury, illness or fatality
Financial Impact	Up to £500k Less than 5% over project budget	Up to £2 million 5-10% over project budget	Up to £5 million 11-25% over project budget	Over £5 million More than 25% over project budget
Legal Impact	Minor civil litigation	Major civil litigation and/or local public enquiry	Major civil litigation and/or national public enquiry	Legal action certain, government intervention or criminal charges
Service Impact	Short term service disruption	Noticeable service disruption affecting customers	Significant service failure but not directly affecting vulnerable groups	Serious service failure directly affecting vulnerable groups
Project Delivery	Minor delay to project	Significant delay to project	Project fails to deliver target impacting on the performance	Project fails to deliver target impacting on Council's performance
Intervention Required	Intervention by Service Manager, Project Manager or equivalent	Intervention by Head of Service or equivalent.	Intervention by Corporate Board or equivalent	Intervention by Members
Reputation Impact	Short term negative local media/social media attention and/or some customer complaints	Significant negative local media/social media attention and/or some customer complaints	Sustained negative local media/social media attention and/or significant national media attention, an impact on long term customer surveys and/or a high number of customer complaints	Sustained negative national media/social media attention, a sustained impact on customer surveys and/or a significant number of customer complaints

Appendix 3 – Management and Control of Risk

Tolerate	Is the exposure tolerable without any further action being taken? Even if it is not tolerable, the ability to do anything about the risk may be limited or the cost may not be proportionate to the potential benefit gained. This option may be supplemented by contingency planning for handling the impacts that will arise if the risk is realised.
Treat	<p>The greatest number of risks will be addressed in this way. While continuing the activity that gives rise to the risk, action is taken to limit the risk to an acceptable level.</p> <p>Where the decision is to treat the risk, mitigating actions need to be defined. It is important that any additional action is proportionate to the risk. Apart from the most extreme undesirable outcome, it is normally sufficient to design controls to give a reasonable assurance of confining any loss to a level that is acceptable to the Council. Each control action has an associated cost and it is important that the control action offers value for money in relation to the risk that it is controlling.</p>
Transfer	For some risks, the best response may be to transfer them. This might be done by insurance or by paying a third party to take the risk in another way. This may be considered appropriate as it reduces the risk to the organisation or because another organisation is more capable of managing the risk.
Terminate	Some risks will only be treatable to acceptable levels by terminating the activity. There may be limited opportunities for the Council as the activity is driven by legislative requirements.

