FALKIRK COUNCIL

CORPORATE RISK MANAGEMENT

POLICY AND FRAMEWORK
1. **POLICY STATEMENT – THE COUNCIL’S APPROACH TO RISK**

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-weight negative impacts / consequences; and decisions are proportionately documented, monitored, and reviewed.

1.4 The diagram below outlines the risk management process:

1.5 The Council’s CRM Reporting Framework is summarised at Appendix 1. Appendix 2 goes on to provide guidance on assessing, reporting, and recording individual risks.

1.6 Risks may have a variety of consequences / impacts. These include financial, reputational, harm (eg injury or death to employees or service users), service interruption or delay, and audit / legal issues.
1.7  Risk affects every activity to a greater or lesser degree. Failure to manage risk 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.

1.8  The key benefits of risk management are:

- improved communication and understanding of risk, resulting in fewer surprises;
- more resilient Services and communities;
- fewer incidents, and better response;
- better evidence to support risk based decisions;
- improved audit and inspection results;
- improved performance and outcomes;
- measureable Council, Project, and Partnership Plans; and
- improved assurance.

1.9  The CRM Policy provides a broad, flexible, approach to managing risk that should be adopted by all Services. It should be tailored to Service, Corporate Working Group / board, partnership, and project situations.

1.10  Separate and specific risk management Policies are in place for significant projects or partnerships. For example, the Falkirk Integration Joint Board and Council of the Future Programme both have their own Risk Management Strategies.
2. RESPONSIBILITIES

Elected Members

2.1 CIPFA / SOLACE Guidance\(^1\) states that risk management is an integral part of all activities and must be considered in all aspects of decision making. Risks should be included in all committee papers, where appropriate.

2.2 Members should, therefore:

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

Executive

2.3 The Executive\(^2\) is responsible for:

- periodically reviewing and approving the CRM Policy and Framework;
- considering risk management referrals from the Audit Committee;
- reviewing and approving the Corporate Risk Register as appropriate;
- challenging Chief Officers on risk, such as the effectiveness of controls, governance arrangements, and progress with actions; and
- horizon scanning for new and emerging risks.

Scrutiny and External Scrutiny Committees

2.4 These Committees allow for in depth consideration of areas of the Council’s operations and relations with external bodies.

Portfolio Holders

2.5 The roles of Portfolio Holders in relation to corporate risk are outlined at Appendix 3.

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\(^1\) Delivering Good Governance in Local Government, CIPFA / SOLACE, 2016: Principle F: Managing risk through robust internal control and strong public financial management.

\(^2\) And, where relevant, the Education Executive.
Audit Committee

2.6 The Audit Committee’s Terms of Reference require it 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;
- 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 within the relevant reports / minutes of:
  - the External Auditor;
  - the Scottish Parliament; and
  - other external scrutiny agencies.

Chief Executive

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

Director of Corporate and Housing Services

2.8 The Director of Corporate and Housing Services is responsible for overseeing CRM arrangements; the effectiveness of CRMG; and for raising risk related matters with CMT, Audit Committee, and Executive. This includes reports to:

- CMT: on high and emerging risks;
- Executive: which has responsibility for approving the Policy and Framework, and for scrutinising and agreeing the Corporate Risk Register; and
- Audit Committee: which is responsible for reviewing and seeking assurance on the effectiveness of the Council’s arrangements for risk management, governance, and control.

Head of Human Resources and Business Transformation

2.9 The Director has delegated the responsibilities above to the Head of HR and Business Transformation.
**Internal Audit**

2.10 The Internal Audit, Risk, and Corporate Fraud 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 control.

**Assurance Team**

2.11 The Assurance team will support Services in their management of risk, and in the development of a flexible, yet proportionate and robust, service risk management framework.

2.12 Further, the Assurance team, with independent assurance from external assurance advisors, will monitor the extent to which these arrangements are embedded at a corporate and Service level.

**Corporate Risk Management Group (CRMG)**

2.13 CRMG is chaired by the Head of HR and Business Transformation, with membership from across all Services. It meets on a quarterly basis. It’s role is to ensure:

- Corporate risk reports focus on 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;

- risk management is integrated with performance reviews (on Pentana) and becomes part of managers’ ‘way of thinking’;

- risk reporting and scrutiny arrangements are proportionate and effective;

- consideration of risk forms an integral part of the decision making process, including performance management, (Service) self-assessments, budget / savings, and transformational change reviews;

- review of the following assurance reports on a cyclical basis:
  - Service reports on high risks (6 monthly);
  - Service reports on medium risks (annually);

- consideration of the following Standing Agenda Items at meetings (as a minimum):
  - Rolling Actions List;
  - CRM Update (including Progress with embedding the CRM Policy);
  - Corporate Risk Register - Cyclical Reviews; and
Emerging Risks, including Incidents, Lessons Learnt, Audits, and Inspections.

**Service Management Teams**

2.14 Services’ risk management arrangements should be flexible, and consistent with Service Planning processes. They should involve Service Unit Managers. Service Management Teams should support CRMG, and ensure that:

- lessons are learnt from incidents, inspections, audits, and (Service) self-assessments;
- Corporate Working Groups / Boards operate in line with their agreed Terms of Reference; and
- Service Risk Registers (SRRs) are maintained as appropriate.

**Corporate Working Groups / Boards**

2.15 Appendix 4 shows the framework of Corporate Working Groups / Boards (CWGs) tasked with progressing various work-streams. Each of these CWGs must also take the lead in assessing, managing, and monitoring work-stream risk. Each Group should:

- have clear terms of reference and defined reporting and accountability lines;
- be clearly identified within the CRR, where relevant;
- review lessons learnt from significant internal and external incidents;
- maintain subject / project specific risk registers and measurable action plans; and
- undertake an annual self-assessment of their remit, risks, and effectiveness.

2.16 Appendix 4 also includes some Partnership Working Groups, including Community Planning, Public Protection, and Resilience. These Groups have similar roles in relation to corporate risks, but their assurance reporting and governance structures may vary and will be defined by each Partnership.

**Statutory Officers**

2.17 Appendix 3 summarises the role of Statutory Officers’ in relation to risk. This covers the Chief Finance Officer (CFO), Chief Governance Officer (CGO) / Monitoring Officer, and the Chief Social Work Officer (CSWO).
Service Unit Managers and Project / Partnership / Contract Leads

2.18 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.

All Employees

2.19 Risk management should be integrated into daily activities of all staff. Individuals have a responsibility to make every effort to:

- understand the risks that relate to their role, eg be involved in risk assessments in their area(s) of work, including identifying hazards and implementing safe working practices;
- be aware of situations which place them and others at risk of harm (including colleagues and service users);
- take steps to protect themselves and others, eg follow safety guidance and professional standards; and
- report near misses and incidents so that these can be investigated and lessons learnt.

3. MEASURING THE EFFECTIVENESS AND MATURITY OF THE CRM POLICY

3.1 This Policy will be reviewed on a 3 yearly cycle. Periodic Independent Assurance on the effectiveness of the Policy will be sought as part of the annual Internal Audit process.
APPENDIX 1: CRM REPORTING FRAMEWORK

- Projects / Partnership Boards
  - e.g. IJE and CPP Leadership Boards

- Corporate Management Team

- Corporate Working Groups / Projects / Partnerships

- Operational Groups / Work-Streams

- Executive (Decision Making Role)

- Audit Committee (Oversight / Assurance Role)

- Corporate Risk Management Group (Review & Scrutiny Role)

- Risk-Based Internal Audit

- Services (Risk Ownership and Escalation)

- External Audits and Inspections

- Internal Audit, Risk, and Corporate Fraud Manager
## APPENDIX 2: RISK SCORING GUIDANCE

<table>
<thead>
<tr>
<th>Risk Level</th>
<th>Risk Appetite / Approach</th>
<th>Scoring Matrix</th>
</tr>
</thead>
</table>
| High (Score 10-25) | High risks may be either:  
- within the Council’s risk tolerance (meaning that the Lead Officer considers the current controls are proportionate and effective); or  
- above the Council’s risk tolerance (meaning that the Lead Officer considers that additional actions are necessary to reduce the risk). If the risk is above the risk appetite, the Corporate Risk Register should include a Target Risk Level and Actions. |
| Medium (Score 7-9) | Medium risks are within the Council’s risk tolerance, meaning controls / mitigation are proportionate and effective (actions are not essential, but may be included in the Corporate Risk Register). |
| Low (Score 1-6) | These do not need to be recorded on the Corporate Risk Register. Services should monitor these at an operational level and, if the risk increases, they should be added as High or Medium risks. |

### LIKELIHOOD

<table>
<thead>
<tr>
<th>Impact</th>
<th>Score</th>
<th>Financial</th>
<th>Reputational</th>
<th>Harm to People or Assets</th>
<th>Interruption to Services to Projects</th>
<th>Audit/Legal / Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Almost Impossible</td>
<td>1 Negligible</td>
<td>Little evidence that the risk is likely to occur</td>
<td>No, or little, budget impact; spend is within risk owner’s authority</td>
<td>No, or minimal, media interest; impact is in public domain, but managed</td>
<td>No, or very minor, injury and / or damage</td>
<td>No, or minimal, disruption to one service, or project delay</td>
</tr>
<tr>
<td>2 Unlikely</td>
<td>2 Minor</td>
<td>Low chance of the risk occurring</td>
<td>Minimal budget impact; spend is within risk owner’s authority</td>
<td>Local media interest and / or customer complaints</td>
<td>Minor injury and / or damage</td>
<td>Minor disruption to multiple services, or project delay</td>
</tr>
<tr>
<td>3 Possible</td>
<td>3 Moderate</td>
<td>A reasonable chance of the risk occurring</td>
<td>Manageable budget impact; spend exceeds risk owner’s authority</td>
<td>Regional media interest and / or multiple complaints</td>
<td>Moderate injuries and / or damage</td>
<td>Some disruption to service, or project delay</td>
</tr>
<tr>
<td>4 Likely</td>
<td>4 Major</td>
<td>A strong chance of the risk occurring</td>
<td>Major impact, but within budgets</td>
<td>National media interest and / or serious loss of confidence</td>
<td>Major injury, death, and / or assets destroyed</td>
<td>Major service disruption, loss of multiple services, or project delay</td>
</tr>
<tr>
<td>5 Almost Certain</td>
<td>5 Severe</td>
<td>Fairly certain that risk will occur or has occurred</td>
<td>Extensive; spend exceeds available budgets</td>
<td>Sustained media interest, complaints, and / or loss of confidence</td>
<td>Multiple deaths and / or assets destroyed</td>
<td>Extended disruption or loss of service, or project delay</td>
</tr>
</tbody>
</table>
APPENDIX 3: THE ROLE OF PORTFOLIO HOLDERS AND STATUTORY OFFICERS’ IN RELATION TO RISK

**Portfolio Holders**

1. The remit of each Portfolio Holder is set out within the Council’s Standing Orders, which are published on [www.falkirk.gov.uk](http://www.falkirk.gov.uk).

2. Portfolio Holders are Councillors who have been allocated specific areas of responsibility known as portfolios.

3. Within the area of their remit, Portfolio Holders will:
   - exercise strategic and political leadership, having regard to the goals, outcomes, and priorities set out in the Council’s corporate plans;
   - lead on policy development;
   - lead on service issues at Executive and Council meetings;
   - meet on a regular basis with senior management to discuss service issues including performance, the requirement for continuous improvement, and adherence to the budget set by Council;
   - answer questions at Council;
   - act as spokespersons on behalf of the Council; and
   - promote the Council’s equalities duties and exercise oversight of the arrangements in place to secure best value.

4. Portfolio Holders are identified against each corporate risk on the Corporate Risk Register.

5. In relation to corporate risk, Portfolio Holders are expected to exercise the above leadership functions in relation to the monitoring, scrutiny, and assurance on the risks within their remit, in conjunction with the Lead Officer and (if relevant) Corporate Working Group / Board.

6. In any situation of uncertainty, it is for the Leader of the Council to determine which portfolio a delegation by Council lies within.

7. For the avoidance of doubt, Portfolio Holders are not responsible for service management, nor is there any delegation of decision making to any individual Member of the Council.

**Statutory Officers**

8. 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.
9. The role of each Statutory Officer is summarised below (based on a review of relevant guidance).

**Chief Governance Officer (CGO) / Monitoring Officer**

10. 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**

11. 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.’

12. 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; and

- 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)**

13. The Social Work (Scotland) Act 1968 established this role.

14. 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.

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APPENDIX 4: CORPORATE WORKING GROUPS CHART

- Executive
  - Corporate Management Team
  - Audit Committee
- Corporate Risk Management Group

Assets
- Corporate Asset Management Group
- Corporate Sustainability Group
  - Public Protection and Community Justice Chief Officers' Strategic Group
  - Best Value Working Group
  - East of Scotland Regional Resilience Partnership
  - Strategic Housing Group

Change and Partnerships
- Community Planning Strategic Board
- Fairer Falkirk Group

Finance
- Procurement Board
- Capital Planning and Review Group

Governance
- Corporate Risk Management Group
- Integrity / CONTEST Steering Group

Human Resources
- Safety at Work Group

Information
- Information Management Group

Corporate Change Programs
- Corporate Working Groups / Project Boards
  - will be established, as required.