

Guide to... Identifying and Managing Risks

The effective management and monitoring of the risks we face as an organisation is an issue of significant importance for the whole Council. During our work, we are all exposed to risk both in terms of threats to service provision and the potential of lost opportunities. It is essential therefore that we can demonstrate we are fully considering the implications of risk as we deliver services for the citizens of Torfaen.

Ultimately, effective risk management helps to ensure we **maximise our opportunities and minimise the risks we face**, thereby improving the Council's ability to deliver its priorities and improve the agreed outcomes.

We describe risk as:

“The likelihood of something happening that will have an impact on the Council's business.”

Why is risk management Important?

Risk management is the planned and systematic approach to the identification, evaluation and control of risks. The objective of risk management is to secure the assets and reputation of the Council and to ensure our continued financial and organisational well-being.

Risk management is an essential part of good corporate governance and the Council has a responsibility to put in place a process for managing risk. By creating a comprehensive, properly co-ordinated risk register, the Council can determine its “appetite for risk” and put in place measures to mitigate and manage risk.

Whilst it is acknowledged that some risks will always exist and will never be eliminated, it is important that all employees identify, evaluate and accept responsibility for the risks associated with their areas of work.

Good risk management is about understanding.....

- What might go wrong;
- What the consequences might be of something going wrong;
- Deciding what can be done to reduce the possibility of something going wrong; and
- If it does go wrong, as some things inevitably will, making sure the impact is kept to a minimum.

Good risk management will lead to....

- Improved decision making - decisions are made knowing the full facts, weighing up the benefits of particular actions against any risks that may be created.
- Effective implementation of decisions - early consideration is given to identifying risks that may obstruct implementation and devising controls to avoid or reduce them.
- Compliance with statutory requirements to have comprehensive internal controls in place to manage risk.
- Protection for the Council, its services and the public who rely on our services - by putting appropriate controls in place we can avoid or reduce risks arising from hazards and threats.
- Efficient use of public resources - by minimising the need to use money to correct errors or pay compensation arising from us not identifying and mitigating our risks.

Our Approach

It is important that a single approach to risk management is operated throughout the Council. It must be a continuous and developing process which is reviewed on a regular basis. By effectively managing our risks and opportunities, the Council will be in a stronger position to:

- Deliver its priorities;
- Provide improved services to the public;
- Work better as a partner with other organisations; and
- Achieve value for money.

By following the steps outlined later in this document, a comprehensive Risk Register will be created for the whole Council which will ensure:

- the identification of the Corporate / Strategic risks that need to be monitored on a regular basis by the Leadership Team;
- the identification of operational / service risks will be managed within Service Areas (Services can choose to use the methodology contained in this guidance to record and monitor if they chose) ;
- A greater focus on delivering Corporate Plan priorities;
- Clear mitigating activities provided on a quarterly basis to show what has been done to mitigate the risk ; and
- Continuous monitoring and updating of all risks throughout the year.

What risk registers do we hold and what do they record?

The Council's Risk Register comprises of a combination of strategic and operational risks for each service area. Neighbourhood Services also hold a Service Risk Register due to the nature of the service and high number of operational risks that require monitoring. Service risks will be escalated to the Corporate Risk Register when necessary.

As stated previously, identified risks associated with your activities should be captured within either the Corporate or Service Risk Register. These risks need to be monitored and updates provided to the Corporate Governance and Risk Management Group (CGRMG) on a quarterly basis, so that changes can be considered by the Group and reported to Leadership Team.

Any very high / high risks that involve multiple service areas and impact on the whole organisation are monitored on a regular basis by the Leadership Team.

Risks associated with individual capital or revenue projects that are significant in size or nature should be captured in a risk register for the relevant project. These risks should be captured, reported and monitored by the relevant Service area and if necessary escalated to the CGRMG and Leadership Team..

Identifying and managing your risks

Nominating risks does not mean things are going wrong or will go wrong. For instance, conducting and implementing the results of a service review can carry a great deal of risk, but will ultimately result in an improved service. You need to be open and honest about what big issues you are facing your service area in the next 12 months.

Any new risks are considered on a quarterly basis by the CGRMG before being approved by Leadership Team. The template for bringing new risks forward can be found below:

<M:\Members Common\Corporate Governance & Risk Group\New Risks Template 201920.doc>

Monitoring our risks

Performance monitoring of the Council's risk management activity will ensure our treatment of risk remains effective and the benefits of implementing risk control measures outweigh the costs of doing so.

Performance monitoring of our risks must be continuous - not only of the whole process, but also of the individual risks and of the benefits gained from implementing risk control measures.

For each risk identified it should be categorised as 'TREAT' or 'TOLERATE' using the following definitions:

TREAT – to reduce the risk to an acceptable level by taking mitigating action(s).

TOLERATE – The Council may tolerate a risk where the risk cannot be mitigated cost effectively or is effectively mitigated by internal controls even if it remains high.

The management of any Corporate / Strategic risks will be monitored and reported to the Leadership Team via the CGRMG on a quarterly basis, whilst all Operational/Service risks should be monitored by the relevant service areas on a quarterly basis.

All decision making reports prepared for Cabinet, your Executive Member or Chief Officer must have the “risk section” of the corporate template completed using this guidance so the level of the risk is identified and highlighted before the decision is taken, e.g. there is a high risk that unless this action is approved, the service will fail.

Steps to take to identify, evaluate and control our risks

See the tables below for a step by step guide to the process of identifying, evaluating and controlling our risks:

- Step 1 - Identify your risks
- Step 2 – Assess your risks (Identify the rating of your risks)
- Step 3 – Control your risks (Mitigating actions)
- Step 4 – Monitor & Review your risks

Step 1 - Identify your risks

1.1 Think about what could go wrong.

Use the information in your Service Plans, Business as usual or Self Evaluation to identify your risks.

1.2 Write your risks in a structured way.

For example, "There is a risk that long term service delivery may be impeded without strategic workforce planning"

1.3 Identify what category (or categories) your risk falls into.

Strategic	Technology & Innovation	
Political, economic, social, technological, legislative, environmental and competitive as well as the requirement to meet changing expectations of customers & citizens	ICT security and disaster recover contingency planning and opportunities for improvement through innovation	
Operational	Improvement & Performance	
Partnership, service failure, risk to customers / staff, health & safety, event safety, professional issues, industrial relations, capability	Corporate priorities / targets and performance indicators	
Legal / Statutory Obligations & Regulations	Emergency Management	
Related to risk of breaches to legislation	Business continuity planning, civil contingencies. Denial of occupancy, utilities & ICT	
Reputation & Litigation	Financial	
Ethical matters, issues of impropriety, political	Budgetary, fraud, irregularity, contract related	
Assets & Property	Major Projects	
Fire safety & prevention, flooding, asbestos, infectious disease	Procurement, contracts, decision making	

Step 2 – Assess your risks (Identify the rating of your risks)

2.1	How likely is it to happen?								
	Level	Likelihood of something happening during the next twelve months							
	1	Low			1 in 20,000 chance				
	2	Medium Low			1 in 2,000 chance				
	3	Medium			1 in 200 chance				
	4	Medium High			1 in 20 chance				
	5	High			1 in 2 chance				
2.2	What will the impact be?								
	Level	Impact	Health	Safety	Financial	Reputation	Legal	Environmental	
	1	Insignificant	No ill health	No Injury	No significant impact to budget	No adverse effect on perception	No legal implication	No environmental issues	
	2	Minor	Acute ill health small numbers	Minor injury	Minor impact to budget	Minimal effect to perception (e.g. minor criticism of the Council)	Breach of statutory process, duty or law resulting in possibility of legal action	Short term minor impact to environment	
	3	Moderate	Acute ill health large numbers	Major injury	Moderate impact to budget	Negative effect on perception (e.g. criticism of the Council)	Breach of major statutory duty or law resulting in probable legal action	Medium term, moderate impact to environment or possible threat that environmental issues will delay the project	

	Level	Impact	Health	Safety	Financial	Reputation	Legal	Environmental	
	4	Significant	Chronic ill health small numbers	Single death	Significant budget implication	Negative effect on perception (e.g. serious, founded criticism of the Council)	Breach of law resulting in legal action against the Council which would be difficult to defend	Long term, major impact/damage to environment or probable threat that environmental issues will significantly delay the project	
	5	Catastrophic	Chronic ill health large numbers	Multiple death	Massive financial impact	Long term negative effect on perception (e.g. loss of confidence in Council)	Breach of law resulting in legal action against the Council which would be very difficult / impossible to defend	Long term catastrophic impact to the environment or it is certain that environmental issues will significantly delay or halt the project completely	

2.3

Likelihood (step 2.1) x Impact (step 2.2) = Risk Rating

IMPACT	(5) Catastrophic	Medium	High	Very High	Very High	Very High
	(4) Significant	Medium	Medium	High	Very High	Very High
	(3) Moderate	Low	Medium	Medium	High	High
	(2) Minor	Low	Low	Medium	Medium	Medium
	(1) Insignificant	Low	Low	Low	Low	Low
		Low	Medium Low	Medium	Medium High	High
		(1)	(2)	(3)	(4)	(5)
		<u>LIKELIHOOD</u>				

Step 3 – Control your risks (Mitigating actions)

3.1	Can the risk be mitigated?			
	<p>For each risk identified you should be able to categorise it as 'TREAT' or 'TOLERATE' using the following definitions:</p> <p>TREAT - to reduce the risk to an acceptable level by taking mitigating action(s) – if a risk can be treated then the table below should act as a guide.</p> <p>TOLERATE - The Council may tolerate a risk where the risk cannot be mitigated cost effectively or is effectively mitigated by internal controls even if it remains high – if it is agreed a risk is to be tolerated the risk should still be regularly monitored and updates should still be provided.</p>			
3.2	What should you do to reduce the risk? Any mitigating actions must be referenced in your quarterly monitoring updates to the Corporate Governance and Risk Management Group			
	Level of risk	Level of concern	Recommended review pattern	Action required
	Very High	Very concerned	1 - 2 months	<p>These are critical risks requiring immediate attention.</p> <p>This will mean that strategies need to be developed to reduce or eliminate the risk.</p> <p>Mitigation in the form of specific risk treatment and targeted resources will be needed as an urgent priority.</p>
	High	Concerned	3 – 4 months	<p>These risks are significant.</p> <p>Consideration should be given to the development of strategies to reduce or eliminate the risks.</p> <p>Mitigation in the form of general or specific risk treatment should be put in place and monitored on a regular basis.</p>

	Medium	Quite concerned Risk can be tolerated at this time*	5 – 6 months	<p>These risks are less significant, but may cause upset and inconvenience in the short term.</p> <p>These risks should be monitored to ensure they are being appropriately managed and they do not escalate to a higher category of risk.</p> <p>* You can tolerate the risk if additional resources (cost, time & effort) outweigh the risk reduction e.g. you can tolerate the risk if the cost of addressing it is so great, there will be little benefit gained.</p>	
	Low	Not concerned Risk accepted at this time	7 – 8 months	<p>These risks are both unlikely to occur and nor significant in their impact.</p> <p>They should be managed using normal planning arrangements and require minimal monitoring and control unless subsequent risk assessments show subsequent change, prompting a move to another risk category.</p>	

Step 4 – Monitor & Review your risks

4.1	Are the controls effective?
<p>Few risks remain static – all risks should be monitored, reviewed and reported on a quarterly basis. Risk monitoring and review will form part of all future Executive Member Performance Monitoring Sessions for your service area.</p>	
4.2	Has the risk changed?
<p>Existing risks may change – the likelihood and the impact of the risk may change at any time so continuous monitoring is required.</p>	
4.3	Is there something new?
<p>New issues and risks may emerge at any time – as part of the monitoring process, risks need to be continuously reviewed throughout the year.</p>	