

**CAMBRIDGESHIRE COUNTY COUNCIL**

# **Risk Management Policy**

The aims of this policy and the supporting Risk Management Toolkit are to:

- Outline Cambridgeshire County Council's approach to risk management, including the identification, assessment, monitoring and mitigation of risk.
- Ensure that good practice in risk management is embedded across the Council throughout 'business as usual' policies, processes and activity.
- Help Council staff understand the key principles of effective risk management and risk management roles and responsibilities across the organisation.
- Establish the Council's corporate risk appetite and guide staff in managing risk in a consistent and proportionate way.
- Outline a clear corporate escalation process for new and emerging risks.
- Signpost officers to further detailed guidance and support on risk management.

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### **1. BACKGROUND AND CONTEXT**

- 1.1 There are many factors which might prevent Cambridgeshire County Council achieving its plans. We therefore adopt a risk management approach which is embedded throughout the entire organisation, with the aim of identifying, assessing and managing any key risks we might face. This approach is defined in this Risk Management Policy and the supporting Risk Management Toolkit.
- 1.2 Risk management is a fundamental element of the Council's Code of Corporate Governance, which enhances our organisation's strategic planning and prioritisation, supports us in achieving our objectives and strengthens our ability to be agile in response to challenges faced.
- 1.3 This Risk Management Policy is fully supported by the Council, the Chief Executive and the Corporate Leadership Team (CLT) who are accountable for the effective management of risk within the Council.
- 1.4 On a daily basis, all officers of the Council have a responsibility to recognise and manage risk in accordance with this Policy. Detailed information on roles and responsibilities for risk management is outlined in the Risk Management Toolkit (Section 3), along with in-depth guidance on how to implement this policy in practice.

### **2. WHAT IS RISK MANAGEMENT?**

- 2.1 Risk can be defined as "an **uncertain** event which, should it occur, will have an effect on the achievement of objectives."
- 2.2 Risk management is the process by which the Council seeks to:
  - **Identify** possible risks it may face;
  - **Assess** the severity and likelihood of these risks, in order to **prioritise** them;
  - Identify proportionate actions to minimise, monitor and **control** possible risks (or to maximise possible opportunities).

### **3. RISK MANAGEMENT OBJECTIVE**

- 3.1 The objective of this Policy is to define a systematic corporate approach to risk management, which ensures that risks which might impact upon the achievement of the Council's objectives are identified and managed on a timely basis and in a proportionate manner.
- 3.2 Along with the associated Risk Management Toolkit, this Policy clarifies risk management roles and responsibilities across the organisation and seeks to ensure that

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good practice on risk management is embedded in everyday policies, processes and activity.

### **4 RISK MANAGEMENT APPROACH**

4.0.1 The risk management approach adopted by the Council is based on identifying, assessing, managing and monitoring risks at all levels across the Council.

4.0.2 Detailed guidance on the application of the risk management approach is set out in the Council's Risk Management Toolkit. The Toolkit document can also be located on the staff intranet by searching for 'Risk Management'.

#### **4.1 Identifying Risks:**

4.1.1 The first step of risk management is to identify risks, factors, events or circumstances which could impact on the organisation's ability to achieve its objectives. For example, the Council not having enough budget to achieve its objectives, or the Council being a victim of cyber crime are risks that we always face.

4.1.2 When risks are identified, the possible triggers of each risk should also be articulated. A trigger is an event or condition that causes a risk to occur; identifying triggers therefore assists in identifying any controls or mitigating actions necessary to prevent the risk occurring, or to recover quickly should a risk occur. Finally, the owner of each risk should be identified, preferably at an individual officer level (post title).

4.1.3 Section 4.1 of the Risk Management Toolkit provides additional guidance and prompts to support officers in identifying the types of risk they may be facing. Further guidance and support on the risk identification process, including facilitation of workshops, can be obtained from the Internal Audit & Risk Management service.

#### **4.2 Assessing Risks:**

4.2.1 The risk should next be assessed to identify the likelihood of the risk occurring as well as the potential consequences if the risk should occur. This is done by assigning a 'risk score' to each risk and identifying the arrangements in place to manage the risk or reduce the chance of it occurring.

4.2.2 The Council maintains a Risk Scoring Matrix ([Appendix A](#)) to ensure officers across the Council can take a consistent approach to assessing risks. Risk scores are calculated using the Matrix by scoring both the likelihood and potential impact of the risk on scales of 1-5, and multiplying those figures to get the risk score.

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- 4.2.3 The risk should be initially scored, using the Risk Scoring Matrix, as if there were no arrangements in place to manage or mitigate the risk. This is known as the **inherent risk level**. Identifying inherent risk in this way benefits the organisation by providing a listing of all major risks faced, regardless of how well they are being managed in practice.
- 4.2.4 Next, officers should identify the key controls which are already in place to manage or mitigate against the risk. Risk can be managed or mitigated in the following ways:
- **Avoid:** The Council could decide not to start or continue with the activity which gives rise to the risk.
  - **Transfer:** The Council can seek to transfer the consequences of a risk occurrence (for example, via insurance).
  - **Reduction:** The likelihood of a risk occurring, or the impact if it does occur, could be reduced via policies and procedures in our everyday business processes. For example, our safeguarding policies and procedures seek to reduce the risk that a child or vulnerable adult comes to harm.
  - **Recovery:** The Council can seek to reduce the impact of risks when they do occur through effective business continuity planning.
- 4.2.5 The risk should then be re-scored using the Risk Assessment Matrix, taking account of the key controls which are in place. This is the **residual risk level**.
- 4.2.6 The outcomes of this process of identifying and assessing risk should be captured in a Risk Register (see also Section 4.4, below). By following these steps, the Council ensures that it has a documented control framework for the management of all major risks. Further guidance may be found in Section 4.2 of the Risk Management Toolkit.
- 4.3 Managing Risks and Risk Appetite:**
- 4.3.1 The residual risk score should be evaluated and an assessment made if this level of risk is appropriate, or if further action is required to reduce the risk in addition to the controls already in place.
- 4.3.2 The Council has defined its **maximum risk appetite** as not accepting a residual risk score of 16 or more unless actions are planned to reduce the score to below this level on a timely basis. In exceptional circumstances, the Strategy and Resources Committee can approve a residual risk in excess of the risk appetite if it is agreed that it is impractical or impossible to reduce the risk level below 16. Such risks should be escalated through the management reporting line to Corporate Leadership Team (CLT) before being presented to the Strategy and Resources Committee.

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4.3.3 If the residual risk is too high, a documented action plan must be designed to reduce the risk to below the risk appetite in a timely way. Individual actions must be assigned to a named owner, and an achievable specified target date for completion set. It is not acceptable to set a target date of 'ongoing' for actions, as this does not facilitate the effective management of action delivery.

4.3.4 Further guidance on managing risks may be found in Section 4.3 of the Risk Management Toolkit. If officers feel they are not able to identify achievable actions to reduce the risk to an appropriate level in a timely way, this should be escalated through the management line.

### **4.4 Recording Risks:**

4.4.1 Once identified, risks should be recorded in a Risk Register. Under this policy, as a minimum the Council is required to maintain:

- A **Corporate Risk Register (CRR)** capturing the organisation's key corporate risks that could threaten the Council's operations as a whole. The CRR is held on GRACE, the Council's corporate risk management system; is managed and overseen by the Corporate Leadership Team (CLT); and is reported to Strategy & Resources Committee.
- **Directorate Risk Registers (DRR)** identifying risks that could threaten day-to-day operational activities within each Directorate. DRRs must be held on GRACE; managed and owned by Executive Directors; and are reported to the relevant Service Committee.

4.4.2 Individual services and sub-directorates should also consider their arrangements for identifying, recording and managing risks. Individual services, projects and programmes which manage significant risks on behalf of the Council as a whole should ensure that they maintain sufficient documented risk management records.

4.4.3 Below the Directorate level, there is no corporate requirement to use the GRACE risk management system for risk registers. Officers seeking to use the GRACE system should contact the Internal Audit & Risk Management team [internal.audit@cambridgeshire.gov.uk](mailto:internal.audit@cambridgeshire.gov.uk) to obtain system access and training.

4.4.4 Services/projects are able to use whatever risk register format suits their needs, provided it can be demonstrated that this facilitates effective risk management in line with the principles of this policy. Specific services or business areas (such as project management, contract management, etc.) may set their own requirements for risk management processes, and officers should consult the relevant policies/procedures to ensure they are familiar with any such requirements. Further guidance may be found in Section 4.4 of the Risk Management Toolkit.

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### **4.5 Risk Monitoring & Reporting:**

- 4.5.1 The frequency of risk monitoring should take into consideration the speed at which risks are emerging and the level of their materiality, rather than being determined by organisational administrative cycles. However, a full formal review of risk should be undertaken on at least a quarterly basis at all levels of management (i.e. CLT, directorate, service, etc.). Guidance on what these reviews should cover as a minimum is provided in the Risk Management Toolkit, Section 4.5.
- 4.5.2 Managers should have regard to potential risks at all times and should use the risk management approach to help them analyse and manage risks at the point they are identified. Officers should not wait for the next formal quarterly review to escalate concerns or serious emerging risks, but should escalate via normal management reporting lines (see also Section 5, below).
- 4.5.3 Directorate Risk Registers should be reported to the relevant Committee at least every six months, and more frequently if there is a significant change in risk profile. The Corporate Risk Register will be reported to Strategy & Resources Committee and Audit & Accounts Committee on at least a six monthly basis, or more frequently to reflect any significant changes in the corporate risk profile.

## **5. RISK ESCALATION PROCESS**

- 5.0.1 A key principle is that risk should be managed at the lowest appropriate level of management. The risk management process should enable emerging or worsening risks to be escalated to more senior levels of management for awareness and effective action planning. Conversely, where risk levels are reducing, risks should be de-escalated accordingly.

### **5.1 Escalation to the Directorate Risk Register:**

- 5.1.1 There may be times when a risk that has been identified/managed within a service, project or programme needs to be escalated to the Directorate Risk Register (DRR). This should be managed through Directorate Management Team (DMT) meetings. Risks with a score of 16 or higher must be escalated to the DRR and on to the Corporate Risk Register; but below this, it will also be appropriate to escalate risks based on the best judgement of officers rather than a specific risk score.
- 5.1.2 Examples of situations when it may be appropriate to escalate risks, and additional guidance on escalation processes, are set out in Section 5 of the Risk Management Toolkit.

### **5.2 Escalation to the Corporate Risk Register:**

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5.2.1 Identified risks within Directorate Risk Registers may need to be escalated for inclusion into the Corporate Risk Register. Risks will need to be escalated if:

- The risk remains red (above the agreed risk appetite) according to the Risk Scoring Matrix in [Appendix A](#) after all available mitigations have been implemented, and;
- The relevant director deems the risk to be a significant risk to the organisation as a whole.

5.2.2 To escalate a risk to the Cambridgeshire Corporate Risk Register: first the relevant Directorate Management Team must agree that the risk meets the escalation criteria above and recommend it goes forward to be included within the Cambridgeshire Corporate Risk Register. A paper outlining the risk should be taken to the next available CLT meeting and, if agreed, escalated from that meeting on to Strategy & Resources Committee.

## **6. PARTNERSHIPS AND CONTRACTS**

6.1 This policy applies to all of the Council's core functions. Where Cambridgeshire County Council enters into joint working arrangements or partnerships, the principles of risk management established by this Policy and supporting guidance should be considered as best practice and applied where possible.

6.2 It is also expected that the Council's key contractors have risk management arrangements at a similar level, which should be established and monitored through commissioning processes and contract management arrangements.

6.3 Officers engaged in partnership working or contract management should ensure there are clear routes for risks to be communicated from partners/contractors to the Council and escalated onto Cambridgeshire risk registers where appropriate, in line with the principles set out at Section 5, above.

6.4 Further guidance on risk management within contracts, partnerships, projects and other business processes can be found in the Council's detailed Risk Management Toolkit, Section 3.2.

## **7. TRAINING and DEVELOPMENT**

7.1 The Council recognises that the effectiveness of its risk management approach will be dependant upon the degree of knowledge of the approach and its application by officers and councillors. This will be supported through the delivery of formal training programmes, risk workshops, briefings and internal communication channels.

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- 7.2 This Risk Management Policy will be subject to regular review, with updates to be approved by CLT and the Strategy & Resources Committee at least once every three years.



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## RISK MANAGEMENT SCORING MATRIX

The Council's Risk Management Scoring Matrix and supporting guidance seeks to ensure that officers across the Council take a consistent approach to assessing risks as part of the risk management process. Risk scores are calculated using the Matrix below, by scoring both the likelihood and potential impact of the risk on scales of 1-5, and multiplying those figures to get the risk score.

In assessing the **impact score**, officers should consult the Risk Impact Descriptors table at [Appendix B](#) of this document. In assessing the **likelihood score**, officers should consult the Risk Likelihood Descriptors table at [Appendix C](#) of this document.

Officers are also encouraged to consult the Council's Risk Management Toolkit, Section 4.2, for detailed guidance on the application of the Risk Management Scoring Matrix.

VERY HIGH	5	10	15	20	25
HIGH	4	8	12	16	20
MEDIUM	3	6	9	12	15
LOW	2	4	6	8	10
NEGLIGIBLE	1	2	3	4	5
IMPACT LIKELIHOOD	VERY RARE	UNLIKELY	POSSIBLE	LIKELY	VERY LIKELY

Once **residual risk scores** have been agreed, they should be approached as follows:

**Red:** (scores 16 – 25) In excess of Council's risk appetite. Must be escalated to CLT (and on to Strategy & Resources Committee if CLT agree with the risk assessment). Officers must seek to manage the risk down to an acceptable level as a matter of urgency.

**Amber:** (scores 12 – 15) On the borders of the Council's risk appetite. Management should ensure that they are closely monitoring these risks and that they have arrangements in place to provide assurance over the effectiveness of the controls in place to manage these risks.

**Yellow** (scores 5 – 10) Risks should be recorded and reviewed quarterly to assess any increases in the risk score.

**Green:** (scores 1 – 4) Minimal risk. Monitor as necessary. No actions required.

## RISK IMPACT DESCRIPTORS TABLE

The following descriptors are designed to assist officers in scoring the impact of a risk, to ensure a consistent approach across the Council. The descriptions are a guide and there may be exceptions depending on the specific nature of the risk:

	Negligible (1)	Low (2)	Medium (3)	High (4)	Very High (5)
<b>Legal and Regulatory</b>	Minor civil litigation or regulatory criticism.	Minor regulatory enforcement.	Major civil litigation and/or local public enquiry.	Major civil litigation setting precedent and/or national public enquiry.	Section 151 or government intervention or criminal charges.
<b>Financial cost (per annum)</b>	Less than £0.5m.	Less than £1 million.	Less than £5 million.	Less than £10 million.	More than £10 million.
<b>Service provision</b>	Insignificant disruption to service delivery.	Minor disruption to service delivery.	Moderate direct effect on service delivery.	Major disruption to service delivery.	Critical long term disruption to service delivery.
<b>Safeguarding and Health &amp; Safety</b>	No injuries.	Low level of minor injuries.	Significant level of minor injuries of employees and/or instances of mistreatment or abuse of individuals for whom the Council has a responsibility.	Serious injury of an employee; and/or serious mistreatment or abuse of an individual for whom the Council has a responsibility.	Death of an employee or individual for whom the Council has a responsibility; and/or serious mistreatment or abuse resulting in criminal charges.
<b>Reputation</b>	No reputational impact.	Minimal negative local media reporting.	Significant negative front page reports/editorial comment in the local media.	Sustained negative coverage in local media or negative reporting in the national media.	Significant and sustained local opposition to the Council's policies and/or sustained negative media reporting in national media.
<b>Environment</b>	No or insignificant environmental damage.	Minor local environmental damage.	Moderate local environmental damage.	Major local environmental damage.	Major national or international environmental damage.

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## RISK LIKELIHOOD DESCRIPTORS TABLE

The table below provides guidance to officers on scoring the likelihood of risk occurrences, to support a consistent approach across the Council:

Score	Description
<b>5</b> <b>Very High</b> (90%+)	Without action, is highly likely to occur.  Annual similar occurrences in local government/Council history.
<b>4</b> <b>Likely</b> (60%-90%)	Strong possibility.  Regular similar occurrences known in local government/Council history.
<b>3</b> <b>Possible</b> (40%-60%)	Might occur.  Similar occurrences known in local government/Council history.
<b>2</b> <b>Unlikely</b> (10%-40%)	Not expected.  Rare but not unheard-of occurrence in local government/Council history.
<b>1</b> <b>Very rare</b> (0%-10%)	Very unlikely to occur.  No recent similar instances in local government/Council history.