

FALKIRK COUNCIL

Subject: CORPORATE RISK MANAGEMENT – POLICY AND FRAMEWORK
Meeting: EXECUTIVE
Date: 17 MAY 2016
Author: DIRECTOR OF CORPORATE & HOUSING SERVICES

1. INTRODUCTION

- 1.1 The purpose of this report is to seek approval of the Corporate Risk Management Policy and Framework, which was referred to the Executive by the Audit Committee on 18 April 2016.

2. POLICY FOR APPROVAL

- 2.1 At its meeting on 18 April 2016, the Audit Committee agreed to refer the following Policy to the Executive for approval.

Corporate Risk Management Policy and Framework

- 2.2 This Policy and Framework has been considered by Corporate Risk Management Group, Corporate Management Team, and Audit Committee. It sets out the Council's approach to Risk Management and Officers' and Members' responsibilities within that. It also includes, as Appendices:

- Corporate Risk Management Reporting Framework;
- Risk Scoring Guidance and Matrix;
- Risk Reporting and Review Guidance;
- Risk Register Template;
- Corporate Working Groups Chart; and
- The Role of Statutory Officers in Relation to Risk.

3. RECOMMENDATION

- 3.1 It is recommended that the Executive approves the immediate implementation of the Corporate Risk Management Policy and Framework.

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DIRECTOR OF CORPORATE & HOUSING SERVICES

Date: 4 May 2016
Ref: AAB170516 – CRM – Policy & Framework
Author: K Algie, ext 6223



FALKIRK COUNCIL

**CORPORATE RISK MANAGEMENT
POLICY AND FRAMEWORK**

March 2016

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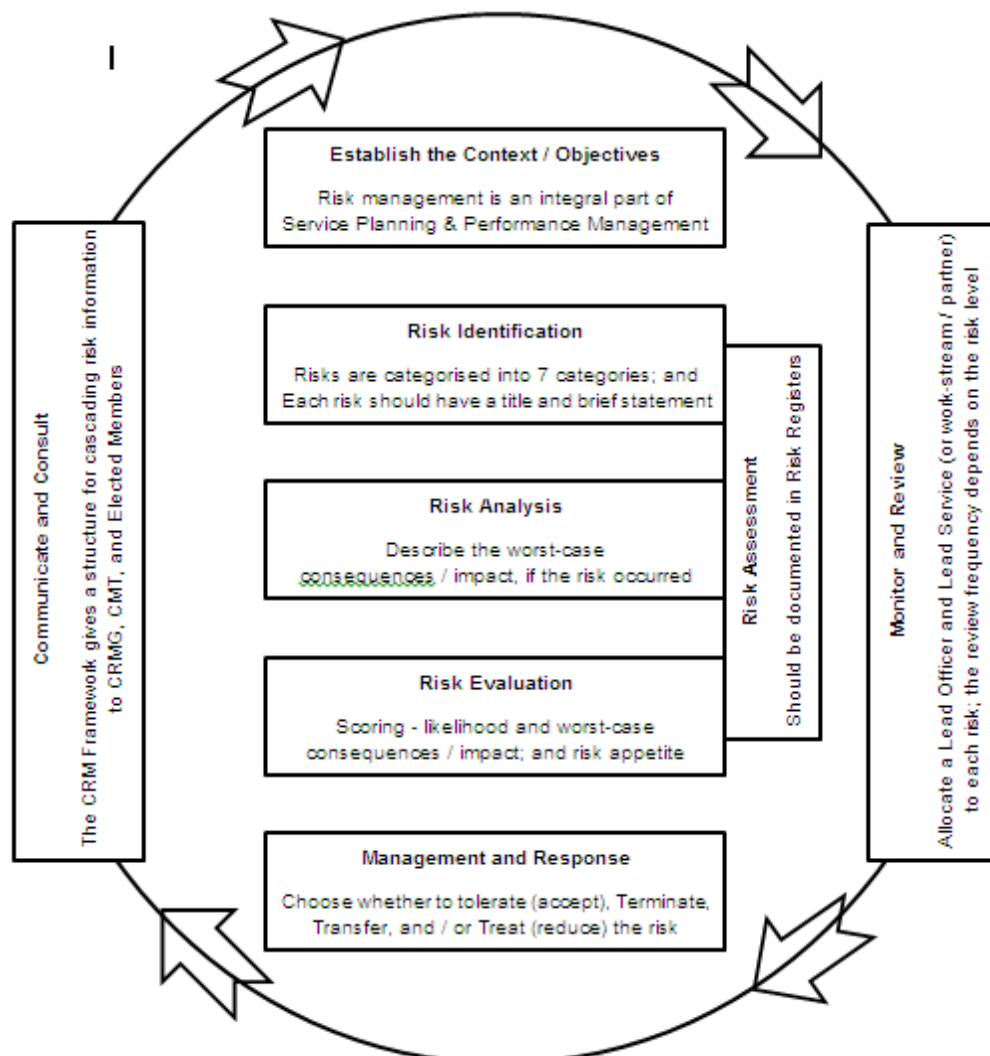
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DOCUMENT HISTORY

Document Title:	CRM Policy and Framework	Lead Reviewer:	CRMG
Owner:	Director of Corporate & Housing Services	Superseded Version:	Dec 2015
Version No:	V2.1, Mar 2016	Next Review Date:	Q1, 2017

1. POLICY STATEMENT – THE COUNCIL’S APPROACH TO RISK MANAGEMENT

- 1.1 The purpose of this Corporate Risk Management (CRM) Policy and Framework is to set out the approach to embedding CRM arrangements across the Council.
- 1.2 Risk means an **uncertainty**, which has a **possibility** of resulting in positive or negative consequences for the Council.
- 1.3 The Council encourages decision makers to be ‘risk aware’ rather than ‘risk averse’. We will support Services and employees who take opportunity risks - where those risks are understood; reasonable controls are in place; anticipated benefits out-weigh negative impacts / consequences; and decisions are proportionately documented, monitored, and reviewed.
- 1.4 The diagram below outlines the risk management process:



- 1.4 **Appendices 1-5** provide guidance on assessing, reporting, and recording risks.
- 1.5 Risks may have a variety of consequences / impacts – including financial, reputational, harm (e.g. injury or death to employees or service users), service interruption or delay, and audit / legal issues.

- 1.6 Risk affects every activity to a greater or lesser degree; failure to manage them can have serious consequences. The Council categorises risk as:
- failures in proper **financial** management;
 - failures in proper **information** management (availability, integrity and security);
 - failures in **human resources** management (e.g. recruitment, retention, safety);
 - failure to properly manage **assets**;
 - failure to properly recognise, plan for, and manage significant **change**, both internal and external;
 - failures in **governance**, leadership, accountability or decision making; and
 - failures in **partnerships**, or contracts with external bodies.

2. RESPONSIBILITIES

2.1 Elected Members

The CIPFA / SOLACE Guidance¹ - and in particular Principle 4 - makes explicit the Elected Member's decision-making role and the need to ensure that risk information contributes to the decision-making process. Risks should be included in all committee papers, where appropriate.

CIPFA Guidance Note 10 (Risk Management Guidance for Elected/ Board Members) also advises that Elected / Board Members should get involved in the identification of high level, corporate risks, and outlines the following responsibilities for them:

- to gain a broad understanding of risk management and its benefits;
- to require Officers to develop and implement an effective framework for risk management, and report significant risks on a regular basis;
- to challenge Officers to ensure risks are considered and recorded in reports; and
- formally consider risks at the start and throughout the life of projects.

2.2 Audit Committee

The Audit Committee's Terms of Reference are to:

- review and seek assurance on the framework of risk management, governance and control;
- review and seek assurance on the system of internal financial control;

¹ Delivering Good Governance in Local Government, CIPFA/ SOLACE, 2012.

- review Assurance Statements to ensure they properly reflect the risk environment,
- produce an annual report to Council on the above to support these statements;
- take account of the implications of publications detailing best practice for audit, risk management, governance, and control;
- take account of recommendations contained in the relevant reports / minutes of:
 - the External Auditor;
 - the Scottish Parliament; and
 - other external scrutiny agencies.

2.3 Chief Executive

The Chief Executive has overall accountability for the Council's CRM Policy and Framework, and ensuring that effective arrangements are in place to manage risk.

2.4 Director of Corporate & Housing Services

The Director has delegated responsibility for overseeing CRM arrangements; the effectiveness of CRMG; and for bringing risk issues to CMT, Audit Committee, and Executive, including:

- Quarterly reports to CMT – including very high, high, emerging, and rising risks; and
- 6 monthly updates to the Audit Committee.

2.5 Head of Human Resources & Business Transformation

The Director has delegated their responsibilities above to the Head of Service.

2.6 Internal Audit

The Internal Audit Manager is responsible for developing and completing an Annual Risk-Based Internal Audit Plan. The aim is to provide assurance on the Council's arrangements for risk management, governance, and controls.

2.7 Corporate Risk Management

The Corporate Risk Management team will take a 'light touch' approach to monitoring Services' management of risk. However, support can be provided in developing a flexible, yet proportionate and robust service risk management framework.

Further, as part of the continuous monitoring of risk management arrangements, the Corporate Risk Management and Internal Audit team – with independent assurance from West Lothian Council's Audit and Risk function - will seek on-going assurance on the extent to which these arrangements are embedded at a corporate and Service level.

2.8 Corporate Risk Management Group (CRMG)

CRMG should meet on a quarterly basis, and ensure:

- Corporate risk reports focus on very high and high risks – those risks with the most significant and material consequences – and changes to Services’ risk profile;
- there is a clear process for capturing existing, rising, and emerging risks from Services, and reporting these to CRMG, CMT, and Members;
- Service Risk Management arrangements are ‘owned’ by Services, and that risk becomes part of managers’ ‘way of thinking’;
- risk reporting and scrutiny arrangements are proportionate and effective;
- consideration of risk and opportunity forms an integral part of the decision making process, including performance management, (Service) self-assessments, budget / savings, and transformational change reviews; and
- review of the following assurance reports on a cyclical basis:
 - Service reports on very high and high risks (6 monthly);
 - Service reports on medium risks (annually); and
 - Statutory Officers’ annual reports.

2.9 Service Management Teams

Services’ risk management arrangements should be flexible, and consistent with Service Planning processes, and involve Service Unit Managers. Service Management Teams should support CRMG and implement the following arrangements effectively:

- lessons learnt from incidents, inspections, audits, and (Service) self-assessments;
- Working Groups;
- Service Risk Registers (SRR);
- consider the above when reviewing risks and performance; and
- provide copies of all internal and external inspection reports to the Internal Audit and Corporate Risk Management team – including REFLECT, external audit, and inspection reports.

2.10 Working Groups

Appendix 6 shows the framework of Working Groups tasked with progressing various work-streams. Each of these Working Groups must also take the lead in assessing, managing, and monitoring work-stream risk, and:

- have clear terms of reference and lines of accountability;

- be clearly identified within the CRR;
- review lessons learnt from incidents;
- maintain subject / project specific risk registers;
- undertake an annual self-assessment of their effectiveness and terms of reference; and
- review their effectiveness, and terms of reference, and report to CRMG annually.

2.11 Statutory Officers'

Appendix 7 summarises the role of Statutory Officers' in relation to risk. This covers the the Chief Finance Officer (CFO), Chief Governance Officer (CGO) / Monitoring Officer, and the Chief Social Work Officer (CSWO). Given their role in ensuring the legality of the Council's activity, they will provide annual and exception reports on changes to very high, high, or emerging risks.

2.12 Service Unit Managers and Project / Partnership/ Contract Leads

Managers should:

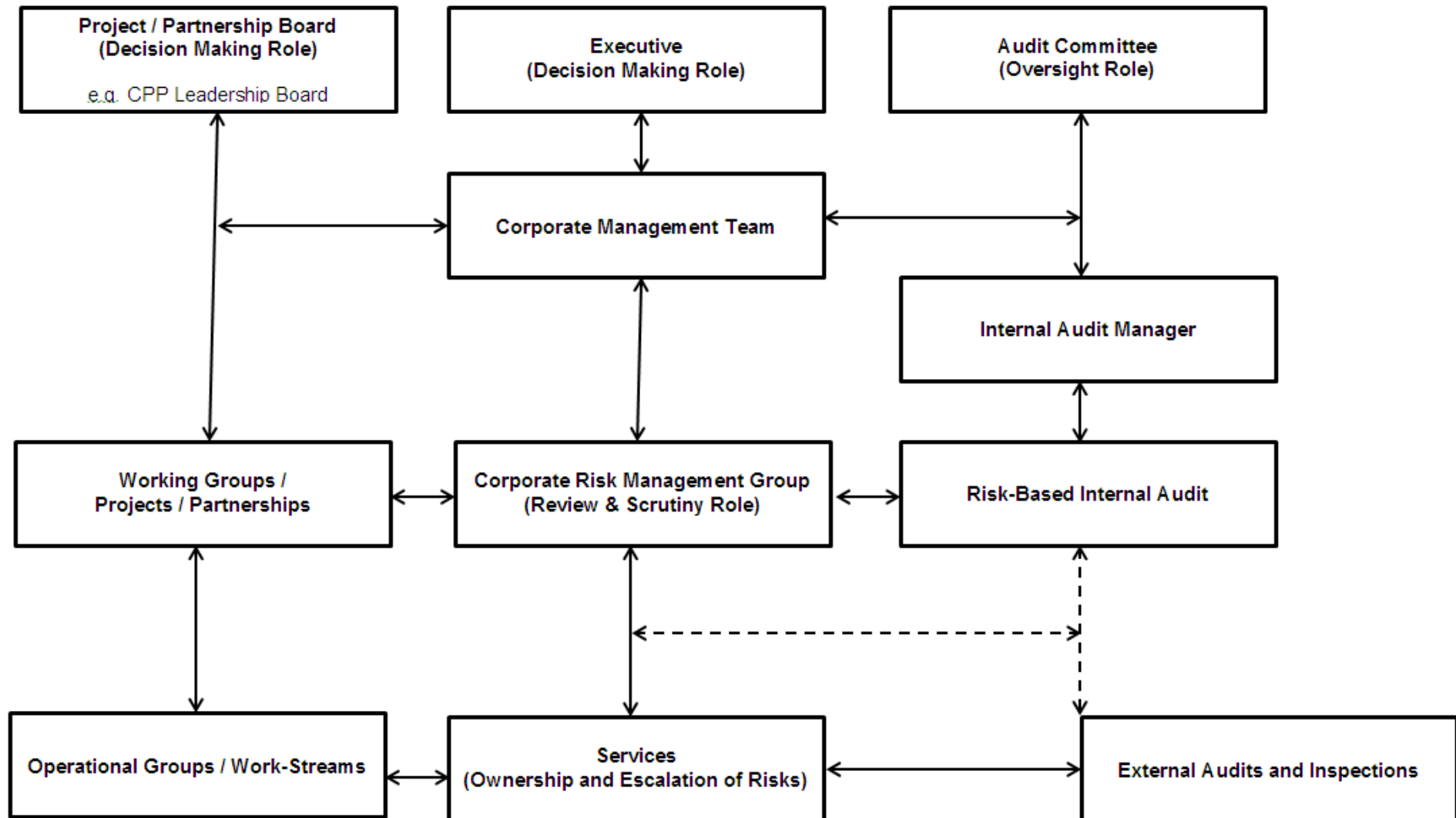
- provide suitable risk information and training to employees;
- maintain risk registers, where appropriate, for their areas of responsibility;
- identify, assess, and report risks – including current, emerging, and rising risks;
- implement proportionate controls and review mechanisms; and
- include risk as a standing agenda item at meetings.

2.13 Employees

Employees should:

- understand the risks that relate to their role, e.g. be involved in risk assessments;
- take steps to protect themselves and others, e.g. follow safety guidance; and
- be encouraged to report concerns.

APPENDIX 1: CRM REPORTING FRAMEWORK



APPENDIX 2: RISK SCORING MATRIX

Likelihood	5						Very High (Score 17-25)
	Almost Certain						
	4						High (Score 10-16)
	Likely						
	3						Medium (Score 7-9)
	Possible						
	2						Low (Score 1-6)
	Unlikely						
	1						Risk Appetite Threshold (Score 16+)
	Almost Impossible						
		1	2	3	4	5	
		Insignificant	Minor	Moderate	Major	Severe	
		Impact / Consequence					

The dotted line above indicates the Council's 'risk appetite'. Risks above this level could have serious consequences – Services should consider terminating the activity, transfer the risk (through e.g. insurance or contracts), and / or implement additional actions to reduce it.

Risk assessment is subjective; but **Appendix 3** provides more guidance on scoring risks, and some practical examples are below:

People Protection v Enablement: We have to balance individual's wishes / rights against the safety of themselves or the community, e.g. self-directed support or housing violent offenders.

Compliance v Pace of Change: What would be the realistic consequences of meeting a deadline for compliance, or delaying implementation, e.g. legal penalties and people / resource impact?

Savings v Investments: Is it more important to reduce costs and make savings now, or are there opportunities to make larger savings in the long-term by investing in, e.g. the economy or assets?

Service Redesign: If e.g. our (minimum) statutory duty is to provide a care review annually, would quarterly reviews and preventative activity reduce harm and long-term care costs? **What are the avoidable and unavoidable consequences of each saving(s) option?**

Procurement: If buying vehicle assets, is it more important to get the best functionality, service / support package, or price? Would a lower specification lead to increased long-term running costs?

Rent Arrears: When unemployment goes down, rent arrears temporarily go up (as people often have to pay for transport or clothes before being receiving wages). Is it better to accept short-term arrears, or penalise people and risk deterring them from taking up employment opportunities?

Technology: It is cheaper to process online payments. But should the Council insist on this? If we offer different payment methods, is there an opportunity to improve services and income?

APPENDIX 3: RISK SCORING GUIDANCE

Likelihood

1. Almost Impossible: There is little evidence that the risk is likely to occur
2. Unlikely: There is a low chance of the risk occurring
3. Possible: There is a reasonable chance of the risk occurring
4. Likely: There is a strong chance of the risk occurring
5. Almost Certain: It is fairly certain that risk will occur, or has already occurred

Impact / Consequences

Score	Financial	Reputational	Harm to People or Assets	Interruption to Services to Projects	Audit/ Legal/ Compliance
1 Negligible	None or little budget impact; spend is within risk owner's authority	None, or little, media interest; impact is in public domain, but managed	None or very minor injury and / or damage	None or little disruption to one service, or project delay	No or little query from audit body / regulator; but no criticism or action required
2 Minor	Minimal budget impact; spend is within risk owner's authority	Local media interest and / or customer complaints	Minor injury and / or damage	Minor disruption to multiple services, or project delay	Action required; but unlikely to result in criticism and / or penalty
3 Moderate	Manageable budget impact; spend exceeds risk owner's authority	Regional media interest and / or multiple complaints	Moderate injuries and / or damage	Some disruption to service, or project delay	Action required; and may result in criticism and / or penalty
4 Major	Major impact, but within budgets	National media interest and / or serious loss of confidence	Major injury, death, and / or assets destroyed	Major service disruption, loss of multiple services, or project delay	Major legal action, penalty, and / or criticism
5 Severe	Extensive; spend exceeds available budgets	Sustained media interest, complaints, and / or loss of confidence	Multiple deaths and / or assets destroyed	Extended disruption or loss of service, or project delay	Severe penalty, criticism and / or legal action

To ensure this guidance is relevant to many situations, the measures above are subjective and flexible. Services, Partnerships and Projects can tailor it to suit their objectives, e.g.:

1. Committee Reports and Budget / Savings monitoring reports could include an assessment of risk (including avoidable and unavoidable consequences) arising from each option or proposal;
2. Project Board's may define 'risk appetite' as a deviation from agreed costs, time, quality, e.g.
 - Negligible: less than 2% over budget, 3 months' delay, and / or NIL defects;
 - Moderate: less than 5% over budget, 6 months' delay, and / or less than 5 moderate defects;
 - Severe: more than 5% over budget, 6 months' delay, and / or 1 or more serious defects;
3. Services may align it with subject-specific professional guidance, e.g. Children's Services and the Health & Social Care Partnership (HSCP) may align it with on people protection and enablement; and
4. The HSCP may align it with national or local targets for reducing waiting times or disease outbreak.

APPENDIX 4: RISK REPORTING / REVIEW GUIDANCE

Risk Rating	Action to be taken
Very High Risks	Very High: above the Council's risk appetite; must have a Target Risk Level;
High Risks	High: are within the Council's risk appetite; a Target Risk Level is optional . Very High and High risks could impact on Corporate / Strategic objectives: <ul style="list-style-type: none"> • CMT and Elected Members must be made aware of the risk; • Services' must implement robust action plans to manage the risk; and • Services' should provide reports to CRMG, 6 monthly cycle and by exception.
Medium Risk	Medium risks are within Council's risk appetite, but could increase without effective monitoring of controls and actions. They could affect the achievements of the Corporate or Service Plan(s). Services must: <ul style="list-style-type: none"> • implement effective monitoring arrangements; • consider additional controls, actions and a Target Risk Level; and • Services' should provide reports to CRMG, annually and by exception.
Low Risk	Risks are well within the Council's risk appetite and pose no real threat to achieving the Corporate or Service Plan objectives. Existing processes and procedures are adequate, but monitor controls and consider additional actions.

Distinguishing between Corporate and Service risks

Corporate Risks:

- risks rated as High and Very High (or medium, but affecting 2 or more Services); and
- threats and / or opportunities to achieving Corporate or Strategic Plans.

Service Risks:

- risks rated as Low (or Medium, but affecting only one Service or Unit); and
- have potential to impact on Service, Project, or Partnership Plans.

If you are unsure if a risk is 'Corporate' or 'Service', then ask:

- Is it Very High or High? If Yes, it's a Corporate Risk;
- Is it Low? If Yes, it's a Service Risk;
- If Medium, does it:
 - Impacts one Service? If Yes, it's a Service Risk; or
 - impacts multiple Services? If Yes, It's a Corporate Risk.

Partnership / Project Risks:

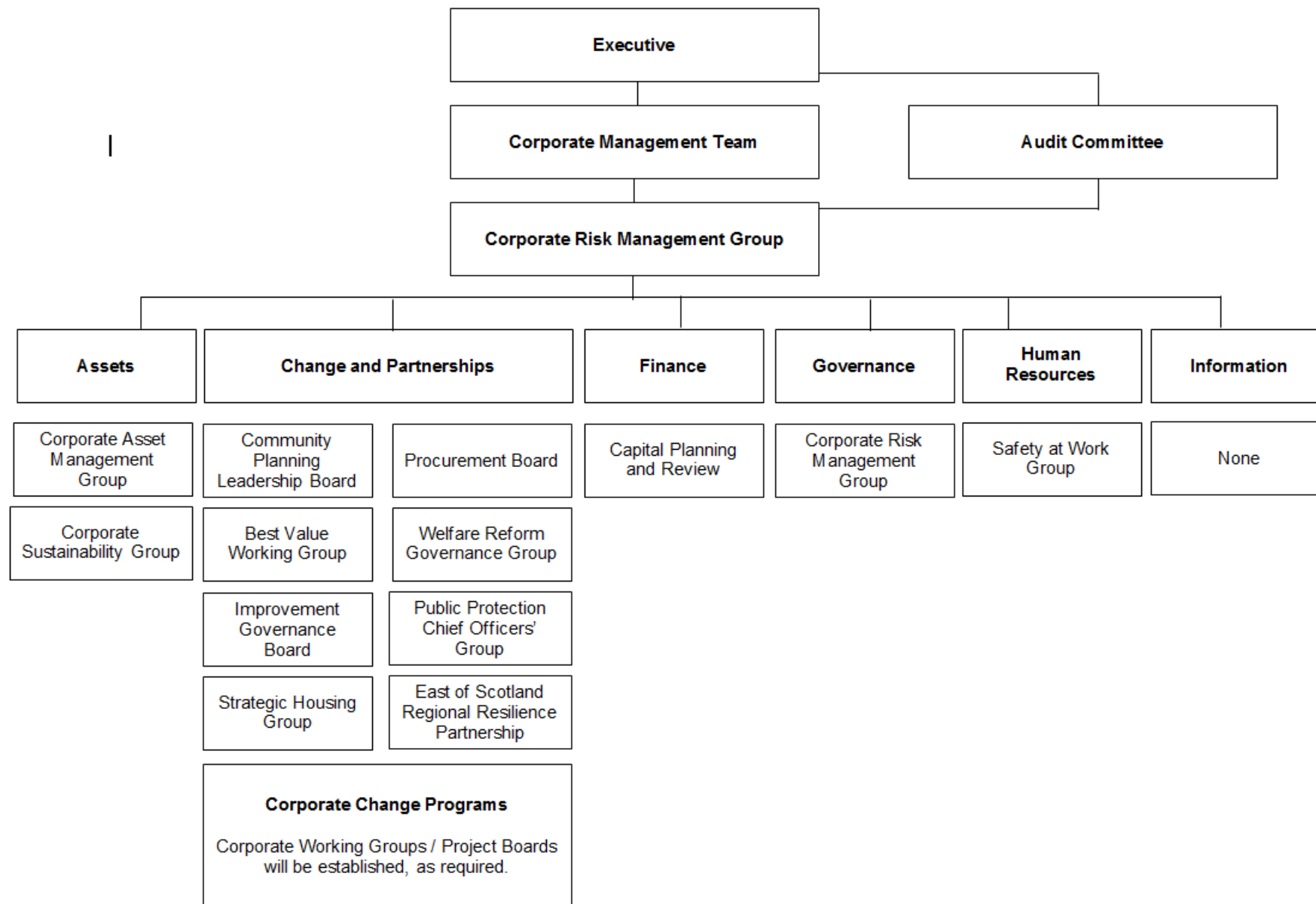
Where a risk relates to one or more partners or project work-streams, it needs to be included in a Program or Partnership (Shared) Risk Register. Partners may have different perceptions of risk, but the Partnership need to agree the risk score and approach to managing risks.

APPENDIX 5: DOCUMENTING RISKS - RISK REGISTER TEMPLATE

This template can be used to capture risk information from, e.g. workshops or reviews.

Risk Assessment								
Risk Type	Assets, Change, Financial, Governance, HR, Information, or Partnerships							
Risk Register Type	Corporate, Service, Project and / or Partnership Risk Register							
Risk Title	e.g. Welfare Reform, Financial Controls, or Premises Management							
Risk Statement	Context and 'worst case' consequences / impact, and opportunities?; e.g. death due to abuse – such as a Baby P or Rotherham incident; a major project failure resulting in material financial loss; significant reputation damage – such as the Edinburgh Trams project; and / or avoidable / unavoidable consequences from Change / Budget / Savings Options.							
Service (Sub) Risk Title (optional)	Optional – Services may choose to record more context, e.g.: Devolved school budgets could be a sub-risk to 'Financial Controls'							
	Current Risk Rating (including current controls)				Target Risk Rating (after additional actions – if applicable)			
Likelihood Score								
Consequence Score (if risk occurs)								
Risk Score								
Risk Level								
Key controls and review mechanisms (i.e. what are we doing about it?)								
Recommend a maximum of c5- including reference to working groups.								
Additional Actions (i.e. what more can we do about it?)						Owner	Target Date	
Recommend, where possible, link these to measurable Actions on Covalent.								
Performance Indicators						Owner	Target Date	
Recommend, where possible, link these to measurable PIs on Covalent.								
Monitoring and Review								
Lead Service								
Lead Officer								
Lead Partner or Project Work-Stream								
Other(s) Impacted	CHS		CS		DVS		CE	
Additional Notes								
Note: This might include, for example, context or rationale for scoring.								

APPENDIX 6: CORPORATE WORKING GROUPS CHART



APPENDIX 7: THE ROLE OF STATUTORY OFFICERS' IN RELATION TO RISK

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- Statutory Officers have specific duties as set out in legislation, and discharge this role as part of their wider responsibilities within the Council. They have an important, independent, role in promoting and enforcing good governance and for making sure the Council complies with legislation. Statutory Officers' responsibilities include highlighting where a Council Policy may break the law or breach Financial Regulations. These Officers must have direct and regular access to the Chief Executive, Elected Members, and Senior Officers.

The roles of each Statutory Officer is summarised below (based on a review of Audit Scotland², CIPFA³ and Scottish Government⁴ guidance).

-
- **Chief Governance Officer (CGO) / Monitoring Officer**
-
- The Local Government and Housing Act 1989 (Section 5) established this role. The Monitoring Officer is required to prepare a report for the consideration of the full Council if they believe that any proposal, decision, or omission by the Council, or by any Committee or sub-Committee, contravenes any legislation or code of practice.

-
- **Chief Financial Officer**
-

- The Local Government (Scotland) Act 1973 established this role, and **Section 95 states that:**
-

“Every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs.”

In addition, CIPFA sets out the following principles in relation to risk:

Principle 1: The CFO should contribute to the effective corporate management of the authority, including strategy implementation, cross-organisational issues, integrated business and resource planning, risk management, and performance management.

Principle 2: The CFO must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy.

- **Chief Social Work Officer (CSWO)**
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- The Social Work (Scotland) Act 1968 established this role.

The overall objective of the CSWO post is to ensure the provision of effective, professional advice to Elected Members and Officers of the Council in relation to Social Work Services. This includes advice in relation to particular issues such as corporate parenting, child protection, adult protection, and the management of high-risk offenders; and the key role Social Work plays in contributing to the achievement of national and local outcomes. The CSWO also has a role to play in overall performance, improvement and the identification and management of corporate risk in relation to Social Work Services.

² 'How Councils Work: An Improvement Series for Councillors and Officers: Roles and Working Relationships: Are You Getting It Right?' Audit Scotland, 2010.

³ The role of the CFO in Local Government', CIPFA, 2010.

⁴ Changing Lives, Scottish Government, 2011.