

# Risk Management Framework



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## Document Control

### Overview

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Related Documents	Risk Management – InPhase User Guide

### Revision History

Version	Issue Date	Author	Summary of Changes
1	March 2020	Strategic Performance Advisor	New guidance document
2	February 2021	Strategic Performance Advisor	Inclusion of escalation procedure
3	September 2022	Strategic Performance Advisor	Fit for purpose review and update.
3.2	December 2023	Strategic Performance Advisor	Annual review following role out of InPhase

### Consultation

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### Approval

Version	Who / Where	Date
1	Chief Officers Team	26th February 2020
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3	Chief Officers Team	16th August 2022
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3.2	Governance and Audit Committee	24th January 2024

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## 1. Introduction

Flintshire County Council (the Council) is responsible for delivering both statutory and non-statutory services to residents and business within Flintshire. To enable the Council to deliver these services effectively, the Council needs to consider a wide range of risks and opportunities in the decisions that are made at all levels across the Council.

## 2. What is Risk Management?

Risk management is the process of identifying risks, evaluating the potential impact, and mitigating them. The aim is to minimise the severity of their impact and likelihood of occurring where possible. Risk management is invaluable to the Council and should form part of the day-to-day management of a service. Some of the benefits to managing risks include;

- prevents reputational damage,
- informs decision making,
- leads to successful future planning.

## 3. What is Risk?

Risk is defined as the **possibility that events will occur and affect the achievement of strategy and business objectives**. A 'risk' is made up of an event, which if left untreated and with no controls in place, will have an impact on the Council and service delivery.

### 3.1 Types of Risk

There are three main risk types at Flintshire County Council, they are:

- **Strategic** - risks which have an impact to the operation of the organisation, for example, Health and Safety, Systematic IT Failure and GDPR. A strategic risk requires corporate ownership.
- **Operational** - risks that affect the successful delivery of individual service objectives/delivery plans, and which are controlled by a single Portfolio.

- **Project/Programme** – risks that prevent the successful delivery of a project or programme to be completed on time, on budget and achieving the desired outcomes e.g., a capital investment project for a new school.

### 3.2 Risk Appetite

Risk appetite is defined as the amount of risk an organisation is willing to accept or tolerate to achieve its intended objectives. In an organisation as large and diverse as the Council, it is difficult to define a singular risk appetite. Appetite for risk will vary due to the objectives being undertaken in the Council spanning a wide range of different service areas. The Chief Officer Team has the final collective decision if risk appetite has been reached or breached through monthly monitoring reports.

As an organisation the Council recognises that we must accept some risk to achieve our objectives. These are considered as opportunities. The Council's approach to risk is to ensure a culture of being informed and risk aware. The Council may have to accept major or catastrophic risks, which cannot be reduced or eliminated (and therefore these risks would have to be managed within the Council's risk appetite). However, by ensuring the **Risk Management Framework** and **InPhase User Guides** (the Council's performance and risk management system) are followed and risks are reviewed monthly, the Council will have good corporate oversight of such risks.

## 4. Roles and Responsibilities

Everyone at the Council is responsible for ensuring risks and opportunities are identified and managed at all governance levels.

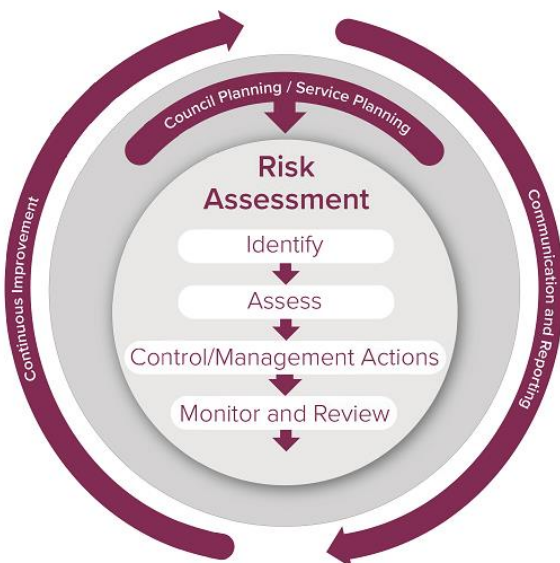
The table below explains the key roles and responsibilities to ensure risk management is effective within the Council, which includes:

Governance Arrangements, Members and Officer Roles	Description of Roles and Responsibilities
Cabinet Members	<ul style="list-style-type: none"> <li>• Ensuring that the Council’s risks and opportunities are managed effectively, and procedures are in place to monitor the management of significant strategic risks</li> <li>• Setting the appropriate level of risk appetite for the Council</li> <li>• To review the Council’s full strategic risk register on a quarterly basis</li> <li>• To ensure that all strategic decisions have been fully considered and consulted upon (risks and opportunities)</li> </ul>
Overview and Scrutiny Committees	<ul style="list-style-type: none"> <li>• Challenging the detail of individual risks related to the Council Plan priorities for example, or a service/function</li> <li>• Reviewing all high-level (this can include strategic, operational and / or project) risks (red and increasing) for assurance and monitoring as well as those escalated for review</li> <li>• Promote the use of risk management to inform effective strategic decision making</li> </ul>
Governance and Audit Committee	<ul style="list-style-type: none"> <li>• Reviewing the effectiveness of the Council’s Risk Management Framework, processes, and systems</li> <li>• Effective forward work planning for risk management</li> <li>• To receive a bi-annual risk profile report on all Strategic risks</li> <li>• High level overview of escalated and deteriorating risks</li> <li>• Consider and approve annual reviews of the Risk Management Framework</li> </ul>
Chief Officer Team	<ul style="list-style-type: none"> <li>• The Chief Officer Team owns and lead the risk management process.</li> <li>• Implementation of the risk management process and related policies</li> <li>• Ensuring that risks are managed, monitored and reviewed within their relevant statutory roles</li> <li>• Set strategic risk management controls for any initiatives, projects, action plans</li> <li>• Discussing the appropriate level of risk for the Council (risk appetite)</li> <li>• Identification and assessment of risk levels</li> <li>• Challenging the outcomes of risk management</li> <li>• Monitoring and reviewing risks in accordance with the Risk Management Operational Procedures</li> <li>• Assurance of Business Continuity Planning</li> </ul>

	<ul style="list-style-type: none"> <li>• Reviewing information within monthly reports to ensure continuous risk identification, assessment, monitoring, and escalation takes place</li> <li>• Ensuring that all risks are reviewed and updated in line with the Council's Risk Management Framework</li> </ul>
Service / Departmental Management Team	<ul style="list-style-type: none"> <li>• Risk management and ownership of risk is a key element of any management role within the Council</li> <li>• The identification, assessment, control, and monitoring / reporting of Portfolio risk registers, (this includes Council Plan, Business as Usual, Partnerships or emerging risks) in accordance with the Risk Management Framework</li> <li>• Reviewing and managing the risks identified for which they are responsible for monthly.</li> <li>• Sharing relevant information regarding risks with colleagues in other service areas</li> <li>• Risk management should be discussed at all Senior Management Team meetings</li> </ul>
Performance and Risk Management Team (PRM Team) & Internal Audit, Performance and Risk Manager	<ul style="list-style-type: none"> <li>• Ensuring the Risk Management Framework is adhered to</li> <li>• Providing advice and support where appropriate</li> <li>• Quality control and challenge (if applicable) of any new risks identified</li> <li>• Providing a monthly risk dashboard for each Portfolio detailing their risk profile</li> <li>• Providing risk profile and trend analysis for relevant Committees</li> <li>• Informing Chief Officers of new or escalating risks</li> <li>• Providing a monthly risk report to the Chief Officer Team (COT)</li> <li>• Responsible for oversight and development of Performance and Risk Management System</li> </ul>
Risk Owners	<ul style="list-style-type: none"> <li>• Responsible for managing and monitoring a specific risk (each risk in the Portfolio risk register is assigned a risk owner)</li> <li>• Ensure that appropriate resources and importance are allocated to the risks they own</li> <li>• Confirm the existence and effectiveness of existing actions and ensure that any further actions are implemented</li> <li>• Review risks during Supervision with their manager</li> <li>• Provide assurance that the risks for which they are the risk owner are being effectively managed</li> <li>• Any risks which are escalating are reported to relevant Senior / Departmental Management Team</li> </ul>
Performance Leads	<ul style="list-style-type: none"> <li>• Effective implementation of the risk management process and related policies within their Portfolio</li> </ul>

	<ul style="list-style-type: none"> <li>• Ensuring continuous risk identification, assessment, control, monitoring, reporting and escalation takes place within their Portfolio</li> <li>• Ensuring that all risks are updated in line with the Council’s Risk Management Framework</li> <li>• Responsible for having oversight of Portfolio risks and use of the Performance and Risk Management System</li> <li>• Where an operational risk may need to become a strategic risk this will be highlighted to Chief Officer Team (COT) and corporately owned as a strategic risk, if applicable</li> </ul>
Internal Audit Team	<ul style="list-style-type: none"> <li>• Periodic reviews of the Council’s risks (strategic, operational and project)</li> <li>• Liaise frequently with the Performance and Risk Management Team</li> </ul>
All Employees	<ul style="list-style-type: none"> <li>• Maintain an awareness and understanding of risk in their workplace</li> <li>• Comply with Council policies and procedures for risk management</li> <li>• Notify their line manager of any identified risk and proposed actions to mitigate the risk</li> <li>• Report any incident to their line manager of a risk tolerance breach</li> </ul>

## 5. Risk Management Process









Risk management is a continuous process and is often done in a sequence of four key stages:

1. Identify
2. Assess
3. Control / Management Actions
4. Monitor and Review

### Stage 1: Identify



Risk identification is a continuous process which is embedded in Council Planning, Portfolios (and Service Areas within Portfolios), Business Planning, Project Management, partnerships and as part of business as usual or when something changes. Risks can be identified through planning processes, emerging risks and when expected performance is not achieved. When identifying a risk, it should be very clear what the risk is, to the Council, project(s), service delivery or priorities. A method to identify a risk is using a PESTEL analysis:

Political	Economic	Social	Technological	Environmental	Legal
					
<ul style="list-style-type: none"> <li>• Elections and Member roles</li> <li>• Government changes</li> <li>• National Policy change</li> </ul>	<ul style="list-style-type: none"> <li>• Funding</li> <li>• Grants</li> <li>• Local growth</li> <li>• Trade</li> <li>• Financial commitments</li> </ul>	<ul style="list-style-type: none"> <li>• Deprivation</li> <li>• Health</li> <li>• Resources</li> <li>• Community support</li> <li>• Social Care</li> </ul>	<ul style="list-style-type: none"> <li>• Transformation</li> <li>• Digital inequality</li> <li>• Data migration</li> <li>• Information governance</li> <li>• Cyber</li> </ul>	<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Extreme weather</li> <li>• Biodiversity</li> <li>• Energy efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory change</li> <li>• Compliance</li> <li>• Statutory duties</li> <li>• Laws</li> </ul>

Once a risk has been identified it should be given a clear and concise risk title. Risk should be identified by using qualitative (milestones and actions) and quantitative (performance indicators, financial data). This is called Risk Evidence and will be used to calculate the risk scoring and be used to measure against risk tolerance.

For every identified risk there **MUST** be a risk owner.

When thinking about identifying a risk consider using the following statement:

**This (event) could happen due to (cause) which may result in the following (impact) to our objectives.**

### Stage 2: Assess

Assessing risk is about prioritising key threats and opportunities and understanding their scale.

Typically, risk is measured in:

- **Likelihood** – how likely will the risk happen
- **Impact** – how severe would the outcomes be if the risk occurred

Once a score for each of the measures has been established, they are multiplied together to generate a final risk score. The higher the score, the higher the priority and urgency of the risk (please see Section 6, Risk Matrix, for further information).

### Stage 3: Control / Management Actions

Once a risk has been identified and assessed the next step is to decide on the best method of managing the risk.

It is important to identify what additional internal controls / actions and measures are required to reduce the risk or to prevent the risk from escalating further. The Council may not always be able to reduce the likelihood with internal controls, however the aim is to always reduce the impact.

**A key question to ask is: 'What are you going to do about it?'**

### Stage 4: Monitor and Review

Monitoring and reviewing of risks is a **'live'** process and must be continuously monitored at the appropriate levels (Cabinet, Chief Officer Team, Senior Management). Risks are constantly changing as the external environment alters and / or internal factors change, therefore it is important to monitor that:

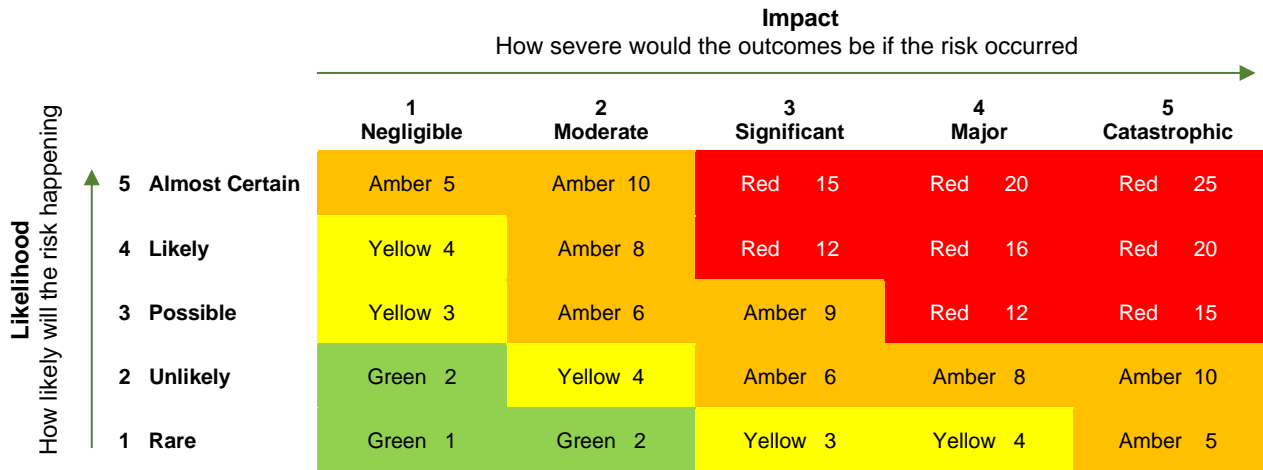
- The risk has not changed
- The approach to controlling the risk is still appropriate
- Controls are still working effectively to manage or reduce the risk
- Through regular review a new risk has been identified
- A risk can now be closed (has been successfully mitigated or the risk no longer exists)
- The risk is not deteriorating (if a risk is deteriorating the escalation process should be followed, please see Section 7, Compliance and Monitoring, for further information)

## 6. Risk Scoring

When assessing the likelihood and impact of a risk, consideration must be giving to 'How likely the risk could happen' and 'How severe would the outcome be is the risk occurred?'

### 6.1 Risk Matrix

The Risk Matrix (below) must be used when calculating impact and likelihood score to have an overall score. Risks are then categorised via the overall score and a colour rating to determine the tolerance of risk.



### 6.2 Approach to Management / Appetite of Risk

The table (below) provides guidance on the Council’s risk’s appetite depending on the final overall score of a risk.

Colour	Score	Approach	Action
Green	1-2	Accept	Risks within the Council’s risk appetite.
Yellow	3-4	Adequate	Risks within the Council’s risk appetite which need to be monitored by Senior Management, if risk deteriorates
Amber	5-10	Tolerable	Risks within the Council’s risk appetite but not at a level which is acceptable.
Red	12-25	Unacceptable	Risks outside of the Council’s risk appetite

### 6.3 Examples of Risk Scoring

The table below provides examples and can be used as a guide to score a risk.

Impact Severity (Examples)					Likelihood			
	Service Delivery	Financial	Reputation	Legal	Likelihood of Risk Occurring			
<b>1</b> Negligible	No noticeable impact	Expenditure or loss of income up to £50k	Internal review	Legal action very unlikely and defensible	<b>1</b> Rare	Less than 5% chance	May only occur in exceptional circumstances	
<b>2</b> Moderate	Some temporary disruption to a single service areas / delay in delivery or one of the Council's key strategic outcomes or priorities	Expenditure or loss of income greater than £50k but less than £500k	Internal scrutiny required to prevent escalation	Legal action possible but unlikely and defensible	<b>2</b> Unlikely		Could occur but unlikely	
<b>3</b> Significant	Disruption to one or more services / a number of key strategic outcomes or priorities would be delayed or not delivered	Expenditure or loss of income greater than £500k but less than £2.5m	Local media interest. Scrutiny by external committee or body	Legal action expected	<b>3</b> Possible		50% chance	A change it might occur
<b>4</b> Major	Severe service disruption on a service level with many key strategic outcomes or proprieties delayed or not delivered	Expenditure or loss of income greater than £2.5m but less than £6m	Intense public and media scrutiny	Legal action almost certain and difficult to defend	<b>4</b> Likely			Will probably occur
<b>5</b> Catastrophic	Unable to deliver most key strategic outcomes or priorities / statutory duties not delivered	Expenditure or loss of income greater than £6m	Public Inquiry or adverse national media attention	Legal action almost certain, unable to defend	<b>5</b> Almost Certain		More than 95% chance	Very likely to occur

## 7. Communication and Reporting

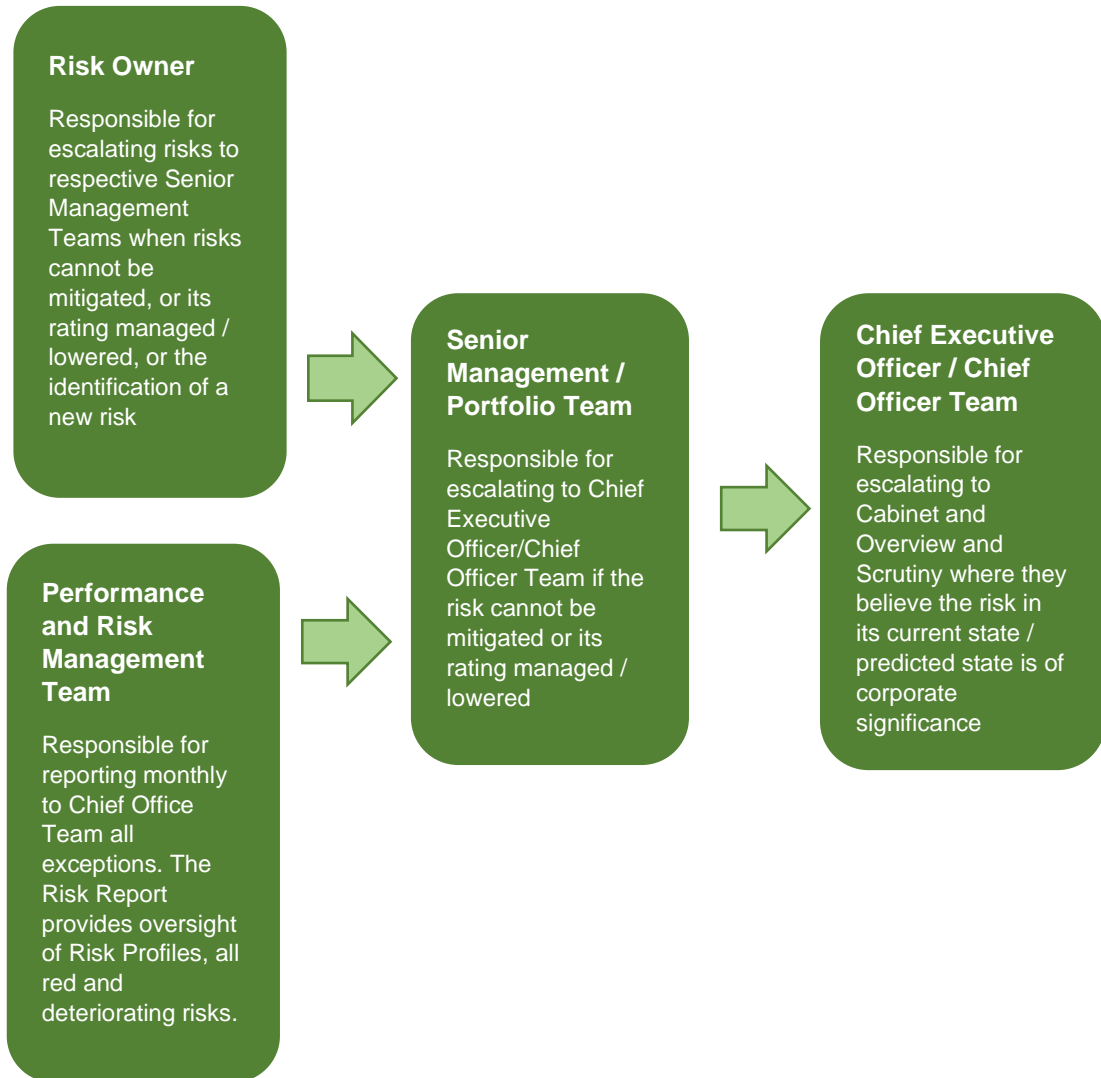
For risk management to be effective it needs to be integral to the day-to-day operation of the work the Council undertakes. This involves not only the four key steps of identification, assessing, control / management and, monitoring and reviewing of risks but also clear forms of communicating and reporting on risks. Where developments happen over time, it is important that this is communicated and reported to ensure the information has been captured and included within this document for consistency of approach.

### 7.1 Non-Compliance Monitoring

It is essential that the Risk Management Framework is followed, and risks are reviewed monthly. Where this does not occur, this is considered as non-compliance with the process and a non-compliance report will be shared with the Chief Officer Team.

## 7.2 Escalation of Risk

The diagram below provides an overview of roles and responsibilities when an escalating risk has been identified.



## 7.3 When Does a Risk Need to be Escalated?

A risk needs to be escalated:

- When the risk appetite/risk target level is breached (this will be informed by risk evidence<sup>1</sup>)
- When risk mitigation cannot be managed within the Portfolio and:
  - A Council Plan/Strategy priority is compromised and/or
  - Service operations or performance will be seriously compromised and/or

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<sup>1</sup> Risk evidence is used to assess and manage risk, this includes internal controls and measures

- The financial, legal, or reputational position of the Council might be compromised and/or
- An emergency situation might develop

### 7.4 What is the Operating Procedure for Escalation?

Where it has been identified that a risk needs escalating, the escalation procedure will be followed, and COT will be notified of:

- A risk which has a RAYG (red, amber, yellow, green) status, including all three types of risks
- Any risk which has deteriorated, regardless of RAYG status
- Any new risk to ensure corporate oversight
- The identification of an operational risk needing to become a strategic risk

## Further Information

If you wish to receive any further information regarding the Risk Management Framework, please contact the Performance and Risk Management Team.

Contact Details:

[PRM@flintshire.gov.uk](mailto:PRM@flintshire.gov.uk)

# Risk Reporting Overview (Simplified)

## APPENDIX B

