

# **RISK MANAGEMENT FRAMEWORK**

**February 2022**

## 1 Document Information

<b>Title:</b>	Risk Management Framework
<b>Status:</b>	<b>Draft</b>
<b>Current Version:</b>	<b>0.7</b>
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<b>Approved by:</b>	Corporate Management Team
<b>Approval Date:</b>	
<b>Review Frequency:</b>	One Year
<b>Next Review:</b>	January 2023

Version History		
Version	Date	Description
0.1	November 2021	First draft
0.2	December 2021	Second draft – circulated to Team Leads
0.4	December 2021	Revised draft – shared with Chair of Audit Committee
0.7	January 2022	Revised draft for review by CMT
1.0	February 2022	Final Version

## Risk Management Policy

### 1.0 Risk Management Policy Statement

The Isle of Wight Council provides a diverse array of services to the 144,000+ people living and working on the Island. The Council often works in partnership with other public, private, and voluntary organisations as well as the wider community to support and sustain our economy, environment, and people.

Recent years have been profoundly difficult and challenging for the Council and maintaining service levels both in terms of quantity and quality has been difficult in the context of continuing real terms financial support from central government. Innovation has been key to this but whilst it creates opportunities, it can also lead to significant risk and uncertainty.

The Council manages the risks and opportunities, not least to ensure that the delivery of our Corporate Plan is protected for the benefit of our community, by adopting good risk and opportunity management principles. This strategy focuses on prescribing the risk management principles, tools, techniques, training, advice, and support to ensure that Risk Management, as a key business principle, is coordinated across the Council and is consistently included in decision making processes.

Risk is unavoidable for a local authority, as there will always be a level of unpredictability around the environment in which it operates. Exemplary Risk Management is about ensuring that we retain the correct level of control to provide sufficient protection from this unpredictability without stifling innovation or development. The Council must adopt an attitude toward risk that includes creativity and innovation in which all services identify risks and proactively manage them rather than simply avoid them. Governance must be aligned, and processes put in place to ensure that the risk position across the whole council can be assessed in a holistic and transparent manner through standardised methods of risk identification, assessment, and management. Doing this will assist in our aim of meeting the needs of our community today and also in preparing to meet future challenges.

### 2.0 Isle of Wight Council Risk Management Objectives

Our objective is to -	We will do this by -
Adopt a strategic approach to risk management to ensure that vital decisions are taken in a balanced manner based on the associated identification, assessment and management of the risks related to those decisions	Ensuring that all papers to Committees and to CMT that are requesting a decision clearly show the risks identified with that decision, the assessment of the likelihood and impact of that risk and the mitigation that is in place
Set the strategic direction on the level of risk that the IWC is prepared to accept on the delivery of our key strategic and service outcomes	CMT will actively manage the Strategic Risk Register which will contain those risks that represent the greatest threat to the delivery of the Key Aims of the Corporate Plan

<b>Our objective is to -</b>	<b>We will do this by -</b>
Understand and acknowledge that even with robust risk management and our best efforts, things may still go wrong. In such cases we will learn the lessons from this to help prevent future occurrences	Where the council has been impacted by unforeseen risks it will assess the potential re-occurrence and impact of the same thing happening again and manage that risk at the appropriate level (strategic, service or programme/project)
Develop leadership capacity and skills in identifying, assessing, and managing the risks the council faces	Deliver training programme (and advice and support) to all appropriate levels. (Councillors, Senior Managers, Project Managers and other staff)
Further integrate risk management into Council business. Robust risk management processes, tools and techniques will help us deliver the key aims of the Corporate Plan	As well as managing the Strategic Risk Register, CMT will ensure that all Council services and all active programmes and projects maintain an active risk register that is reviewed regularly
Support appropriate risk taking throughout the Council at Strategic, Service and Programme/Project level. All risks identified will have appropriate ownership and accountability and will be responded to in a balanced way taking into account the level of risk, reward, consequence, and cost of mitigation	Maintain Risk Registers at the following levels: <ul style="list-style-type: none"> <li>• Strategic (dealing predominantly with threats to the delivery of the aims of the Corporate Plan)</li> <li>• Service (dealing predominantly with threats to the delivery of the relevant Service Plan)</li> <li>• Programme (dealing predominantly with threats to the delivery of programme outcomes and benefits)</li> <li>• Project (dealing predominantly with threats to the delivery of project outputs (deliverables))</li> </ul>
Meet all statutory responsibilities and where practicable, best practice requirements in relation to risk management	Annually reviewing the maturity of our Risk Management practice
Risk Management will be a key and effective element of our Corporate Governance arrangements	All committee reports to include proper identification and assessment of risks associated with recommendations put forward.  Risk Management arrangements will be included in the self-assessment element of the Annual Governance Statement

This framework will be reviewed annually to ensure that it remains a useful tool for risk management within the IW Council taking into account changing legislation, best practice and lessons learned from its application.

### 3.0 Roles and Responsibilities

It is the responsibility of all employees and councillors

Role	Responsibilities
<p><b>Chief Executive</b></p> <ul style="list-style-type: none"> <li>Set the direction for the approach to risk management in the council</li> <li>Provide assurance to Councillors that the delivery of the corporate priorities is being monitored effectively</li> </ul>	<ul style="list-style-type: none"> <li>Report on and communicate council-wide achievements and risk outcomes</li> <li>Identify or commission any additional information required to monitor risk effectively</li> <li>Ensure Strategic Risk Register is reviewed on a monthly basis</li> <li>Discuss the Strategic Risk Register with the Leader of the Council highlighting any significant concerns</li> </ul>
<p><b>Directors and Heads of Service</b></p> <ul style="list-style-type: none"> <li>Lead risk management within own service areas in line with the IWC Risk Management Approach</li> <li>Provide assurance to Councillors that the delivery of corporate priorities is being monitored effectively within own service areas</li> </ul>	<ul style="list-style-type: none"> <li>Escalate any serious or cross cutting issues that may affect the delivery of agreed performance targets</li> <li>Identify or commission any additional information required to monitor risk effectively</li> <li>Ensure relevant Strategic, Directorate and Service Risk Registers are tabled and reviewed on a regular basis at Service Boards</li> <li>To approve the IWC Risk Management Strategy</li> </ul>
<p><b>Risk Owners</b></p> <ul style="list-style-type: none"> <li>Take overall responsibility for managing any risks assigned to them and to report the status of those risks regularly in line with either organisational or project governance</li> </ul>	<ul style="list-style-type: none"> <li>Ensure information about risk is accurate and kept up to date</li> <li>Assign mitigating actions to appropriate people and regularly monitor progress on the delivery of those actions</li> <li>Close down risks when the threat has reached an acceptable level or has been fully mitigated</li> </ul>
<p><b>Risk Action (mitigation) Owners</b></p> <ul style="list-style-type: none"> <li>Take overall responsibility for delivering any mitigating actions assigned to them and to regularly report the status of those actions in line with wider organisational or project governance</li> </ul>	<ul style="list-style-type: none"> <li>Ensure information about the mitigations is regularly updated</li> <li>Close the mitigations once the action is complete and inform the risk owner</li> </ul>
<p><b>Cabinet Members</b></p> <ul style="list-style-type: none"> <li>Making decisions as necessary that helps any identified barriers affecting delivery of the council's corporate plan to be removed.</li> </ul>	<ul style="list-style-type: none"> <li>Make decisions based on recommendations within quarterly</li> </ul>

Role	Responsibilities
	performance and risk reports and the Leaders' Programme Review Board
<b>Audit Committee Members</b> <ul style="list-style-type: none"> <li>• Providing constructive challenge to the effectiveness of the IWC's approach to Risk Management</li> <li>• Providing assurance to Cabinet and Full Council regarding the effectiveness of Risk management arrangements at Strategic and Service level</li> <li>• To make suggestions to Scrutiny Committee regarding matters arising within the Strategic Risk Register that require more in depth analysis</li> </ul>	<ul style="list-style-type: none"> <li>• Inspect, examine, and enquire into the application of the IWC Risk Management Approach and provide assurance to Cabinet</li> <li>• Regularly review the Strategic Risk Register following each approved update from CMT</li> </ul>
<b>Programme Sponsors</b> <ul style="list-style-type: none"> <li>• Have overall responsibility to ensure that Programmes have robust Risk Management in place</li> </ul>	<ul style="list-style-type: none"> <li>• Make decisions based on recommendations made by Programme Manager on Risk Plans and the resourcing of those plans</li> <li>• Escalate, to Corporate Management Team/Strategic Programme Board, any significant Programme or Project Risks</li> </ul>
<b>Programme Managers</b> <ul style="list-style-type: none"> <li>• Have overall responsibility for managing risks for a programme on behalf of the Programme Sponsor</li> </ul>	<ul style="list-style-type: none"> <li>• Manage risks for a programme on a day-to-day basis highlighting to the programme board when a risk has the potential to threaten the delivery of the <u>outcomes</u> of the programme in terms of time, cost, and quality</li> <li>• Table the key risks from projects within the Programme in the Programme Highlight Reports at each meeting of the Programme Board</li> </ul>
<b>Project Sponsors</b> <ul style="list-style-type: none"> <li>• Have overall responsibility to ensure that Projects have robust Risk Management in place</li> </ul>	<ul style="list-style-type: none"> <li>• Make decisions based on recommendations made by Project Manager on Risk Plans and the resourcing of those plans</li> <li>• Escalate to Programme Board, any significant Project Risks</li> </ul>
<b>Project Manager</b> <ul style="list-style-type: none"> <li>• Have overall responsibility for managing risks for a project on behalf of the Project Sponsor</li> </ul>	<ul style="list-style-type: none"> <li>• Manage risks for a project on a day-to-day basis highlighting to the project board when a risk has the potential to threaten the delivery of the <u>outputs</u> of the project in terms of time, cost, and quality</li> </ul>

Role	Responsibilities
	<ul style="list-style-type: none"> <li>Table the Project Risk Register in each meeting of the Project Board</li> <li>Escalate key risks that require escalation to the relevant Programme Board</li> </ul>

## 4.0 Embedding Risk Management

If Risk Management is to be effective, then it must be a key part of our management processes and business as usual activities. However, there are some specialist areas of Risk Management that are covered by their own specific policies within the Isle of Wight Council and therefore are not subject to this Framework although it may be stated as mitigation against various risks that a separate policy is being followed.

	Covered by this framework	
Corporate Decision Making	Yes	Key risk information included in all committee reports clearly showing how this has been taken into account whilst recommending a decision
Service Planning	Yes	Annual process defining how each service will be contributing to the delivery of the key aims within the Corporate Plan including a full review and update of the Service's Risk Register to reflect updated aims/outcomes
Programme Management	Yes	All Programmes will regularly receive information on key project risks as part of Programme Highlight Reports covering the threats to the delivery of the outcomes or the realisation of benefits of the programme
Project Management	Yes	All Projects will have a risk register covering the threats to the delivery of the outputs/deliverables of the project
Partnerships	Yes	Any partnerships with other organisations should have an agreed approach to Risk Management that allows all partners to be able to access up to date Risk information.
Information Governance	No	<a href="#">Wightnet   Information Assurance (iow.gov.uk)</a>
Insurance	No	<a href="#">Wightnet   Introduction (iow.gov.uk)</a>
Health & Safety	No	<a href="#">Wightnet   Feedback (iow.gov.uk)</a>

### Health Checks

In order to provide assurance that Risk Management is being undertaken well at the Isle of Wight Council a rolling programme of Health Checks will be undertaken at Directorate level in consultation with the Organisational Intelligence Team. These Health Checks will seek to provide assurance to the Director and the Corporate Management Team of the following:

- 
- The Directorate has a Risk Register that covers all of its Operations
  - The Risk Register is reviewed at least monthly at a Directorate Management Team or Service Board
  - Risk Actions are being completed within reasonable timescales
  - Risks scoring very highly have been escalated upwards to Corporate Management Team for consideration of them being added to the Strategic Risk register.

### **Culture & Training**

The IWC Risk Management Approach intends openness and transparency where lessons learned are shared whether they be positive or negative rather than looking for blame to be apportioned.

It is important that councillors and staff have the knowledge and skills necessary to enable them to manage risk effectively.

Training will be available to both staff and councillors via the IWC Learning Hub. Additionally, facilitated workshops will be made available at either a directorate or service level to assist in re-establishing risks management processes to a level compliant with the IWC Risk Management Policy.



## Appendix 1

## Risk Management Process Guide

### Introduction

The purpose of this risk management approach is to:

- Provide standard definitions and language to underpin the risk management process
- Ensure risks are identified, assessed, and monitored consistently across the whole organisation by making clear the key concepts that will be used
- Clearly state the roles and responsibilities at all levels of the organisation in terms of managing risk
- Follow best practice and relevant standards for risk management as well as ensuring any applicable legislative requirements are followed

### Definitions

**RISK** - can be defined as “an uncertain event that, should it occur, will have an effect on the Council’s objectives and/or reputation.” It is the combination of the probability of an event (likelihood) and its effect (impact/consequence).

**RISK MANAGEMENT** - is the “systematic application of principles, approach and processes to the identification, assessment and monitoring of risks.” By managing our risk process effectively, we will be in a better position to safeguard against potential threats and exploit potential opportunities to the delivery of the key aims of the Corporate Plan

**STRATEGIC RISKS** – Risks that could have an effect on the successful delivery of the key aims of the Corporate Plan. These risks are likely to be categorised as:

- Risks that could have a council wide impact, or:
- Risks that cannot be managed solely within a single directorate because a joint approach is required to deliver the mitigation to that risk

**DIRECTORATE/SERVICE RISKS** – Risks at an operational level that could have an effect on the successful delivery of the outcomes from Service Plans or other key business as usual activity

**PROGRAMME RISKS** – Risks that could have an effect on the delivery of the outcomes of a programme or on the delivery of the intended benefits of the programme

**PROJECT RISKS** – Risks that could have an effect on the delivery of the agreed outputs/deliverables of the project

### Approach

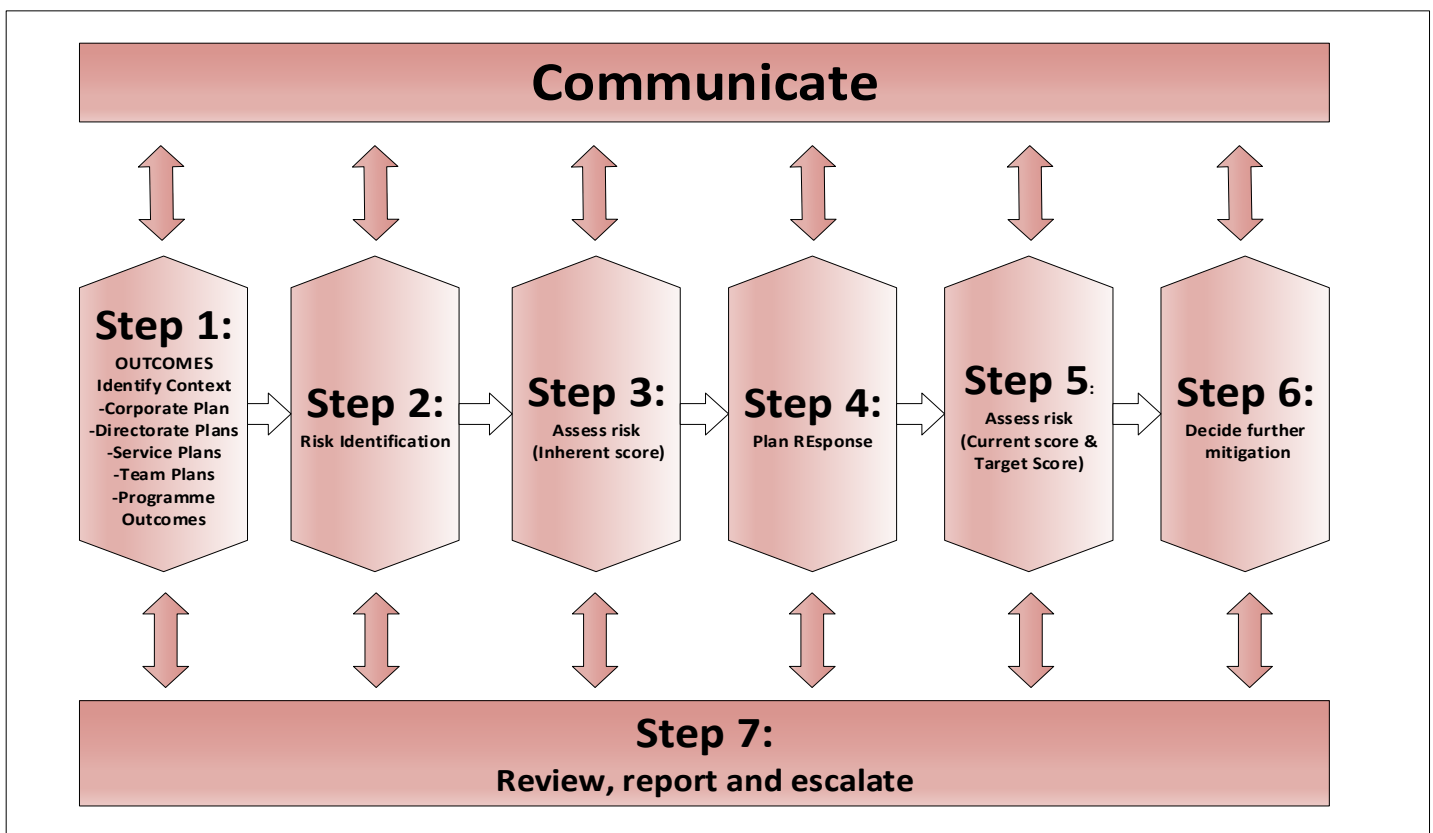
The Isle of Wight Council has had a fragmented approach to risk with services adopting differing methods and levels of monitoring. The consequence of this is that it has been difficult to offer a consistent and transparent view of risk across the organisation. Moving forward the Council will comprehensively manage risk ensuring that:

1. Councillors, Directors, Managers, and staff will have a clear understanding of what risk management is intended to achieve

2. Significant risks are being identified and managed effectively
3. Training, advice, and support for risk management is readily available and accessible
4. Common “risk language” is used consistently across the authority
5. Risk management is seen as an integral part of Corporate Governance

This section shows the arrangements and processes that need to be in place to manage risk effectively across the organisation. The approach is based on the best practice identified in Management of Risk which was written in partnership with HM Government and the Risk Management equivalent to PRINCE2 Project Management of MSP Programme Management.

The key steps in the process are shown in the diagram below:



**Communication**

Successful risk management is critically dependent on communication. For example, risks may be identified by individuals, but to assess the impact of them and to select the correct mitigation requires the involvement of stakeholders. Only by utilising the knowledge of staff at all levels will the most applicable mitigations be identified. For this reason, Strategic and Service risks should be discussed at service boards, team meetings and staff one to ones.

**Step 1 - Outcomes:**

In order to correctly identify risk, there must be a clear context provided by understanding our desired outcomes (what we are trying to achieve) as it is the threat to those outcomes that it is most important to identify, assess and manage. The Isle of Wight Council identifies those outcomes in the following documents:

1. *The Corporate Plan* – this identifies the overall key aims of the Council
2. *Directorate/Service Plans* – these identify each key outcomes for each area that will contribute to the delivery of both the Corporate Plan and the statutory responsibilities of individual services
3. *Team Plans* – these identify those outcomes of Directorate/Service Plans to which each team are contributing
4. *Programme Definitions* – these should identify the intended outcomes of a programme and the benefits that are identified as being deliverable by achieving those outcomes
5. *Project Briefs/Initiation Documents* – these should identify the outputs (deliverables) that will be created by the successful delivery of each project

**Step 2 – Risk Identification:**

Organisations like the Isle of Wight Council face a number of different types of risk whose origins could be either of both internal and external. As an aid to identifying risks a checklist of risk categories can be used based on a PESTLE model to ensure all factors contributing to risk have been considered:

*Political* – As a democratic organisation the Isle of Wight faces risks concerning policies and guidance given by democratically elected bodies at both national and local levels. Typically, this would involve either changes in policy by either level or potential conflict between the policies of the two levels.

*Economic* – Factors such as inflation or fluctuating interest rates can impact on the delivery of intended outcomes. For example, the interest rates will affect the cost of borrowing which in turn influences the effectiveness of capital expenditure as a tool for the delivery of outcomes. Additionally, inflationary and interest rate pressures will have an effect on peoples spending power and therefore an effect on outcomes that involve achieving income.

*Social & Demographic* – Social trends or health factors can directly impact on the delivery of outcomes. An obvious example for the Isle of Wight is its high average age and therefore the above average demand on Health & Social Care Services. This has been evidenced during the COVID-19 pandemic that impacted disproportionately on the more vulnerable members of the community and therefore the demand on services. A further example would be a workforce profile that shows a number of key roles occupied by staff members within a few years of retirement.

*Technological* – Delivery of outcomes can be impacted by current functionality of technology or ICT systems or by the rate of technological change. Conversely these same factors can present further opportunities toward the delivery of outcomes or indeed present the opportunity for delivering additional outcomes. The failure of transport infrastructure could also be a factor.

*Legal & Regulatory* – The Council must operate within the law and subject to specific statutory regulations. Whilst it should be unlikely that outcomes would be in conflict to any regulation's

consideration needs to be given to the potential for breaching the law during business as usual. For example, the risk of data breaches needs to be considered in ICT or office move projects

*Environmental* – These factors may include climate change or significant weather events that would impact on the operations of the Council and on the safety of the community.

### **Risk Description**

To fully understand a risk, it is important that the description of what the risk is, and what the cause and effect of that risk is, are clearly articulated and can be understood by a reader who may not necessarily have a knowledge of overall or specialist council functions. Useful phrases that can be used include:

- *Description* – Risk of..., Failure to/off..., Loss of..., Lack of..., Uncertainty of..., Damage to..., Inaccessibility to..., Inadequate..., Partnership..., Opportunity to...
- *Cause* – due to..., because of..., in the event of
- *Effect* – leads to..., results in..., exposes

Following the identification of a risk it must be recorded in a Risk Register. For the Isle of Wight Council this means that:

- Strategic Risks should be recorded in the Strategic Risk Register that is held within the IWC Risk Management System and reported within the existing templates used for CMT and Audit Committee reports.
- Directorate/Service Risks should be recorded within the appropriate service area within the IWC Risk Management System. Where this is not possible, and the register is stored elsewhere it should be made accessible to the Organisational Intelligence Team
- Programme Risks should be recorded in a Programme Risk Register from the commencement of the programme and should consist of risks that have been escalated from individual projects
- Project Risks should be recorded in a Project Risk Register that is regularly updated and presented to the Project Board. Once a project is established an overarching risk should be added to appropriate Directorate/Service Risk Register (within the IWC Risk Management System) detailing the likelihood and probability of any impact to the delivery of the project in terms of time, cost or quality.

All identified risks must be allocated an owner and must be assigned to a staff member. The owner and the assignee can be the same or two different members of staff. The owner should be the person that is responsible for delivering the outcome that is threatened by the risk and the assignee should be the person that will be responsible for ensuring the risk is managed.

### **Step 3 – Assess Risk (Inherent score):**

The Isle of Wight Council operates under significant resource constraints so must ensure that resources are focused on the most significant risks. In order to understand the significance of each risk and therefore be able to prioritise it requires each risk to be assessed in terms of likelihood (potential of occurrence) and impact (potential effect). Each risk requires two assessments, the first of which is to understand the inherent risk score whereby no action is being taken or none is planned - In effect this is the worst case scenario.

The Council adopts a consistent scoring method using a matrix with set criteria for likelihood and impact each combination of which produces a unique score. For example a risk assessed as being likely (3) and as having a major impact (4) would be have a risk level of “very high” (15). The matrix uses a Red, Amber, Green approach to clearly indicate the most significant risks.

#### RISK MATRIX

<b>Likelihood/Probability</b>	<b>4</b> <b>V. Likely</b>	7 Medium	11 Medium	14 High	16 <u>Very High</u>
	<b>3</b> <b>Likely</b>	4 Low	8 Medium	12 High	15 <u>Very High</u>
	<b>2</b> <b>Unlikely</b>	2 Low	5 Low	9 Medium	13 High
	<b>1</b> <b>Remote</b>	1 Low	3 Low	6 Low	10 Medium
	<b>Scale</b>	<b>1</b> <b>Low</b>	<b>2</b> <b>Medium</b>	<b>3</b> <b>High</b>	<b>4</b> <b>Major</b>
<b>Impact</b>					

#### Step 4 – Identify existing Mitigation:

Identify any existing actions in place, or already completed, that are currently in place to mitigate either the impact from or the likelihood of the risk occurring. An example of this might be a regular review or training having been provided. These mitigations should be included in the Risk Register and marked as Completed

#### Step 5 – Assess risk (Current Score & Target Score):

Following the identification of existing mitigation, the risk should be re-scored taking into account the effectiveness of that mitigation. The scoring is done using the same matrix as used in Step 3. Further to this the risk should also be provided with a Target Score which is effectively the level of risk that the Isle of Wight Council deems to be acceptable in each case. It is worth noting that in some cases the impact of the risk occurring cannot be reduced and in these cases, targets should focus on reducing the likelihood to as low a level as possible. An example of this would be a risk concerning loss of life.

With the risk now having three scores (inherent, current and target) it will be clear how effectively it is being mitigated and by looking at all risks holistically it will be possible to view the overall picture

of the Isle of Wight Council's Risk exposure. This allows for more effective application of resources to the most significant risks and will also show the effectiveness of the existing mitigation to risks.

#### **Step 6: Decide further mitigation:**

If a risk's existing mitigation has resulted in the current score being at or below target, then little or no further mitigation should be necessary, and the risk owner can take a view on whether or not to close the risk.

Mitigations can be provided in various ways, but it is useful to use the following criteria when evaluating what measures can be planned or put in place:

**AVOID** – Make a decision not to take a risk (for example closing a project that presents an unacceptable level of risk)

**ACCEPT** – Make a decision just to accept the risk as it is (this is more likely to be an approach when the impact of the risk occurring is judged as being low). As a rule, this approach should not be used where a current risk score is HIGH or Very High (12 to 16)

**TRANSFER** – Make a decision to transfer some or all of the risk to a third party or through insurance.

**REDUCE** – Decide on further actions to be implemented to reduce (or prevent) the likelihood of the risk occurring or reduce the impact should it occur (contingency)

**EXPLOIT** – Take a decision to exploit an opportunity that has resulted from an existing mitigation.

#### **Step 7 – Review, Report & Escalate:**

It is important to think of Risk Management as an ongoing process where risks are regularly reviewed to ensure that they are being managed effectively. At the Isle of Wight Council this means the following:

- Strategic Risks are reviewed by CMT on a monthly basis with the Register also being presented to the Isle of Wight Council's Audit Committee. A summary of the Strategic Risk Scores will also be included within the Quarterly Performance Management Report to IWC Cabinet.
- Directorate Risks should be reviewed at each Directorate Service Board along with Service Risks that have a current score of 12 or above (Red Risks)
- Programme Risks Registers should be reviewed at every Programme Board. They should consist of any risks escalated from individual projects.

All Risk Registers should be stored within the IWC Risk Management System. The exception to this is Programme or Project Risk Registers where an overarching risk should be added to the appropriate Directorate/Service Risk Register (within the IWC Risk Management System). Where Risk Registers are not stored within the IWCRMS arrangements need to be put in place for access by the Organisational Intelligence Team so that an overall transparent view of the IWCs risk exposure can be understood and presented.

As part of this step any risks for which the mitigation has brought the score down to, or below the target score can be closed so they no longer form part of the live Risks Registers being reviewed regularly. Risks can only be closed on the following basis:

**Strategic Risks** should only be closed with agreement from CMT

**Directorate/Service Risks** should only be closed with the consent of the relevant Director

**Programme Risks** (Those risks escalated from projects) should only be closed with the consent of the Programme Sponsor (unless this responsibility has been delegated by them to the Project Sponsor)

**Project Risks** should only be closed with the consent of the Project Sponsor (unless this responsibility has been delegated by them to the Project Manager by)