

# **RISK MANAGEMENT FRAMEWORK**

**May 2019**

# 1 Document Information

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## 2. Contents

	<b>Page No</b>
3. Introduction	4
4. Components of Risk Management	5
Types of risks	5
How do we keep track of our risks?	5
How much risk can we accept?	6
How do we respond to risks?	6
5. Risk Management/Monitoring Arrangements	7
Individual supervision and 1:1 meetings	7
Service Boards	7
Directorate Performance Boards	8
Meetings with the Chief Executive	8
Corporate Management Team/Executive Board	8
Strategic Risk Report	8
Strategic Risk Review	8
6. Roles and Responsibilities of Risk	9

### 3. Introduction

#### Defining risk management

A risk is something that could happen which would have a negative impact on the delivery of an objective(s). There could also be opportunities or benefits arising from a risk.

Risk management is about taking time, on a regular basis, to think about the risks that could occur, the impact that those risks occurring would have and what can be put in place to mitigate them.

#### Effective risk management

It might be that a risk cannot be eliminated but can be managed, so effective risk management is the process by which risks are identified, evaluated and mitigated down to the lowest acceptable level possible and then periodically reviewed. Risk management is not about avoiding risk, rather, it is about understanding and evaluating opportunities and threats and making informed decisions about how these are to be managed in order to maximise the efficiency of our services. Successful risk management is therefore about ensuring that we have the correct levels of control in place to provide sufficient protection from harm, without stifling our progress and development

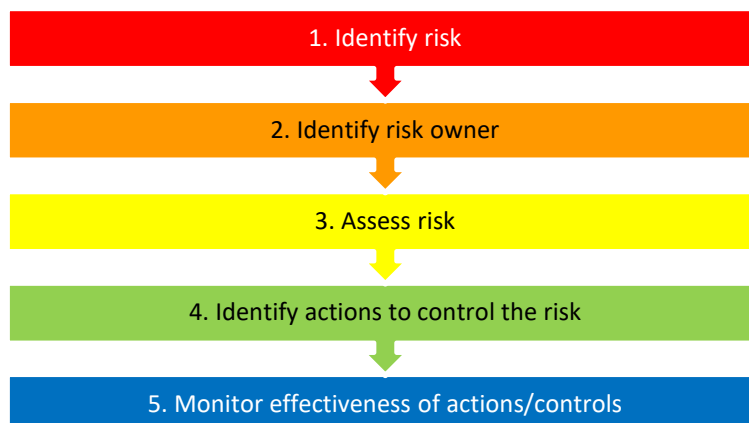
Taking a more pro-active approach to threats and opportunities will achieve greater value for money. In some areas, we may wish to take relatively high risks, which would lead to greater innovation, efficiency and reward in the future.

There are many benefits to effective risk management. Some key benefits are listed below:

- Taking action to prevent the likelihood of things going wrong, or reduce the impact, improves the likelihood of the outcomes being realised
- Better informed decisions can be made
- Provides reassurance to stakeholders
- Enables a more effective planning process to be undertaken.

#### Risk management process

There are five key steps to undertake in the risk management process. Steps three to five should be a process that is repeated on a regular basis.



## 4. Components of Risk Management

### 4.1 Types of risks

- **Strategic Risks (that could have an effect on the successful achievement of our corporate priorities and outcomes).** These are risks that could potentially have a council wide impact and/or risks that cannot be managed solely at a service level because there is a higher level of support and intervention needed. These may include service performance related risks in the delivery of statutory duties which may arise out of regulatory body inspections.
- **Service Risks (that could have an effect on the successful achievement of service priorities and outcomes).** These are risks that could have a significant financial, reputational and/or service delivery impact on the service as a whole.
- **Programme/Project Risks.** These are risks that could have an effect on the successful delivery of agreed programme or project outcomes and objectives, benefits realisation and engagement with key stakeholders.

### 4.2 How do we keep track of our risks?

It is important to regularly review and evaluate risk. This allows any risk that is of concern to be explored in detail and to identify appropriate remedial actions if required. It also provides opportunity to highlight and celebrate successes and to gain learning of how improvements elsewhere can be achieved.

The IWC has developed a bespoke Risk Management System that is available to all staff. This Risk system will be used as the Risk Register for:-

1. The Strategic Risk Register
2. Service Risks Registers
3. Programme Risk Registers
4. Project Risk Registers

Risk Registers can be held elsewhere if a sufficiently robust process is in place to the satisfaction of the Assistant Chief Executive and Chief Strategy Officer. The disadvantages of not keeping all Risk Registers together is that transparency of the Risk Capacity of the whole council cannot easily be maintained. Further details of the Risk Management Systems can be seen in Appendix 1.

A risk register should contain the following details for each risk based on best practice from the

Risk Type	Strategic, Service, Programme, Project
Category	Economic, Environmental, Financial, Legal, Political, Sociological, Technological
Title	Should brief but identifiable (does not need to be a description)
Description	Brief explanation of what could actually happen should the risk occur

Consequence	What effects the occurrence of this risk would have, particularly in terms of cost, reputation and compliance
Risk owner	Who is responsible for managing the risk, should be a person with authority over the resources that need to be deployed in order to provide mitigation
Inherent rating	The risk score with no mitigation in place
Current rating	The risk score with current mitigation in place
Target rating	The risk score once all mitigation is in place and all associated activities complete
Planned actions	The list of mitigation proposed or in place
Planned action resolution dates	The target dates for completion of each mitigation activity
Planned action owners	The person responsible for completing each mitigation activity

### 4.3 How much risk can we accept?

How important a risk is can often be determined by assessing the impact of the risk occurring against the likelihood of it occurring.

We assess our identified risks on a scale of one to five on the likelihood of the risk occurring, multiplied by the impact caused if the risk should occur, with 1 being low and 4 being high. This gives rise to risk scores that can range from 1 (1 x 1) to 16 (4 x 4). Scores are divided into bands with very high being those scored 16 and 15. High between 12 to 14, medium between 7 – 11 and low between 1 – 6. Very high and high are those that will be afforded greatest priority for monitoring. More detail can be seen in Appendix 2.

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

## Impact/Severity

### 4.4 How do we respond to risks?

When we have identified a risk we need to decide what mitigation needs to be put in place to control it. To plan mitigation it is helpful to think around the criteria listed below.

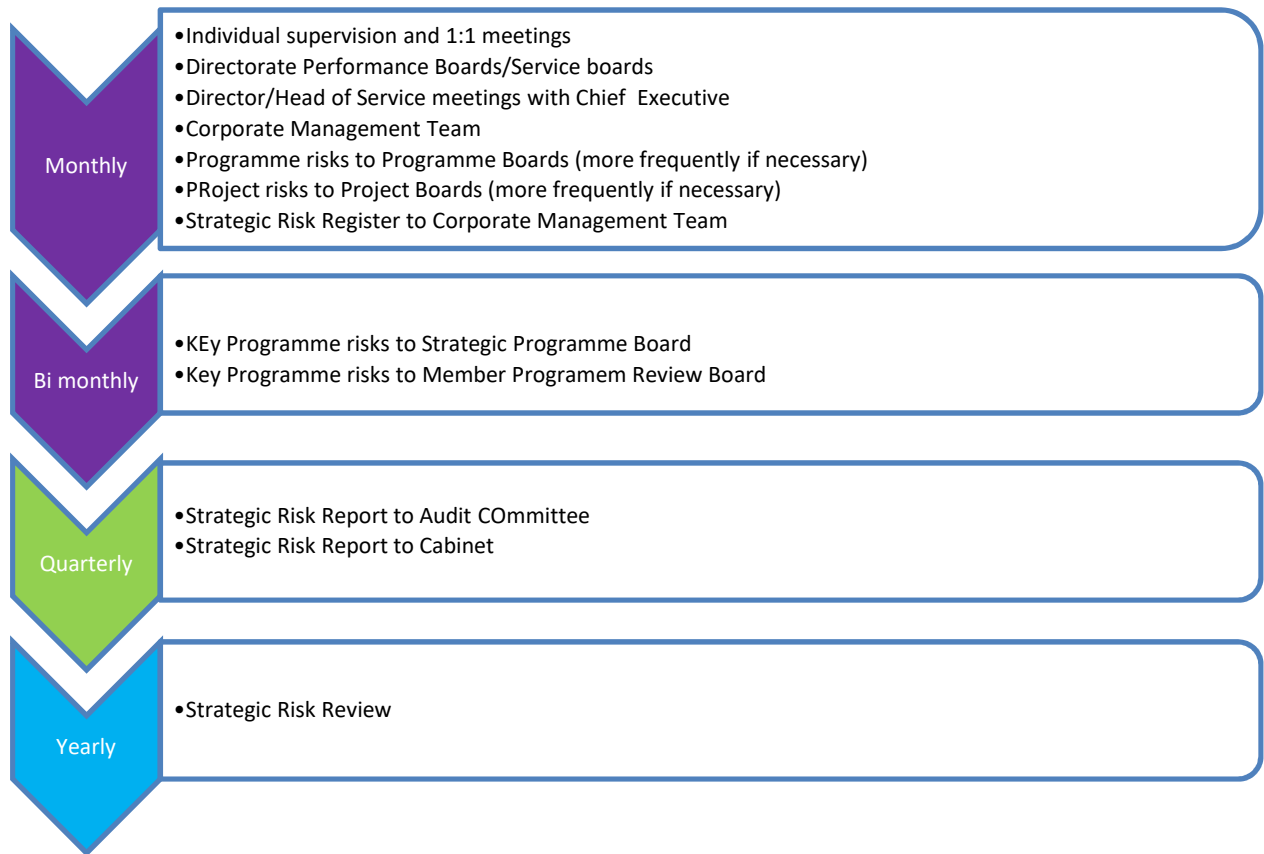
- **Avoid** – decide not to accept the risk and cease the activity causing it
- **Accept** – carry on with the activity accepting the consequences of the risk occurring
- **Transfer** – some or all of the risk can be transferred to a third party (e.g. insurance or contractor)
- **Reduce** – take action to lower the probability and/or the impact of the risk occurring
- **Exploit** – take action to exploit an opportunity that may have arisen as a result of the risk being identified

## 5. Risk Management/Monitoring Arrangements

It is important to regularly review and evaluate risk. This allows any risk that is of concern to be explored in detail and to identify appropriate remedial actions if required. It also provides opportunity to highlight and celebrate successes and to gain learning of how improvements elsewhere can be achieved.

There are a number of activities that form part of such risk monitoring and reporting arrangements that allow us to monitor progress against the achievement of the council's agreed priorities.

There is therefore an annual cycle of monitoring activity and risk reporting throughout the year, designed to act as key points at which risk is formally considered. This is summarised in the diagram below:





## 5 Roles and Responsibilities for Risk

Role	Responsibilities
<b>Chief Executive:</b> <ul style="list-style-type: none"> <li>Set the direction for risk management arrangements in the council</li> <li>Provide assurance to elected members that the delivery of the corporate priorities are being monitored effectively</li> <li>Assist in the removal of potential organisational barriers that may prevent the achievement of corporate priorities</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> </ul>
<b>Directors and Heads of Service:</b> <ul style="list-style-type: none"> <li>Lead risk management within own service areas</li> <li>Provide assurance to elected members that the delivery of corporate priorities are being monitored effectively within own service areas</li> <li>Assist in the removal of potential operational barriers that may prevent teams and individuals from the achievement of agreed priorities</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> </ul>
<b>Cabinet Members:</b> <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 performance and risk reports</li> </ul>
<b>Audit Committee Members:</b> <ul style="list-style-type: none"> <li>Providing constructive challenge on progress against agreed actions to mitigate against strategic risks.</li> </ul>	<ul style="list-style-type: none"> <li>Inspect, examine and enquire into risk reporting</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> </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> </ul>
<b>Project 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 Project Manager on Risk Plans and the resourcing of those plans</li> </ul>
<b>Project Manager</b> <ul style="list-style-type: none"> <li>Have overall responsibility for</li> </ul>	Manage risks for a programme on a day to day basis highlighting to the programme

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<b>managing risks for a project on behalf of the Project Sponsor</b>	board when a risk has the potential to threaten the delivery of the <u>outputs</u> of the projects in terms of time, cost and quality
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- Appendix 1 – Risk Matrix and Explanation
- Appendix 2 – IWC Risk Management System
- Appendix 3 – IWC Risk Management Process
- Appendix 4 – IWC Risk System Rollout