



Hart

DISTRICT COUNCIL

HART DISTRICT COUNCIL

RISK MANAGEMENT POLICY

Previous version	April 2018
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Policy Statement

Hart District Council has a responsibility to manage risks effectively. The Council's ability to deliver services and achieve its business objectives are constantly affected by risk, which the Council recognises can be both positive and negative.

The Council accepts that some risks can never be eliminated fully and shall acknowledge this through its risk appetite statement. The Council shall take informed decisions about how best to control and minimise both the downside of risk whilst also recognising that in order to maximise opportunities, higher degrees of risk may need to be accepted.

Risk management is an integral part of the Council's corporate governance arrangements and shall be built into daily management processes. The Council will ensure that Members and staff understand their responsibility to identify and mitigate risks as well as understand their possible consequences.

Introduction

The Council's Corporate Plan sets out our vision and priorities for the District. The Plan '...provides a focus for our activities and services and will inform decision making and allocation of resources across the Council'.

In delivering the Corporate Plan we are required to provide services that are economical, efficient and effective. To help us achieve this we need to ensure that we take advantage of the opportunities that are presented to us, whilst minimising those threats that may hinder service delivery. This requires the Council to introduce and embed effective risk management across all service areas, such that it becomes an integral element of the Council's corporate governance arrangements.

Definitions

Risk is the effect of uncertainty on objectives¹.

An *effect* is a variation from what was expected. It can be positive, negative or both and can address, create or result in opportunities and threats. Risk is usually expressed in terms of risk sources, potential events, their consequences and likelihood.

Risk management is the identification, evaluation, control, monitoring and reporting of existing and emerging risks. It applies equally to the opportunities for taking risks as it does to avoiding risks or reducing losses. It is a key part of good management and not simply a compliance exercise.

¹ Risk Management – International Standard ISO 31000: 2018

Why is risk management important?

It is not acceptable for the Council to find itself in a position whereby unexpected events cause financial loss, disruption to normal operations, damage to reputation, or the loss of key suppliers/partners. Our partners, communities and contractors expect that we will take into account those risks that may cause non-compliance with statutory obligations; disruption and inefficiency within operations; late delivery of projects; or health & safety issues.

Effective risk management will enable the Council to:

- Utilise risk as an integral part of corporate and business planning, policymaking, performance management and ensuring effective service delivery.
- Increase the effectiveness of business change programmes and projects.
- Ensure that strategic partnerships, outsourced or externally provided arrangements are adequately risk assessed and managed.
- Minimise financial losses and reduce costs.
- Demonstrate good governance and support the internal control framework.
- Establish clear oversight and scrutiny roles for Members and Officers.
- Ensure the Council's reputation is preserved and enhanced.

The aim is to manage risk, rather than eliminate it. Risk management activities must be proportionate to the level of risk that is being faced. Too little attention to the control of risk will lead to unnecessary losses and poor performance, while an over-zealous approach may stifle creativity and increase the cost of and/or impede service delivery. Successful risk management means getting the balance right.

The risk management process

Risk management is a continuous process that has six key elements:

1. The systematic **identification** of those risks that might help or prevent the Council achieve its objectives.
2. An **analysis** of the level of risk faced, its potential disruption and/or impact upon objectives.
3. The **evaluation** of those risks in terms of likelihood and severity of the consequences should they occur.
4. The current **control** or **mitigation** of the risks, and whether they reduce the likelihood or severity of the risk to an acceptable level.
5. Risk **treatment plans**. The arrangements put in place to deal with those risks that exceed acceptable levels e.g. introducing additional controls, avoiding the risk by not delivering the service as intended, sharing the risk (e.g. insurance), or consciously deciding to retain the risk.
6. The on-going **monitoring** and **reporting** of risk, to allow for intended actions to be achieved and losses minimised.

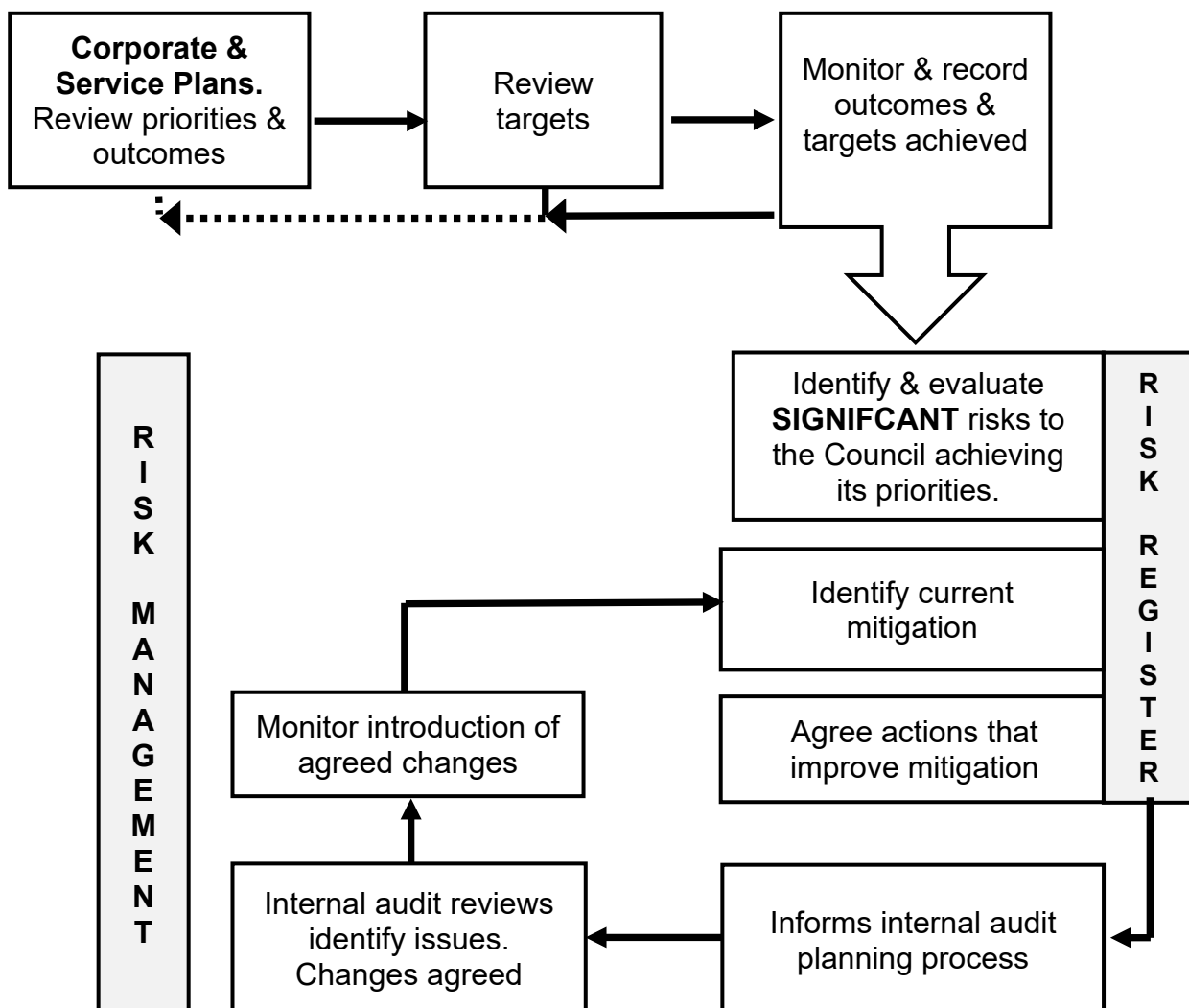
A standard risk management process will be used throughout the Council. This will ensure that risks are considered in the same fashion whether they are at a corporate, operational, partnership, or project level.

Developing and integrating risk management

The identification and management of risks needs to be undertaken at all stages of the corporate and service planning process so as to ensure that the risk register contains the significant risks that will affect the Council achieving its objectives or priorities.

All reports or proposals at officer or member level that deal with changes to services must, where material, refer to the impact of what is being considered on the Council's priorities and targets and be supported by an explicit consideration of the risks, both inherent and mitigated, to that impact being achieved.

The diagram below explains how risk management links both the service planning process and the development of the Internal Audit annual plan.



There are many ways of identifying risk, including:

- Staff experience and knowledge.
- Necessity for achieving Corporate and Service Plans.
- Performance indicators, financial/budgetary and management information.
- Service reviews by internal/external audit and other inspection bodies.
- Risk assessments.
- Directorate / Service meetings / workshops.
- Amendments to legislation.
- Insurance claims / loss information.
- Horizon scanning - spotting potential causes of uncertainty.

Risk registers shall be maintained at both the Corporate and Operational level.

Corporate risks are likely to affect the medium to longer term priorities and objectives of the Council and require longer term planning to be addressed.

Operational risks tend to be related to ongoing service activities and have a more immediate impact and require to be treated in a shorter time frame.

Risks are unlikely to remain static and they are required to be reviewed regularly to reflect changing internal and external circumstances. Such reviews may lead to risks moving between registers, new risks being identified, risk being closed when appropriate and control measures being updated leading to changing risk scores.

Risk assessment

As the diagram above explains, risk registers shall be developed that identify and evaluate the significant risks to the Council achieving its priorities.

All potential risks identified shall be evaluated and scored against a set of pre-determined criteria for both consequence (under the headings of finance, legal/regulation, reputation, and service delivery) and likelihood (see Appendix A).

The first evaluation shall be undertaken as though no controls are in place to mitigate the risk. The results of this evaluation are known as the 'Prior Assessment' (or Inherent) score.

A second evaluation shall be undertaken that considers the effectiveness of the current controls that are in place to mitigate the risk. The results of this evaluation are known as the 'Current Assessment (or residual) score.

Once the current assessment has been completed, it should be considered against the Council's risk appetite.

Risk appetite

The Cabinet shall determine the Council's risk appetite; that is the amount of risk that it is prepared to accept, tolerate, or be exposed to at any point in time. In making this

decision the Cabinet shall consider the risk assessment model, the Council's current circumstances and their responsibilities towards the Council's employees and the wider community and the recommendations of the Leadership Team.

The Cabinet accepts that some risks can never be eliminated fully or reduced to a level that it considers to be reasonable. For these risks, a risk treatment form shall be completed and considered by the Leadership Team and if necessary, Cabinet.

The appetite for risk varies according to the activity undertaken. The risk appetite shall be determined by Cabinet at least once a year and communicated to all managers. All risk owners will re-evaluate their risks when the Cabinet's risk appetite changes.

As of the 1 April 2023 Cabinet, after considering the risk assessment model has determined the following risk appetite. These statements are intended to guide the Council's activity and decision making.

Risk Appetite statement

Financial. In looking after its finances the Council will plan carefully and invest wisely to deliver good value for money and, in doing so, is willing to accept, in some circumstances, risks that may result in a minor financial loss.

Legal/Regulatory. The Council places great importance on compliance, regulation and public protection and has no appetite for any breaches in statute, regulation, professional standards, ethics or any act that facilitates bribery or fraud.

Service Delivery. In accepting that minimum service levels shall be determined by the Cabinet and are constrained by budget pressures, the Council requires operational risk to be reduced to a level at which the controls and procedures that are in place allow for services to be delivered 'right first time' and with minimum error or the requirement to re-perform. This will result in the provision of appropriate levels of service that provide value for money whilst also maintaining customer focus.

Reputation. It is regarded as essential that the Council acquires and maintains a high public reputation. It has a low appetite to risk in the conduct of any of its activities that puts its reputation in jeopardy. However, it is prepared to take a stance which may be opposed by some stakeholders where it is considered necessary for delivering statutory requirements.

In addition to the above, the Council has no appetite for **safety** risk exposure that could result in anything other than an insignificant injury requiring first aid. If safety risks conflict with the delivery of services or the introduction of new initiatives, then the safety of employees and members of the public shall take precedence.

Risk treatment

For all risks that have a 'Current Assessment' score that exceeds the risk appetite as determined by Cabinet, consideration shall be given as to what further cost-effective

mitigation could be introduced to reduce the risk score so that it falls within the risk appetite.

Before a decision is made on the way the risk is to be treated, the Risk Owner shall carry out an option appraisal. The appraisal shall consider how to deal with the risk on the following basis:

1. **Reduce or treat** the risk by controlling the likelihood of the risk occurring or controlling the impact of its consequences.
2. **Transfer** the risk either totally or in part to others e.g. through insurance.
3. **Accept** or tolerate the risk. This option will only be accepted when the ability to take effective action against a risk is limited or the cost of taking action is disproportionate to the potential benefits gained.
4. **Avoid** or eliminate the risk by not undertaking the activity that may trigger the risk. This option will very rarely be selected.

The appraisal will consider cost, resources, time and the potential financial and non-financial benefits of each treatment option. Advice from specialist staff shall be taken where appropriate.

For some risks an inexpensive or simple treatment or control may be sufficient to reduce the risk score to, or below, the agreed appetite level. If the mitigation is considered too expensive or not reliable enough to reduce the risk, then the Risk Owner shall discuss this with the Leadership Team, who will decide if the risk requires further mitigation or will be accepted or avoided. If the risk is to be accepted or tolerated the decision of the Leadership Team shall be recorded on the risk register.

Risk treatments that are required to be introduced to reflect the risk appetite and those which cannot be funded from within existing budgets shall be reported to Cabinet. Cabinet will then decide on the level of risk it wishes to be exposed to.

Communication

The Risk Management Policy will be published on the Council's website so that all members of staff, partners, stakeholders and interested members of the public can have access and easily refer to it.

The policy will be reviewed every two years and following any key changes e.g. central Government policy, inspection regimes and following any internal reorganisation.

Training

All managers will receive training in risk management so that they are confident in undertaking the process of risk identification and mitigation within their service areas.

Roles and responsibilities

Elected Members

- To be aware of the arrangements in place for risk management.
- To fully take into account consideration of risk as part of the decision-making process.
- To gain an understanding of risk management principles and the benefits that it brings to the achievement of corporate objectives.

Cabinet

- To be responsible for ensuring effective risk management procedures are in place across the Council and approving the risk management policy.
- To determine the Council's risk appetite annually.
- To decide upon the action to be taken for all mitigated risks that exceed the Council's risk appetite or have the potential to harm its reputation or the continuity of services and require additional budget expenditure that cannot be funded from existing Service budgets.

Audit Committee

- To review the effectiveness of the risk management framework and consider any governance issues.
- To seek assurances from management that action is being taken to manage identified risk.

Overview and Scrutiny Committee

- To receive and review regular reports on the content of the corporate risk register.

Leadership Team

- To ensure effective risk management throughout the Council in accordance with the risk management policy.
- To maintain a culture where risk management is embedded in the decision-making process.
- Regular discussion on emerging and existing risks within management team and Elected Members.
- To review and challenge risk treatments proposed if additional control measures cannot be funded from Service budgets.
- To gain an understanding of risk management and its benefits.
- To develop and review the corporate risk management framework.
- To review the content of the Corporate risk register at least one every six months.
- To promote a culture that will help embed risk management across the Council.
- To provide to Overview and Scrutiny Committee every six months, details of all changes made to the Corporate Risk Register.

Heads of Service

- To ensure that risk is managed effectively within their own service.
- To contribute towards the development of the corporate risk register.

- Balance an acceptable level of risk (as described by the risk appetite) against the achievement of corporate and/or service plans, project objectives and business opportunities.
- Ensure that risks relating to significant partnerships are identified and effectively managed, within the partnership and at service level.
- Maintain a service specific operational risk register and ensure it is reviewed at least on a quarterly basis.
- That risk is considered as part of the decision-making process.
- To integrate risk into service planning.
- To update Service Boards on the content of operational risk registers.

Internal Audit

- To challenge existing risk management arrangements.
- To report risk issues to management as part of internal audit reviews.
- To make recommendations, advice and guidance on how to improve the control environment and mitigate risks.
- To identify best practice and consider its introduction within the Council.
- To provide the Audit Committee with a summary on the effectiveness of the risk management framework.

Employees

- To co-operate with management and colleagues in matters relating to the mitigation of risk.
- To promptly inform the appropriate manager of any risks they become aware of.

RISK ASSESSMENT MODEL

Likelihood / Frequency

- 5 = Almost Certain Will almost certainly happen and will happen frequently.
- 4 = Likely Will probably happen and may persist.
- 3 = Possible Might happen.
- 2 = Unlikely Do not expect it to happen but it is possible.
- 1 = Rare This will probably never happen, but it may occur in exceptional circumstances.

Consequence

	Financial	Legal / Regulatory	Reputation		Service Delivery/ Business Continuity
5 = Catastrophic	> £1m	Major legal action or regulatory sanction. Prosecution.	Total loss of public confidence.		Major, serious sustained disruption. Over 3 months
4 = Critical	≥ £500k ≤ £1m	Enforcement action or function put into special measures.	National negative media coverage	Greater than 3 days	Significant short-term disruption. 1 to 3 months
3 = Major	≥ £50k ≤ £500k	Multiple breaches of statutory legislation.		Less than 3 days	Loss or interruption. 1 to 4 weeks
2 = Moderate	≥ £5k ≤ £50k	Single/isolated breach.	Local negative media coverage. 1 month or more		Small disruption and/or inconvenience. 2 to 5 days
1 = Minor	≤ £5k	Trivial breach or non-compliance	Less than 1 month		Negligible disruption/unnoticed by service users