



# **Risk Management Process Reference Booklet**

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## What is risk management?

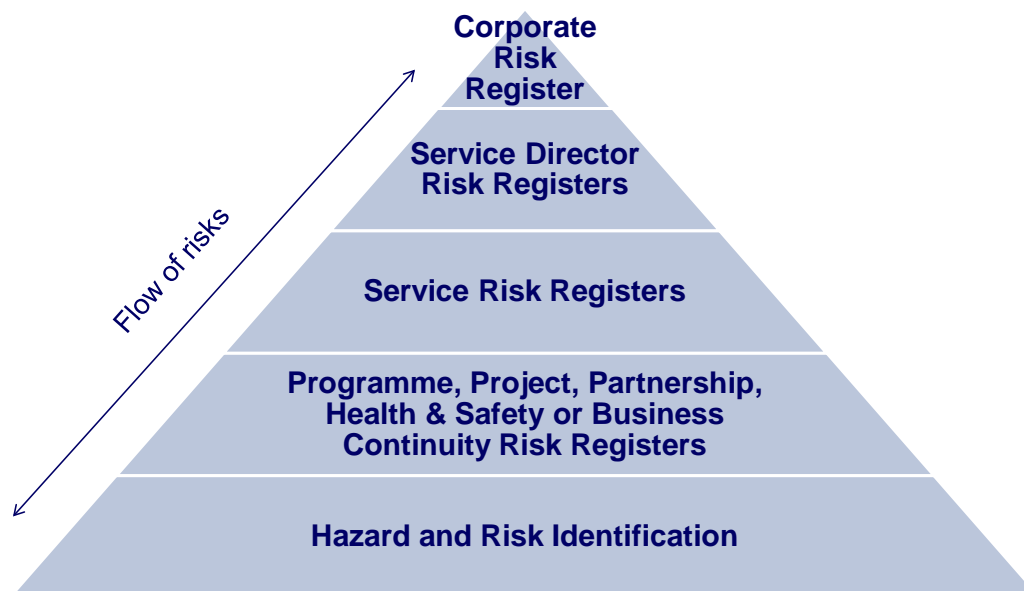
Effective risk management is about identifying events or situations that can stop us achieving objectives, then deciding what to do to reduce the possibility, or to reduce the impact. The aim is to be a resilient organisation. Resilient organisations are more likely to achieve their goals, prevent risks, or respond effectively to adverse events.

The risk management process will help us do this. The process will be used at various levels and in different contexts. These are set out in figure 1 below. Your risk register should relate to your business planning process. The corporate risk register will contain risks to delivery of the Council plan. Service director risk registers will contain risks to service objectives across whole directorates, service risk registers will contain risks to specific service objectives and so on.

Risk registers may also be created and maintained at individual project or partnership level or as part of the business continuity planning process. Risks flow between levels being managed at the most appropriate level. For example a significant programme risk relating to the change programme could be escalated to the corporate level if that is where the risk is best managed.

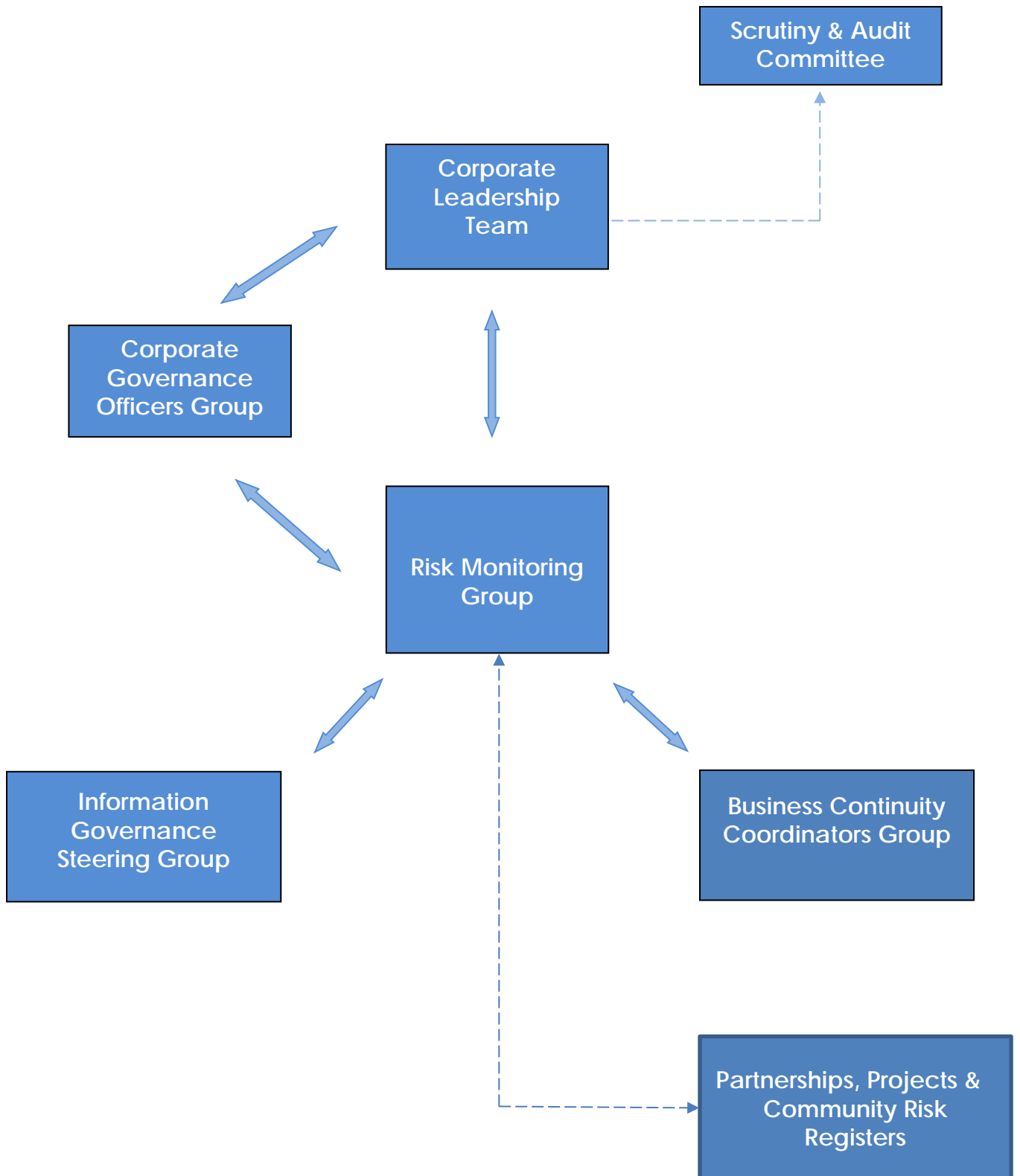
Figure 1 – Risk Management Structure

## Angus Risk Management Structure



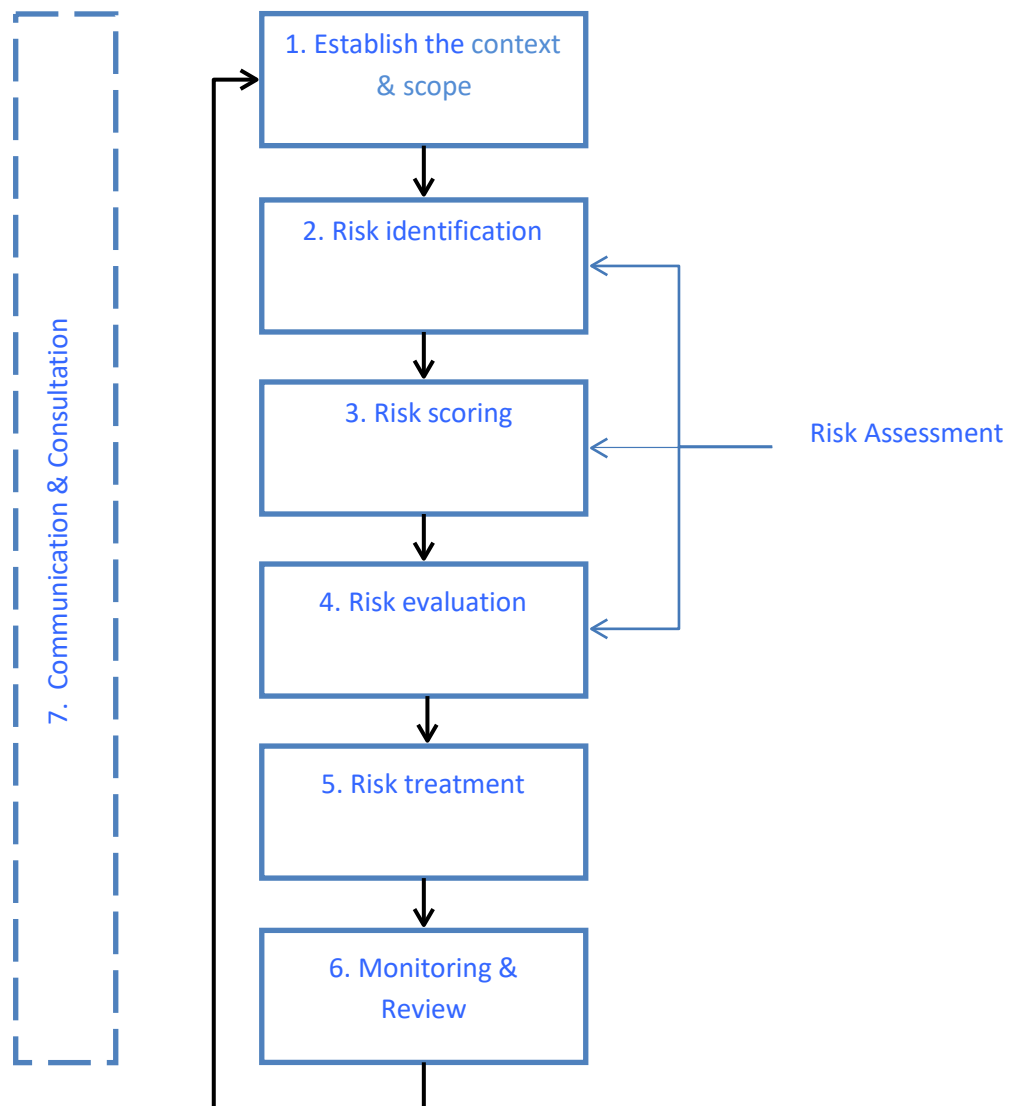
The service director risk register is the overarching register for the service director's areas of accountability and responsibility. The service risk register is specific for services that require operational risks to be identified, managed and monitored. It is the service director's decision as to which register they feel is required.

Figure 2 Reporting & Governance Structure



The risk management process has 7 elements as outlined in figure 2 below. Underpinning each stage of the process is communication and consultation with interested parties. The aim of this is to ensure internal and external stakeholders' views are considered and involved in the council's work to understand and define its risks. Pentana is the primary tool for recording and reporting information about each risk and the actions taken to manage them.

**Figure 3 – The risk management process**



## Step 1 - Scope

### Why?

Risk management activity will happen at different levels and for different purposes at different times. The scope of a risk assessment is limited by two factors. The first is the timescale in which risks might happen. The second factor is the objectives or outcomes that are at risk.

### How?

1. What are we considering risks to? For example if the end goal is to produce a risk register for a service directorate then participants in the risk management process should be clear about the directorate's objectives and how these link to council or partners objectives and the Local Outcome Improvement Plan.
2. What timescale should be considered? Normally this would tie in with the business or service planning cycle, or the lifetime of the project.
3. Who needs to be involved at each stage and what information do they need? Ideally the same group will be involved in the three risk assessment stages - identification, scoring and evaluation - to provide a consistent approach, and to allow discussion and challenge.

### Outcomes

- All participants are agreed on the scope of the risk assessment, and which objectives may not be achieved or are at risk
- All participants are agreed on the timescale of when risks might occur

There is a [risk template](#) to be completed as you follow the steps of the risk management process.

## Step 2 - Risk Identification

### Why?

The aim of identification is to ensure we identify the right risks; risks that will have a material impact on the objectives or outcomes we are trying to achieve. Only once risks have been identified can we think about if or how to take practical steps to manage our risks.

### How?

When identifying risks you need to be clear about which objectives are being risk assessed. If this is not clear the risk assessment can be unfocused or vague. Risks can be identified in a number of ways including:

- A 'brainstorming' session or workshop with the whole management team
- Interviews or meetings with smaller groups of subject matter experts
- Questionnaires to participants
- Taken from other council strategies such as the Medium Term Financial Strategy

In the first instance, record all the thoughts that your risk identification session produces then work your way through them methodically fine tuning as you go.

## Where?

Existing sources of information that could help inform this stage include:

- The community, council, directorate or service improvement plans
- The Local Outcome Improvement Plan
- RB6 (Budget Savings Process)
- The community risk register
- Committee reports
- Partners' own risk registers
- Internal or external research papers or statistical trends
- Risks or issues raised by internal audit or any other external scrutiny body
- Risks identified through budget setting process
- Health & safety risk assessments
- Business continuity plans or risk assessments
- Partnership, programme or project documentation e.g. business case or project risk register
- Strengths, weaknesses, opportunities and threats (SWOT) analysis or similar
- Experience of those running or participating in the risk identification process

It is your responsibility to decide which sources of information you should consult. This may be one or more of the sources listed above or it could be something else you think is appropriate.

It is crucial for risks to be defined properly at this stage. Failure to do so can result in confusion about the exact nature of the risk, ineffective risk controls being implemented, or the risk analysis being over or underestimated. To avoid this, each risk needs to be defined in the terms of its causes and consequences. An example of a worked through risk can be found by clicking [here](#).

## Outcomes

- [Risk description](#) agreed including causes and consequences
- Agreed description of the [likelihood](#) of the risk happening
- Agreed description of the consequences or [impact](#) of the risk
- A list of [existing controls](#) that are in place now and are fully effective

## Step 3 - Scoring

### Why?

Once identified, the risk matrix (see Figure 3 below) is the main tool for analysing each risk. The purpose of this stage is to get a deeper understanding of each risk. The analysis also helps prioritise each risk so you know which risks are most significant and therefore are in need of greater attention, effort and resources. It also allows you to compare different types of risk with each other. This will be useful when deciding how to allocate limited resources.

## How?

Each risk will be analysed for the likelihood it will happen and the impact if it did happen. This assessment should be made considering controls that are already in place and working effectively. It is your responsibility to ensure the controls you believe are reducing the risk are effective and are working in practice. Controls that are not yet in place should not be considered, no matter how soon they will be implemented. Note these at this stage as they could form additional actions later on.

Each identified risk should be plotted onto the risk matrix once the likelihood and impact score has been agreed. This should be done as a group to reduce any bias.

**Figure 4 – Risk Matrix & Scoring Guidance**

Impact	Critical (5)	5	10	15	20	25
	Major (4)	4	8	12	16	20
	Significant (3)	3	6	9	12	15
	Marginal (2)	2	4	6	8	10
	Negligible (1)	1	2	3	4	5
		Very Low (1)	Low (2)	Low to High (3)	High (4)	Very High (5)
		Likelihood				

### Likelihood

5. Very High	Risk will almost certainly happen; 80-99%
4. High	Risk will probably happen; 60-80%
3. Low to High	Risk should happen; 40-60%
2. Low	Risk probably won't happen; 20-40%
1. Very Low	Risk is unlikely to happen; 1-20%

### Impact

#### 5. Critical Impact

- Cost / overrun >10% of annual budget, or
- Fail to deliver multiple critical objectives, or
- National press coverage or dissatisfaction with Council
- Could result in senior officer or member resignation

#### 4. Major Impact

- Cost / overrun >5% of annual budget, or
- Fail to deliver a critical objective, or
- Local press coverage or dissatisfaction with Council, or
- Failure to deliver a statutory service

#### 3. Significant Impact

- Cost / overrun >3% of annual budget, or



- May fail to deliver a critical objective

## 2. Marginal Impact

- Cost / overrun >2% of annual budget, or
- Local disruption to service(s) but statutory services and strategic objectives still delivered

## 1. Negligible Impact

- Cost / overrun up to 2% of annual budget,
- Some disruption to service(s) but manageable

Once all risks have been scored and plotted on the risk matrix the group should sense check the results to ensure they agree with the relative priority of the identified risks.

### Outcome

- All risks identified have been scored on the risk matrix based on the current mitigation in place to manage each risk and recorded separately on the [risk template](#).

## Step 4 - Evaluation

### Why?

The evaluation stage is the final stage of the risk assessment and will inform your decision about how best to treat or manage the risk. It is at this stage that you need to consider if you are comfortable with the level of risk. If not, then the risk needs further treatment. Ideally the same officers involved in the risk identification and scoring will be involved at this stage too. The expectation is that all red risks will have an associated action plan to try to reduce their score.

### Consider

- Level of confidence that the risk is fully understood, i.e. the root causes, the potential consequences and the likelihood of it happening
- Adequacy or effectiveness of existing controls
- The position of the risk on the matrix in relation to your tolerance for that risk; for example a child protection risk scoring 12 is likely to be outside of tolerance, but an economic development risk scoring 12 may be acceptable
- The potential benefits (upside risk or pay-offs) from tolerating the risk as it currently stands
- The potential costs (including secondary risks or unintended consequences) of taking action
- The views of different stakeholders or interested parties
- The council as a whole has a zero tolerance approach to fraud. Fraud risks must be considered as part of the development of all risk registers
- The council will not tolerate any risks which could result in the breaking of any laws or regulations
- The response to any risk should not lead the council to be acting ultra vires, i.e. outside of its powers and against the law
- The response to any risk should comply with any relevant council standing orders, policies and procedures
- Any potential impact on the Council's reputation

## Outcomes

Each risk will fall into one of three categories:

Defer Further information or analysis of the risk is needed before evaluation can be carried out.

Accept No further treatment of the risk is needed other than to monitor the risk and ensure any risk controls continue to be effective.

Treat Further treatment of the risk is needed.

If further analysis is needed before moving onto the treatment stage then you need to better define or understand the causes and consequences of the risk, the likelihood of the risk happening, the impact on objectives or to consult with stakeholders. Record on [risk template](#).

## Step 5 - Treatment

### Why?

The treatment stage is about putting in place appropriate controls or mitigation for each risk. It is about turning the knowledge gained about each risk into appropriate action. The risk evaluation will inform the broad response; to treat or not to treat the risk.

### How?

There are **four** options available if the outcome of your evaluation is **further treatment of the risk is needed**:

1. Avoid the risk, by ending the activity, the council's involvement in a project or partnership, or doing things in a different way (used infrequently)
2. Transfer the risk, by passing some of the responsibility or negative consequences of the risk to a third party such as an insurer or a contractor
3. Manage the risk by taking action to reduce the likelihood or impact of the risk (record on [risk template](#))
4. Take the risk, by pursuing an opportunity

There are **two** options available if the outcome of your evaluation is **no further treatment of the risk is needed**:

1. Continue to monitor and report on the risk and existing controls as before
2. Assess if all current controls are necessary for the level of risk and remove or amend as appropriate

In reality for any risk that requires further treatment you may be decide to use a mix of different options. For example, the Council transfers some of the negative consequences of motor fleet accidents to an insurer and it tries to manage the risk through improved driver awareness and training to reduce the number of accidents it has.

Specific actions agreed to further treat risks will be recorded on the relevant [risk action plan](#) with an appropriate timeframe agreed for implementing them. All risks are allocated a '[risk owner](#)'. The risk owner will be responsible for reviewing / monitoring the risk and co-ordinating

any actions needed to manage the risk.

### Who?

You also need to decide if any risk needs to be escalated; for example from a project manager to a sponsor or from a directorate to the Risk Monitoring Group or Corporate Leadership Team. The following criteria may help this decision:

- The level of confidence the risk is fully understood
- Risks outside of the directorate, partnership or project's risk tolerance
- Risks of a corporate or cross cutting nature, for example an IT or HR risk that could have significant consequences for others in the council
- The risks requires co-ordinated action across the council to manage it effectively
- The risk impacts on partners or other third parties

### What?

All red risks need to be reported to your service director – there are no exceptions to this rule. They will then decide if further escalation is needed to CLT. All escalated risks will be reported by service directors to the risk monitoring group.

### Outcomes

- Developed a SMART (Specific, Measurable, Achievable, Relevant, Timely) [action plan](#).
- Set a [target risk score](#); the score you anticipate the risk will reduce to once the action plan has been fully implemented.

## Step 6 - Monitor and Review

### Why?

The Council, the environment & your risks can change quickly. Risk controls that are effective today may not always be effective, therefore regular reporting, monitoring and reviewing of risks is important.

Each directorate or business unit is responsible for updating and maintaining its own risk register.

### When?

Monitoring and review of risk registers should be done at least quarterly. However individual directorates, services, or officers may choose to monitor and review their risk registers more frequently or on an ad hoc basis between quarterly reviews.

For example specific risks that are significant and subject to frequent change, such as project risks, may be reviewed more often than quarterly.

Committee reports may also trigger a review of risks if the subject of the report has implications for previously identified risks. Council members may also want to be made aware of how their decision may affect risks that have already been identified.

Partnerships and projects should agree their own monitoring cycle. This should be determined by the level of risk and how frequently the risks change. It is expected however that significant partnerships and projects will review risk registers at least quarterly.

The Corporate Leadership Team will review the corporate risk register quarterly. Individual risks may be reviewed more frequently depending on their nature.

The Scrutiny and Audit Committee will review and challenge the corporate risk register at least twice a year.

Service risk registers should be scrutinised through your service management team or other appropriate review process.

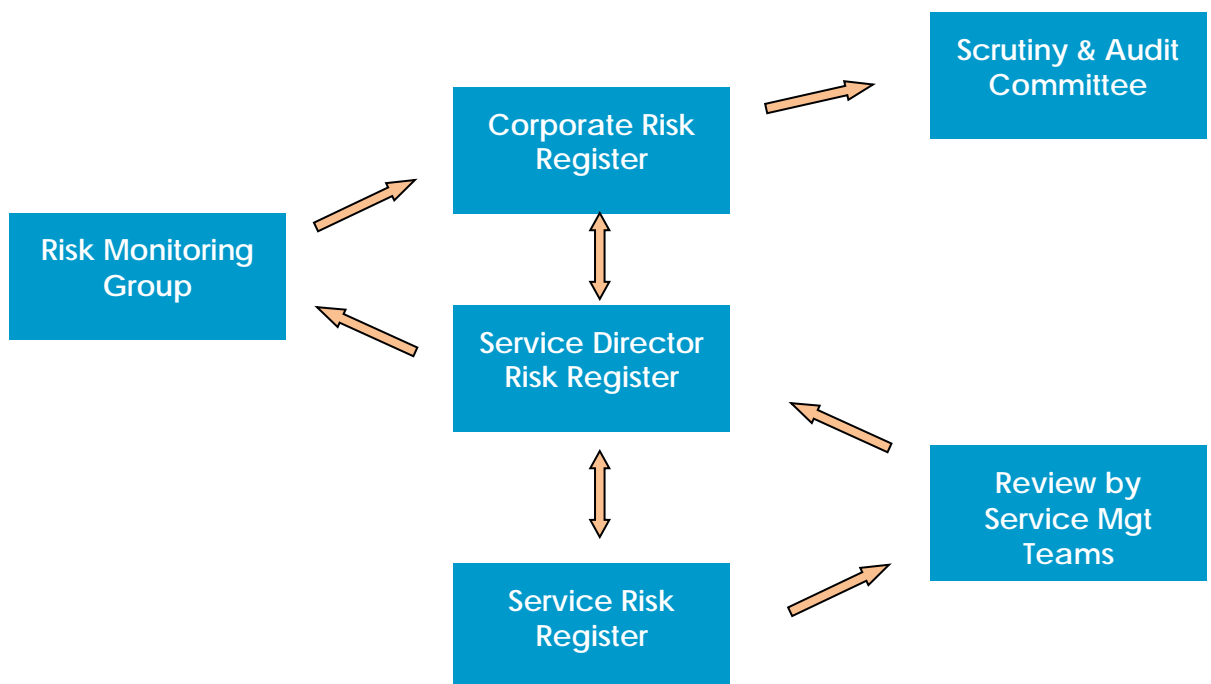
### Outcomes

- You are confident each control is still effective
- You have implemented any agreed actions to manage the risk
- You have checked if any new controls have been created
- Have any of your risks changed in any way insofar as the wording or score should be updated?
- Have any new risks emerged since the last review?
- Can you remove any older risks that are no longer relevant or that can be managed in a business as usual way?
- Do you need to escalate or report any risks to the next tier of management? All red risks must be reported to your Service Director
- Do you need to inform anyone else about any of the risks?

## Communication & Reporting Cycle

### Who?

Our Risk Management Strategy lays out the reporting responsibilities for Service, Service Director and the Corporate Risk Registers. All risk registers are subject to a minimum of a quarterly review. Risk owners are responsible for ensuring all risk information is kept up to date on Pentana.



## Outcomes

- You are confident the information you hold is a fair reflection of the current risks
- You are confident all stakeholders have either been consulted or informed about your risks
- Service Director has been informed about red risks

Role	Responsibilities
All elected members	<ul style="list-style-type: none"> <li>• To consider risk as part of all decision making reports received</li> <li>• To scrutinise and question officers on any risk information provided</li> <li>• Encourage a culture that supports appropriate risk taking and the open discussion of risk</li> </ul>
Policy & Resources Committee	<ul style="list-style-type: none"> <li>• Approve the Risk Management Strategy</li> <li>• Approve any subsequent reviews of the document</li> </ul>
Scrutiny & Audit Committee	<ul style="list-style-type: none"> <li>• To consider the council's framework of assurance and ensure it adequately addresses the risks and priorities of the council</li> <li>• To assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor risk to the achievement of objectives</li> <li>• Scrutinise reports on the most significant risks facing the council. This will include considering the adequacy of risk controls</li> </ul>
Corporate Leadership Team (CLT)	<ul style="list-style-type: none"> <li>• Overall accountability for implementing and leading the council in delivering the risk management strategy and process</li> <li>• Ensure elected members receive appropriate information about risks, as part of regular quarterly updates or on specific decisions</li> <li>• Ensure the most significant risks to the council's objectives are being managed in line with the risk management strategy and process document, through quarterly updates of the corporate risk register</li> <li>• Encourage a culture that supports appropriate risk taking and the open discussion of risk</li> <li>• Review the corporate risk register quarterly with support from the Manager – Risk, Resilience &amp; Safety</li> </ul>
Risk Monitoring Group	<ul style="list-style-type: none"> <li>• Facilitate the council in implementing its risk management strategy and process</li> <li>• Discharge the Group's remit</li> <li>• Drive &amp; promote a coordinated approach to risk management across all teams with responsibility for risk management, health &amp; safety, and resilience</li> <li>• Champion the embedding of the strategy and promote a positive risk culture.</li> <li>• Build organisational capacity to effectively manage risk</li> <li>• Disseminate best practice in all related areas</li> <li>• Report regularly to the Corporate Governance Officers Group on risk management activity.</li> </ul>

Role	Responsibilities
Risk Monitoring Group cont'd	<ul style="list-style-type: none"> <li>• Support training and ensure the coordination and efficient consideration of the three risk related strands of risk management, resilience and corporate health &amp; safety.</li> </ul>
Service Directors	<ul style="list-style-type: none"> <li>• Implement and maintain service director / service risk registers in line with the Risk Management Strategy and Guidance documents to ensure significant service risks are identified and have appropriate controls in place</li> <li>• Escalate, if appropriate, risks to the corporate risk register via CLT</li> <li>• Ensure significant partnerships and projects being led by the directorate have appropriate risk management arrangements in place</li> <li>• Encourage a culture of risk awareness through involving others in the risk management process as appropriate, and challenging risk information</li> <li>• Ensure appropriate risk management arrangements and registers are in place for their services.</li> </ul>
Manager – Risk, Resilience & Safety	<ul style="list-style-type: none"> <li>• Develop, implement and review the risk management strategy, policy and process to ensure it is effectively managing the councils risks</li> <li>• Facilitate CLT in the review and maintenance of the corporate risk register</li> <li>• Ensure officers and members have access to risk management training appropriate to their role</li> <li>• Lead the Risk Monitoring Group</li> </ul>
Programme & Project Managers	<ul style="list-style-type: none"> <li>• Maintain an up to date risk register in line with the council's project risk management toolkit and over-arching programme and project arrangements</li> </ul>
Partnership Lead Officers	<ul style="list-style-type: none"> <li>• Maintain an up to date risk register for the partnership appropriate to the level of risk</li> <li>• Ensure any significant risks to the council from being involved in the partnership are reported to the appropriate directorate management team or the risk group</li> </ul>
Risk Owners	<ul style="list-style-type: none"> <li>• Take the lead in monitoring own risks to ensure they are being managed effectively and co-ordinate any further treatment needed</li> <li>• Review progress of the associated risk actions allocated to others</li> <li>• Take the lead on communicating with interested internal stakeholders about the risk</li> <li>• Ensure Pentana is up to date</li> </ul>

Role	Responsibilities
Risk Owners cont'd	<ul style="list-style-type: none"> <li>• Provide updates to members or other groups on the risk if requested</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>• Ensure the council's audit plan is linked to the significant risks facing the council</li> <li>• Scrutinise the controls and mitigation in place to address significant risks</li> <li>• Report on the overall risk management arrangements within their annual report</li> <li>• Act as advisors to the Risk Monitoring Group</li> </ul>
All employees	<ul style="list-style-type: none"> <li>• Maintain an awareness and knowledge of the risk management responsibilities appropriate to their role</li> <li>• Notify line manager, or another appropriate manager, of any significant risks they identify or become aware of in their role</li> </ul>



**RISK TEMPLATE**

**Step 2 Risk Identification**

<b>Risk Title:</b>
<b>Risk Description:</b>

<b>Likelihood (provide narrative)</b>	<b>Potential Impact (provide narrative)</b>

<b>Existing Controls (bullet points):</b>

**Step 3 Risk Scoring**

Risk Likelihood Score:	
Risk Impact Score:	
Overall Risk Score:	

**Step 4 Risk Evaluation**

<b>Additional controls / actions needed to reduce risk further?</b>	<b>Yes / No</b>	<b>If Yes go to action plan</b>
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**Step 5 Risk Treatment: Additional controls / actions needed to reduce likelihood and/or potential impact scores**

Action	Owned By	Target Date	Success Criteria

Target Likelihood Score:	
Target Impact Score:	
Overall Target Score:	

Risk Owner:

**Step 6 Risk Monitoring & Review**

Risks should be monitored quarterly or more frequently if appropriate.

**RISK TEMPLATE - Completed Example. Steps refer to the risk management guidance documents.**

**Step 2 – Risk Identification**

<b>Risk Title:</b> Service Transformation
<b>Risk Description:</b> There is risk of not delivering the service transformation plan, due to lack of capacity, slow pace of change, or failure of third parties.

<b>Likelihood (provide narrative)</b>	<b>Potential Impact (provide narrative)</b>
<p>We have agreed an ambitious service delivery transformation plan to maintain (or improve) service performance levels while reducing costs by 10% in the current financial year. There is a risk of either service levels falling, or not meeting budget savings while implementing the Transformation Plan. This could be caused by one or more of the following:</p> <ul style="list-style-type: none"> <li>• Plan is over ambitious</li> <li>• Planning assumptions are wrong</li> <li>• Lack of capacity within the service to deliver the plan and maintain business as usual activity</li> <li>• Loss of key members of staff</li> <li>• Failure of 3<sup>rd</sup> parties / partners to deliver their obligations</li> </ul>	<ul style="list-style-type: none"> <li>• Do not deliver service transformation plan on time</li> <li>• Do not deliver the anticipated cost reductions – up to 10% of budget - in line with plan</li> <li>• Service levels may deteriorate</li> <li>• Reputational damage - perception within Council that dept. is failing</li> </ul>

<b>Existing Controls (bullet points):</b>
<ul style="list-style-type: none"> <li>• Service transformation plan reviewed quarterly by management team</li> <li>• Progress report to cabinet six monthly</li> <li>• Service Transformation Delivery group action plan</li> <li>• Monthly monitoring of service performance levels / KPIs</li> <li>• Monthly budget monitoring by Finance Dept</li> </ul>

**Step 3 – Risk Analysis**

<b>Risk Likelihood Score:</b>	3.Low to High
<b>Risk Impact Score:</b>	5 Critical
<b>Overall Risk Score:</b>	15 Red

**Step 4 – Risk Evaluation**

Additional controls / actions needed to mitigate risk further?	<u>Yes</u> / No	If Yes go to action plan (section B)
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**Step 5 – Risk Treatment**

Additional controls / actions to reduce likelihood and/or potential impact scores

Action	Owned By	Target Date	Success Criteria
Review service delivery plan monthly	Head of Service	1 December	Plan is reviewed at monthly service managers' meeting
Start a project issues log for service delivery plan, to ensure issues that require immediate attention are actioned quickly to stop any further delays	Transformation Manager      Project	1 December	Timely actions to address issues raised
Carry out a risk assessment to identify risks to the plan, and agree appropriate actions	Transformation Management      Project	15 December	Creation of a project risk register for the transformation plan

Target Likelihood Score:	2 Low
Target Impact Score:	4 High
Overall Target Score:	8 Amber

Risk Owner: Head of Service
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**Step 6 – Risk Monitor & Review**

- Risks should be monitored every quarter, or more frequently if required