

Corporate Risk Management Handbook

Risk and Audit Service
May 2024

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Introduction

Our Corporate Plan (2023 to 2026) details our ambition for Sefton to be a confident and connected borough that offers the things we all need to start, live and age well, where everyone has a fair chance of a positive and healthier future.

To achieve this, we have identified our priorities.

**Children and Young People
Health and Wellbeing
Adult Social Care
Working for our Communities Every Day
Inclusive Growth
Financial Sustainability**

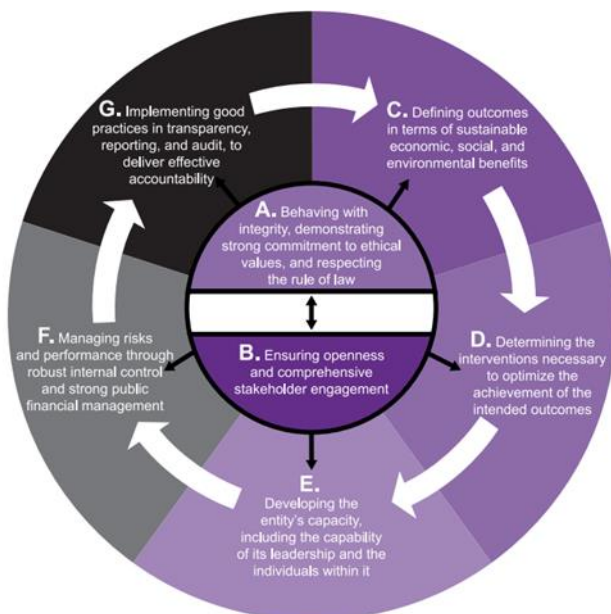
We need to make sure that risks, that prevent or compromise the achievement of our aims and objectives are managed and adequately monitored.

This handbook is to provide guidance to all staff and elected members on the principles of risk management and the approach Sefton takes to formally identify, record and manage risks.

We need to understand the positive and negative aspects of risk as there is potential for events to create opportunities as well as threatening success.

The Chartered Institute for Public Finance and Accountancy, the key regulator on governance for the public sector outlines in the publication “Delivering Good Governance in Local Government: Framework “(CIPFA/Solace 2016), the approach to ensure that there is effective governance in place using several principles. One of the key principles is on risk management although risk is a cross cutting theme through the guidance.

Chart below detailing CIPFA -Good Governance Framework



Principle F – outlines that managing risk and performance through robust internal control and strong public financial management which reinforces that risk management is an integral part of good governance. There are three sub principles which are:

- Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.
- Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.
- Ensuring that responsibilities for managing individual risks are clearly allocated.

Each year as part of the Annual Governance Statement a review of each of the principles from the above guidance, including risk management, is undertaken to produce the statement which is included in the Annual Accounts and is approved by the Audit and Governance Committee. This approach is also a fundamental element of the Council's Code of Corporate Governance

The Council's system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. Whilst it is recognised that it cannot eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable assurance of effectiveness.

On an ongoing basis, the system of internal control is designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively, and economically.

Defining Risk

‘Factors, events, or circumstances that could prevent or negatively impact on the achievement of the Council’s strategic and service plan objectives.’

Risk could lead to the Council encountering significant or serious legal, reputation and financial harm. The possibility of ‘risk’ needs to be integral in all planning and decision making and be considered as an integral part of all performance management.

In addition, the performance of strategic partnerships, key suppliers, schools, and major projects are important elements that effect the achievement of Sefton’s strategic targets.

Considering the risk profile and changes to scoring enables those that are high or very high to be identified so that they can be escalated and included in Sefton’s Corporate Risk Register. Risks that have factors which lead to a score increase can also be identified before they become ‘high’ so that action plans can be implemented appropriately.

Inherent or gross risk is defined as the assessment of the risk, highlighted as a numerical score, ignoring the effect of the existing controls. Residual or net risk is the assessment of risk, again highlighted as a numerical score, left after the current controls are implemented. The residual score should always be lower or at worst the same value as the inherent score, as this reflects the effectiveness of the current controls. Where the inherent and net score are the same it is indicating that there are either no key controls in place or that the identified key controls are ineffective at mitigating risk. Further actions to manage the risk are normally required to reduce the risk score to a manageable level. The scale and extent of further action required is dependent on the Council’s appetite for risk and further guidance is provided below.

The current controls should be regularly monitored to ensure that they are effective. In addition, where there are further actions to reduce the risk score to at or below the Council’s risk appetite these should be regularly reviewed to ensure that the actions are implemented in a timely manner, and they are as effective as originally intended.

The formal risk registers in place, the regular monitoring by the Risk and Resilience team and implementation of actions are all evidence that help to demonstrate the application of risk management within the Council.

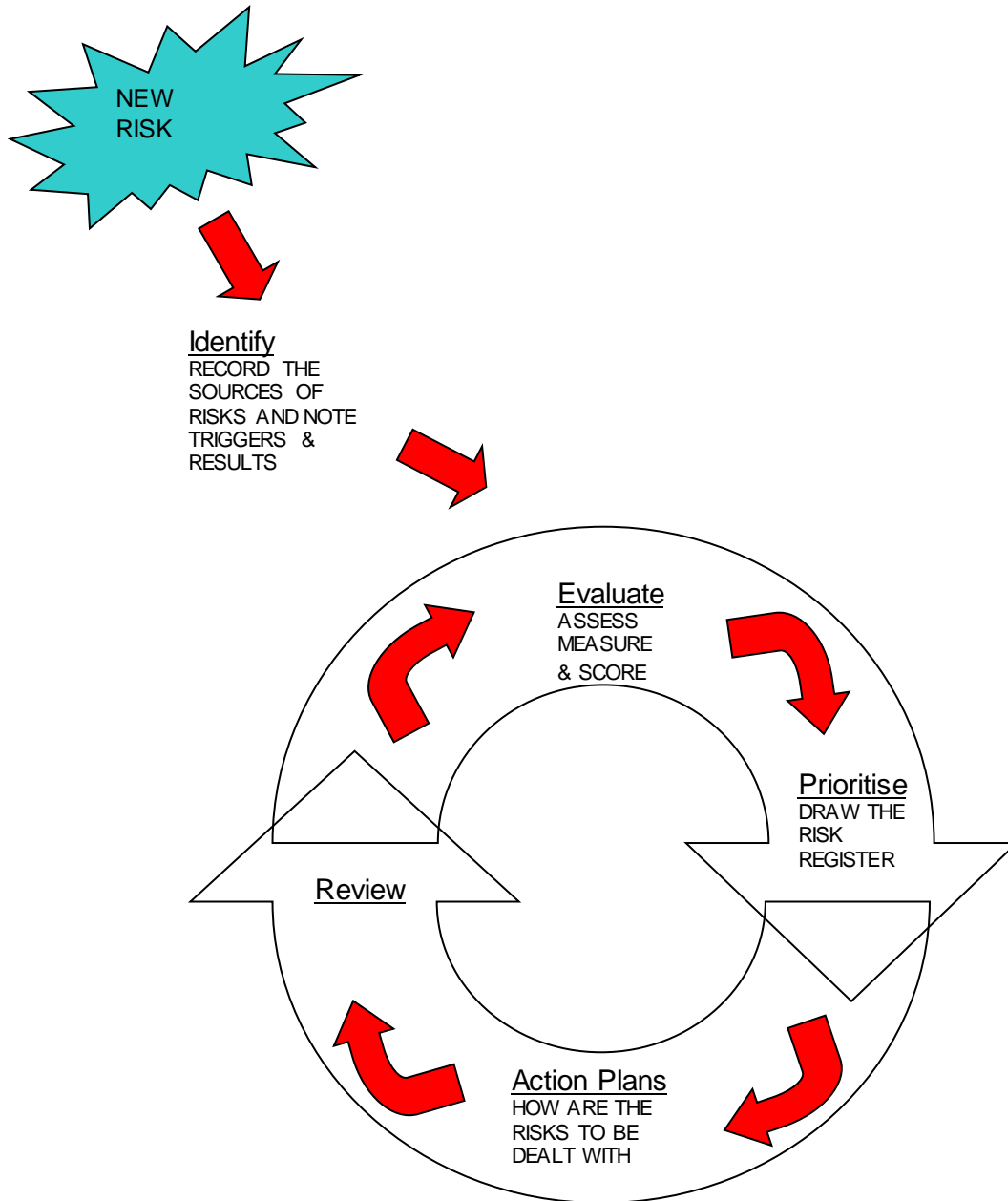
Risk management arrangements will be periodically reviewed based upon the severity of the risk together with an annual review of the strategy and process.

Benefits of Effective Risk Management

- Alerts Councillors and officers to the key risks that may threaten achievement of the Council's plans.
- Enables risk mitigation and management.
- Provides appropriate assurance to Councillors, relevant Committees, and officers as to the adequacy of arrangements and enhance awareness of risks and appropriate approach.
- Demonstrates accountability to regulatory bodies.
- Creates focus towards objectives.
- Helps inform and manage change.
- Gives flexibility in responding to issues.
- Supports innovation
- Improves transparency and justify decisions.
- Informs the budget and MTFP process.
- Identifies the appropriate level of controls.
- Shares knowledge in controls.
- Protects reputations.

Risk Management Process

The process described below details Sefton’s approach to identifying, assessing, and recording risk. This is also represented by the following diagram:



Risk Management Process Model

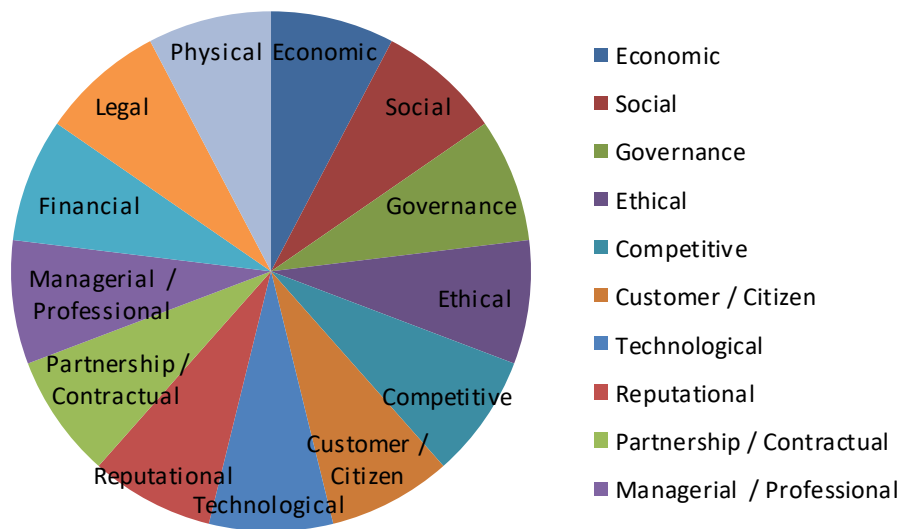
Risk Identification

Officers should devote sufficient time to identifying risk, as this is an important area of risk management. The aim of this stage is to identify and record in a risk register the key risks that could prevent the Council from achieving its objectives. The objectives could stem from the Corporate Plan, team plans or the objectives for a project. It is important to have a clear shared understanding of the objectives before you start to assess the risk otherwise the risk identification process is likely to be ineffective.

You should ensure that relevant staff to the project or service area are involved in the risk identification process to ensure that a holistic assessment of risk is obtained and gathered.

Risks are normally identified using a systematic approach by considering risks by type such as legal, reputational, financial for example using the Risk Wheel below. Not all risk types are applicable in every assessment of risk however it is a useful tool to run through at each risk identification session. Both internal and external factors that will impact on the achievement of the Council’s objectives need to be considered. Once the risk is identified then a structured process can be implemented to ensure that the risk is fully evaluated and appropriately managed.

Risk Wheel



An ideal method to identify risks is through brainstorming sessions with relevant staff or where this is not possible through interviews on a one-to-one basis. Risks should be recorded as an uncertainty and the language used should reflect this for example failure to achieve business plan objective.

It is crucial that risks are clearly described as the risk register is ultimately a communication tool to help convey a message about a risk event. A good description will usually include the event, its cause or source (trigger) and its consequences/outcome if it materialises (results)

Key Points

- Keep it simple.
- Prioritise the risks in the risk register with the highest scoring residual risks at the top of the register and the rest of the risks in descending order.
- Consider external and internal factors including risk interdependencies across services.
- Consider tried and tested methods and best practice.
- Ensure there is a clear link between objectives and risks.
- Revisit regularly to ensure the insignificant risks stay that way.
- Ensure that responsibilities for risk management are delegated to named individuals.

Potential Risk Areas – (examples, not exhaustive)

- Managing change
- Reputation damage
- Legal compliance
- Government policy
- Health and safety
- E- commerce
- Staff retention
- Integrity of staff
- Fraud
- Security of funding
- Debt management
- Disaster recovery
- Financial external regulators
- Ethics/culture
- Funding availability
- Physical disasters
- Data integrity
- Operational
- IT failure
- Treasury management
- Stakeholder pressure

Risk Evaluation Scoring Matrix

Recording our Risks

We use a Risk Register to record the risks we have identified. The same format is used for all registers and the information required to complete the register is detailed below.

Trigger and Result

The risk identification process should consider and document the triggers (root cause of the risk) and the results (consequences) of risk which add context and an understanding of the dynamics of that risk. The defining of the trigger and results aids the identification of appropriate controls and mitigating actions that can be implemented to prevent the risk occurring or mitigate the impacts or support speedy recovery. Identifying the result creates the understanding of the impacts should the risk be realised.

Triggers are recorded as a statement or a factual event for example a change in government policy. There may be multiple triggers for a risk and care should be taken as to whether they should be recorded together or as separate line in the risk register and scored differently as often the risk scores and the controls used to manage the risk with more than one trigger are different. A common pitfall at this stage is confusing when a risk is a trigger and vice versa. Time should be spent ensuring that the relationship between the risk and trigger is clarified and understood.

The results of the risk are the consequences of the risk occurring for example loss of revenue. There are often multiple consequences of the risk which should be recorded and will help to shape the scoring of the risk.

Risk Ownership

The effective management of risk requires that each risk should have a named owner this is to ensure that ownership of the risk is clearly identified and accountable. Ownership should be vested at individual officer level using their post title and not at team level or entity level.

Risk Assessment – Scoring

Risks will be evaluated in accordance with a 5x5 scoring matrix, which is an industry standard approach. The Risk Register template (*Annex B*) should be completed in line with the scoring below.

Select the relevant descriptor/s for the **Likelihood** of the risk occurring and the same for the **Impact** of the risk. The point at which they intersect indicates the appropriate risk score. There is no multiplication involved.

The initial risk assessment scoring identifies the inherent or gross risk values which ignores the controls in place and should, in the vast majority of cases be higher and in a small minority of cases the same, as the residual risk score. The assessment should consider previous history of similar risks and their impact as well as consideration of whether action would perhaps have automatically been taken to address the risk.

| IMPACT | | | | |
|---|--|--|--|--|
| Insignificant | Minor | Moderate | Significant | Catastrophic |
| No real interruption to service | Some disruption but can be managed | Disruption of several operational areas | Disruption of all service areas | Total failure of systems and services |
| One-off minor reduction in performance in one service area | Sustained reduction in performance in one area or reduction in performance across more than one service area | Sustained reduction in performance in more than one service area | Sustained systematic non-performance resulting against most performance targets | Complete performance failure |
| Financial loss up to £5,000 | Financial loss between £5,001 and £20,000 | Financial loss between £20,001 and £100,000 | Financial loss between £100,001 and £1 million | Financial loss in excess of £1 million |
| Loss of up to 10% budget | Loss of 10 - 20% budget | Loss of 20 - 40% budget | Loss of 40 - 65% budget | Loss of over 65% budget |
| Minor injury or discomfort to an individual | Minor injury or discomfort to more than one individual | Major injury to an individual | Major injury to more than one individual | Fatality |
| Contained within Section/Unit or Service. Complaint from individual/small group, of arguable merit. | Large number of complaints. Social Media comment | Adverse local publicity/local public opinion aware. Statutory prosecution of a non-serious nature. | Adverse publicity in professional/municipal press affecting perception/standing in professional/local government community. Major and persistent adverse local publicity | Adverse and persistent national media coverage. Adverse central government response. Officer(s) and/or members forced to resign. |
| No environmental impact | Minor, temporary environmental impact in pursuit of critical council objectives | Minor, temporary environmental impact in pursuit of council objectives | Potential permanent minor environmental impact in pursuit of critical council objectives | Potential permanent environmental impact in pursuit of council objectives |

| | | | | | | | |
|-------------------|---|--|-----------|-----------|-----------|-----------|-----------|
| LIKELIHOOD | Almost Certain The event is already occurring or is expected to occur | Circumstances frequently encountered - daily/weekly/monthly. >90% | 11 | 16 | 20 | 23 | 25 |
| | Likely The event is likely to occur | Circumstances occasionally encountered - a few times a year. 30-90% | 7 | 12 | 17 | 21 | 24 |
| | Possible The event may occur | Possibility of happening at some point within the next 1 - 2 years 10-30% | 4 | 8 | 13 | 18 | 22 |
| | Unlikely The event is not usually likely to occur | Circumstances that may occur within the next 3 years. 3-10% | 2 | 5 | 9 | 14 | 19 |
| | Rare The event is only expected to occur in exceptional circumstances | Has happened rarely/never before. <3% | 1 | 3 | 6 | 10 | 15 |

Existing Controls

In this section of the risk register identify the **existing** controls that are in place that are being used to prevent, minimize, or mitigate the risks. These are the specific, relevant controls used to manage the risk.

Controls are defined as “any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.”

In practical terms controls can be any action that is undertaken from selecting experienced qualified staff to using external providers to give advice to formal procedure manuals. A list of examples of key controls include but not exhaustively:

- Recruitment of qualified experienced staff
- Recruitment procedures
- Business Plan approved by Cabinet.
- Team meetings
- Financial procedures
- Formal consent by service users
- Bank reconciliations
- Cabinet approved policies.

Residual Risk Score

Following the identification of the existing controls, an assessment of the residual risk score should be undertaken. This score directly identifies the effectiveness of the existing key controls and indirectly the priority to complete further action.

Where the existing controls are ineffective or only provide limited mitigation the residual risk score could be the same or a small reduction against the inherent risk score.

Consideration of risk scores assists management in prioritising resources to mitigate risks. The following table outlines the options normally available for mitigating the risks.

Options for risk response and appropriate register for recording risks

There are four standard options for mitigating risk and these are:

- **Terminate** - can you avoid the activity as the risk is unacceptable due to consequences due to the impact on reputation, financial loss or death? This normally applies to risks with very high residual risk scores.
- **Treat** - can you mitigate the risk? the checks and balances which are built into our everyday business processes (the main type of mitigation)
- **Tolerate** - can you accept the risk? This normally applies to very low residual score risks only.

- **Transfer** - can you transfer the risk? For example, through an insurance programme.

The following table outlines the suggested risk treatment options that are related to the level of risk and their related risk register in the Council.

| LEVEL/ Risk Register | Options for mitigation of risk |
|----------------------|--|
| MAJOR CRR | <ul style="list-style-type: none"> • Terminate activity. • Treat • Transfer |
| MODERATE/ SRR | <ul style="list-style-type: none"> • Treat • Transfer |
| MINOR/ ORR | <ul style="list-style-type: none"> • Treat – where cost is not prohibitively expensive. • Tolerate |

Proposed Actions to Reduce Residual Risk Score

After identifying the residual risk score there should be consideration as to whether further actions are required to reduce the residual risk score to be within the Council's risk appetite. Risk appetite will vary dependent on the activity or objective's importance to the Council. The risk owner is responsible for ensuring that reasonable actions to further mitigate the risk score to fall within the Council's appetite are identified, allocated and implemented in a timely manner.

For each action that has been identified an assessment should be made of the effectiveness of the action to reduce the residual risk score to the target score.

Target Score

The target score should be completed in the risk register to identify the level of risk exposure we aim to achieve and are prepared to tolerate following completion of all the mitigation tasks. The target score should be recorded using the risk descriptors for likelihood and impact considering the Council's risk appetite.

Risk Appetite

Risk appetite can be defined as 'the amount and type of risk that the Council is willing to take in order to meet its strategic objectives.' Organisations in general will have different risk appetites depending on their sector, culture, and objectives.

Sefton uses a Risk Appetite Framework (RAF) (Annex C) to enable us to set out our risk appetites in a consistent, clear, and useful way to guide how much risk the Council is willing to seek and accept. The RAF sets out the level of risk that Members have decided is acceptable for the Council and gives a framework within which Officers can make proposals and take delegated decisions. The purpose of developing a Risk Appetite Framework (RAF) rather than a risk appetite statement is that this recognises that there are different risk appetites for different aspects of the Council's activities.

The RAF sets out five appetite levels that broadly equate to five impact scores (1=low risk appetite; 5=high risk appetite). The areas highlighted in green indicate the Sefton's current risk appetite levels.

The risk appetite will vary over time, depending on the changing priorities, environment, and ambitions of the Council. The RAF will be reviewed periodically to check that it still recognises the current risk appetite of the Council. Further information on the use and application of the RAF can be found in Annex C.

Response and Assurance

Response

- Identify how each risk is to be dealt with
- Ensure this reduces the level of risk.
- Assess whether the control is cost effective and does not exceed the cost of the risk being realised.
- Create an action plan with a named owner.
- Ensure action plan is managed.
- Don't stifle with control.

Assurances

- Is the assurance acceptable?
- Are there are effective controls in place?
- How are the controls tested?
- Is there an auditable trail to demonstrate risk management process has been followed?

Action Planning

If it is identified that the residual risk score is deemed to be above the Council's risk appetite and should be reduced, further actions should be designed so that when they are implemented, they reduce the residual risk score to the target risk score. In determining the mitigation required to manage a risk, regard must be had to the proportionality of the cost of the mitigation to the cost impact if the risk occurs, it makes no sense if the cost of control exceeded the cost of impact.

A proposed action owner, who may not be the risk owner, should be assigned as the named owner and an achievable target time scale for completion should be formally agreed. It is unacceptable to set a target date of "ongoing" as this does not facilitate the effective management of action delivery.

Risk Monitoring

Risk registers of all levels (Corporate, Service, Operational, Project) should be reviewed and updated on a quarterly basis to ascertain:

- Whether all key risks are included
- If new controls need to be put in place

- If any risks can be closed. Closed risks should be recorded on a separate tab of the risk register along with the date they were closed and the reason for closure
- The progress in implementing agreed actions. The completed actions should be transferred to the existing key controls column.
- If residual risk scores should be rescored, e.g., to reflect completed actions.
- Whether any risks need to be escalated or de-escalated between risk registers. This is dependent on the residual score of the risk.

Risk Registers are dynamic documents; therefore, managers should not wait for the next formal quarterly review to include any newly identified risks in their service area.

Risk Reporting

Where issues are identified in undertaking action to mitigate risk, or where the risk has reduced, then the risk owner should consider either escalating a risk upwards (e.g., from Operational Risk Register to Service Risk Register) or de-escalating the risk (e.g., from Corporate Risk Register to Service Risk Register).

Where to record and escalate a risk

| Identify Risks | | | |
|--------------------|--|--|---|
| Assess Each Risk | | | |
| Evaluate Each Risk | | | |
| * | Risk Score 1– 6 (Minor Risk) | Risk Score 7 – 18 (Moderate Risk) | Risk Score 19 – 25 (Major Risk) |
| | Record in Operational Risk Register | Record in Service Area Risk Register | Record on Corporate Risk Register |
| | Allocate an Owner - Assistant Director/or Service Manager as appropriate | Allocate an Owner - Assistant Director/or Service Manager as appropriate | Allocate an Owner - Executive Director/Assistant Director |
| | Manage the risk - consider 4 T's which apply | Manage the risk - consider 4 T's which apply | Manage the risk - consider 4 T's which apply |
| | Define actions, responsible officers, and timescales | Define actions, responsible officers, and timescales | Define actions, responsible officers, and timescales |
| | Report to Assistant Director | Report to DMT | Report to SLB/ELT & Members as appropriate. |
| | Review the residual risk | Review the residual risk | Review the residual risk |
| | Re-assess. | Re-assess. | Re-assess. |

* In determining where the risk is recorded, please note:

- The distinction between ‘Inherent’ and ‘Residual’ risk; based on the prevailing control environment (as per the ‘Existing Controls’) column of the register, **it is the ‘residual’ risk that determines where the risk is recorded.**
- The importance of ensuring that ‘Existing Controls’ defined against each risk are in place and operate effectively, since reliance is placed on them to reduce the inherent risk value.
- Whilst it is recognised that ‘Projects’ will include their own designated risk registers and arrangements for reporting and accountability, it is important that the principles in terms of risk evaluation and reporting are still applied; any project risks scored as ‘Major’ should always be reported to SLB.
- On a quarterly basis, the Audit and Governance Committee receives a report on the Corporate Risk Register to support the Committee in delivering its responsibilities in respect of risk management.

Annual Assurance

The Chief Executive, Executive Directors and Assistant Directors will provide annual assurance in respect of the development, maintenance, and operation of effective control systems for risks under their control. This will provide a key assurance source for the Annual Governance Statement which is prepared by the Council as part of the annual Statement of Accounts.

Risk Management in other Business Processes

The risk management processes defined in other business processes should be complied with. Other business processes include:

Councillors’ Decision Making

- Risk associated with proposals must be considered and be included with the standard reporting procedures for Committee.

Service Planning

- Senior managers must consider the risks to achieving their service plans and ensure that these are recorded in the Service Risk Register.
- Growth and saving proposals should include a risk assessment.
- Reports requesting approval of annual and medium-term plans will include risk assessment.

Business Continuity

- The Civil Contingencies Act 2004 places a statutory responsibility on the local authority to establish a system of Business Continuity Management to ensure that critical services continue to be delivered at a time of disruption.

Project Management

- Risk and issue management is a key part of effective Project Management and should be recorded throughout the lifetime of the project, and link to service and corporate risk registers.

Risk Management Awareness

- The Council is committed to ensuring that all members, officers, and partners (where appropriate) have adequate knowledge of the Council's Risk Management approach, and this will be delivered through workshop, briefings, and internal communication channels.

Completing the “Risk Implications” requirements For Committee and Executive Reports

1. Reports dealing with Key Decisions contained in the Forward Plan

A Key Decision is defined as follows:

- Any executive decision which is not in the Annual Revenue Budget or Capital Programme approved by the Council, and which requires a gross budget expenditure, saving or virement of more than £100,000 or more than 2% of a Departmental Budget, whichever is the greater.

Or

- Any decision where the outcome will have a significant impact on a significant number of people living or working in two or more Wards.
 - *Such reports would require a risk assessment exercise to have been carried out prior to the report being written.*
 - *The associated risks would need to have been identified and scored according to the prescribed process.*
 - *Mitigating controls should be identified and a ‘residual risk’ score assigned.*
- Any risks above low priority should be set out within the body of the report along with any proposed controls to further mitigate the risks.
- The ‘Risk Implications’ comment should refer to the section of the report dealing with risks.

2. Other Committee and Executive Reports

Reports for decision should contain a comment in respect of risk implications. Several possible scenarios might apply.

- A full risk assessment has been carried out.
The exercise should be referred to in the body of the report. The ‘Risk Implications’ comment should refer to the appropriate section of the report.
- No specific risk assessment has been carried out, but the risks associated with the report are already being addressed as part of the Service Level approach to risk management.
The main body of the report should state this, along with the main risks, control measures and proposed new controls. The ‘Risk Implications’ comment should refer to the Service Risk Management process.
- The risks are not, or only partially addressed, either separately or as part of the Service Level approach.
The ‘Risk Implications’ comment should state this. It should list the potential key risks and should state that a separate exercise will be undertaken and reported to the relevant Cabinet Member.

Reports for information or decision where there are no risk implications should include the phrase *No risks have been identified* within the 'Risk Implications' comment.

Examples to assist when completing the 'Risk Implications' requirements on Committee Reports

Having completed your risk evaluation, the following standard phrases may assist you with describing the outcome of your risk assessments (choose the most appropriate statement):

- 1) *A risk assessment has been undertaken; the identified risks have been scored in accordance with the process. Mitigating controls have been identified. The details are referred to in the main body of this report.*
- 2) *A risk assessment has been undertaken; the identified risks have been scored in accordance with the process. Mitigating controls have been identified. The residual risk has been entered to the Service / Corporate Risk Register (delete as appropriate). The details are referred to in the main body of this report.*
- 3) *A Risk Assessment has been undertaken. The most significant risk is in not meeting the required outcomes of this report. This is referred to in the main body of the report.*
- 4) *No specific risk assessment has been carried out, but the risks associated with the report are already being addressed as part of the Departmental approach to risk management.*
- 5) *The risks are not, or only partially addressed, either separately or as part of the Departmental approach.*

Annex A

The Risk Management Strategy

The Risk Management Policy

Roles and Responsibilities

Risk Management Strategy

1. The aim of this strategy is to ensure that within Sefton, risks are identified and managed effectively and are aligned with the ISO 31000 standards. ISO (International Organisation for Standardization) 31000 - Risk management provides principles, a framework and a process for managing risk. It can be used by any organization regardless of its size, activity, or sector.
2. Risk Management is to be an integral part of the planning and decision-making processes of the Council.
3. The Strategy is intended to ensure that Risk Management is embedded in the overall planning process.
4. As Risk Management is integral to the planning and decision-making processes, risks will be identified by all levels of management and staff to ensure that the process reflects both a top down and bottom-up approach.
5. The process will be driven by a framework of monitoring, review, and reporting both internally and by External Audit.
6. Whilst the process of risk management is routinely undertaken within the Council in a number of areas, both at a strategic level (e.g. Management Assurance Framework) and operationally (e.g. procurement 'Risk Assessment' system), it is recognised that there is scope to develop a more integrated risk management approach that facilitates provision of a clear 'golden thread' that links overarching strategic objectives (as per One Council objectives) with Service Area objectives and then to specific (section based) operational activities. As such, the 'three tier' approach ensures that:
 - All activity throughout the Council is focussed towards supporting strategic objectives, and management are better able to allocate resources efficiently (potential to generate savings).
 - There is a clear alignment between management accountability and responsibility (e.g., The Chief Executive/SLB should only be concerned with the most significant risks).
 - All staff, at all levels, operate with a greater understanding of how their role is valuable to the Council, and the importance of risk mitigation in the fulfilment of their duties (a fully embedded risk management approach).
7. In order to move towards a more formal, integrated, embedded approach, and recognising that such fundamental changes in approach and mind set cannot be achieved overnight, this strategy sets out a plan to bring together and develop existing risk management practices.
8. In tandem with the above developments, it is important that an according level of training is provided, initially at senior management level, and then cascading down to other managers.

Risk Management Policy

Introduction

This policy defines how Sefton will implement the effective management of risks and opportunities.

Risk management is a central part of Sefton's strategic management and its corporate governance. Effective risk management makes sound business sense and is good management.

The focus of good risk management is the identification and treatment of risk.

Risk management should be a continuous and developing process which runs throughout the Council's activities. A systematic approach to identifying and analysing risks is an integral part of all management processes and day-to-day working, rather than a separate initiative.

Risks have always been managed but it is necessary to formalise this process and to make it transparent, as prescribed by 'Delivering Corporate Governance in Local Government' (CIPFA, 2016).

The Chief Executive and SLB have the responsibility for promoting the strategy throughout the Authority. The Executive Director of Corporate Resources and Customer Services is the designated risk champion.

Objectives of the Risk Management Strategy

1. To embed risk management into the culture and operations of the Council.
2. To promote risk management as an integral element of business planning and decision making and performance management.
3. To maintain an effective process of key risks identification, analysis, and control.
4. To manage risk in accordance with best practice.
5. To anticipate and respond to new and emerging risks.
6. To ensure that there is clear accountability for both the ownership and cost of risk and the tools used to effectively reduce risk.
7. To improve governance and raise awareness of the need for risk management by all those connected with the Council's delivery of services.
8. To increase organisational resilience.
9. To improve stakeholder confidence and trust
10. To reduce the overall cost of risk

The Council aims to achieve these objectives by:

1. Establishing clear roles, responsibilities, and reporting lines within the Council for Risk Management.
2. Developing a common approach to the identification and analysis of risk and evaluating the most cost-effective method of treating each significant risk identified.
3. Developing a framework for allocating resources to identified priority risk areas.
4. Reinforcing the importance of effective risk management through training and providing opportunities for shared learning.
5. Incorporating risk management considerations into the Council's decision-making, business planning and performance management processes.
6. Monitoring risk management and internal control arrangements on a regular basis.
7. Reporting to Members and stakeholders on the effectiveness of the strategy.

Key Member Roles and Responsibilities

All Elected Members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the Council face and will be made aware of how these risks are being managed through the annual strategic and service planning process.

Members should not seek to avoid, or delegate this overall responsibility, as it is key to their stewardship responsibilities.

Members' Key Responsibilities

Cabinet Member with Corporate Services portfolio will be the Council's Member Champion for Corporate Risk Management.

Cabinet

- Approve the risk management strategy and policy.
- Monitor the Council's risk management and internal control arrangements through the Audit and Governance Committee.

Cabinet Members with Portfolio Responsibility

- Will collaborate with Assistant Directors to ensure effective Risk Management, by developing action plans for the key risks and establishing relevant Performance Indicators to measure their performance through the performance management framework.

Audit and Governance Committee

- Will approve the Annual Governance Statement that reflects the effectiveness of the Council's risk management process.
- Will review the effectiveness of the Council's risk management framework and ensure that it is fit for purpose through quarterly risk reporting.

- Will note the Chief Internal Auditors annual opinion which comments on risk management effectiveness within the Council.

Overview and Scrutiny Committee

- Will review the strategic performance and associated risks of partners, through the powers of the Local Government and Public Involvement in Health Act 2007 and will hold partners to account where appropriate.

Key Officer Roles and Responsibilities

Chief Executive and the Strategic Leadership Board

The Chief Executive and the Strategic Leadership Board play key roles in promoting and embedding risk management within the Authority.

They will:

- Support and promote risk management throughout the Council.
- Identify and assess strategic risks on a regular basis.

The individual Assistant Directors will be responsible for developing relevant action plans for key risks and establishing KPIs to measure their performance.

Executive Director of Corporate Resources & Customer Services

- Will be the lead officer for the Council on Risk Management.
- Maintain an effective corporate risk strategy and policy and, through the Chief Internal Auditor, report to Audit and Governance Committee on the adequacy of the risk management arrangements.

Executive Directors/Assistant Directors

Will demonstrate commitment to risk management by:

- Incorporating the risk management process into service planning processes
- Prepare, review and refresh Service Risk Registers and ensure that Operational Risk Registers are completed in accordance with guidance in the Corporate Risk Management Handbook on a quarterly basis.
- Encourage regular risk communication by including risk as a DMT/
- SMT agenda item every quarter, usually when the completed Service Risk register is considered.
- The Service Risk Registers are shared with the relevant Cabinet Member(s) on a quarterly basis.
- Provide the completed Service Risk Register on a quarterly basis to the Risk and Resilience Team
- Ensure that management within the Service Area update their Operational Risk Registers and they are provided to the Risk and Resilience Team on a quarterly basis.
- Encouraging staff to be innovative and recognise their achievements.
- Encouraging staff to be open and honest in identifying risks or missed opportunities.
- Ensuring that the risk management process is formally part of all major projects, partnerships, and change management initiatives.
- Regularly monitor and review actions plans and associated KPIs to reduce or control the significant risks.

Departmental/Service Managers

- Prepare, review and update Operational Risk Registers
- Need to understand their role in the risk management process.
- Understand risk management and the benefits in order to achieve their objectives.
- Understand how to evaluate risks and when to accept the right risks in order to pursue an opportunity.
- Maintain sound systems of internal control.

All Employees

- Identification and reporting of risks to appropriate manager in a timely manner.
- Have responsibility for identifying opportunities as well as risks in their day-to-day duties and take advantage of opportunities or limit the likelihood and impact of risks.

Risk Management Coordinator - Chief Internal Auditor

- Provide a quarterly update on risk management to the Audit and Governance Committee on behalf of the Executive Director of Corporate Resources and Customer Services.

Risk and Resilience Team.

- Co-ordinate and promote the adoption of the Council's Risk Management policy and Strategy across the Council.
- Facilitate the completion of Corporate, Service and Operational Risk Registers across the Council
- Evaluate the completeness, accuracy and content of the various risk registers against the guidance in Corporate Risk Management Handbook and good risk management practice.
- Annually review the Corporate Risk Management Handbook including the risk management strategy to provide to Audit and Governance Committee.
- Provide and organise risk management training for Officers.
- Co-ordinate and facilitate the quarterly update of the Corporate Risk Register before providing a report to SLB and Audit and Governance Committee.
- Attend Management Meetings within each service to support the revision of operational and service risk registers and consider escalation of risks to Corporate Risk Register.

Internal Audit

- Internal audit's role is to provide assurance to officers and members on the effectiveness of controls. Internal Audit reflects on the results of the corporate and departmental risk analysis when developing the annual audit plan. In addition, the team will provide an Annual Opinion to the Audit and Governance Committee which reviews risk management arrangements within Sefton.

Annex B

Risk Register Template

| (name of service) Risk Register | | | | | | Reported to: | | | | | |
|--|-------------------------|----------------|---------------|--------------|----------------------------|---------------------|----------------------------|--------------------------|------------------------------|--------------|---------------------|
| | | | | | | Date: | | | | | |
| Details of Risk | | | | | Inherent Risk Score | | Residual Risk Score | Actions | | | Target Score |
| Ref | Risk Description | Trigger | Result | Owner | | | | Existing Controls | Proposed Action Plans | Owner | |
| 1 | | | | | | | | | | | |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |

Annex C

Risk Appetite Framework

Risk Appetite Framework

| Risk appetite level  Risk appetite area  | Minimal | Cautious | Moderate | Exploratory | Seeking |
|---|---|--|---|---|---|
| Appetite description | Areas where Sefton will apply a strong control environment to reduce or minimise the likelihood that a risk will occur and/or reduce the impact of any risk | Areas where Sefton will try tried and tested approaches to minimise the likelihood of a risk occurring and/or the impact of any risk | Areas where Sefton seeks low-risk delivery options and will pilot innovation only in a controlled environment | Areas where Sefton strikes a balance between the potential upside benefits and downside risks of a decision and explores new solutions and options for delivery | Areas where Sefton takes risks by working with new ideas and approaches, looking for innovation and recognising that failures are an opportunity for learning and improving |
| Risk Impact score | 1 | 2 | 3 | 4 | 5 |
| Service delivery | Minor changes to a single service | Some sustained changes to a single service/minor change to a number of services | Sustained changes to several services | Sustained changes to most services | Revised approach to almost all services |
| Finance | Maximum of £5,000 | £5,001 - £20,000 | £20,001 - £100,000 | £100,001 - £750,000 | £750,001 - £1m |
| Reputation | Single service/unit comments Low level of local comment | Noticeable level of local comment including social media comment | Professional/local government interest Persistent media interest | National media coverage Central government interest | Remembered for years International social media interest Sustained national media coverage Sustained central government interest |
| Innovation/regeneration | Services delivered as planned with mandated developments only | Tried and tested changes made | Use of limited pilots to develop new approaches | Open to new ways of doing things and taking a balanced and pragmatic (capacity-driven) approach to making changes | Continuous re-evaluation of services and how they are delivered to explore new ideas, learn from failures to invest in ever-improving delivery |
| Environment | No environmental impact tolerated in any circumstances | Minor, temporary environmental impact in pursuit of critical council objectives | Minor, temporary environmental impact in pursuit of council objectives | Potential permanent minor environmental impact in pursuit of critical council objectives | Potential permanent environmental impact in pursuit of council objectives |
| Health and safety | Minor injury to an individual No RIDDOR report | Minor injury to more than one individual No RIDDOR report | Major injury to an individual. Potential RIDDOR report | Major injury to more than one individual RIDDOR report required | Fatality RIDDOR report required |

Risk Appetite Framework (RAF)

The RAF sets out the level of risk that members have decided is acceptable for the Council and gives a framework within which officers can make proposals and take delegated decisions. The current agreed levels are indicated in dark green.

Determining the Council's risk appetite is an important step in the evolution of risk management at Sefton, to support the delivery of its 2030 Vision and other objectives.

As individuals we all have different attitudes to different types of risk, and it is important that the Council determines a common attitude and approach to both risk and opportunity to enable it to make consistent, transparent, and informed risk-based decisions about future activities and controls. In that way, it will be able to respond to risks and opportunities in a proportionate way, putting in place appropriate mitigation and control measures that align with the appetite.

The purpose of developing a Risk Appetite Framework (RAF) rather than a risk appetite statement is that this recognises that there are different risk appetites for different aspects of the Council's activities.

There will always be flexibility when using the risk appetite statements and the RAF is a tool to stimulate thought and discussion while making decisions. The RAF follows the form of the impact scales set out in this handbook. It presents five appetite levels that broadly equate to the five impact scores (1=low risk appetite; 5=high risk appetite) to determine the risk appetite across most, but not all, areas covered by the impact scales. However, for the RAF to work effectively there needs to be collective agreement on the identified risk appetite.

The RAF could be used quickly and informally to assess whether a decision to proceed on a proposed change to an activity, new spending commitment or new plan meets the Council's risk appetite. To further embed the concept of risk appetite into the Council's operating process a change to the header sheet to Committee reports has been made. This ensures that decisions to Committees are evaluated against the RAF and a record of the agreed level of risk of the proposal across the identified areas is presented.

If a proposal was outside the Council's Risk appetite it may still go ahead. There should be careful assessment and evaluation as to why it is proceeding. A clear rationale should be provided.

The risk appetite will vary over time, depending on the changing priorities, environment, and ambitions of the Council. We expect that members will want to review the RAF periodically (certainly at each change of administration) to check that it still meets their political and administrative needs and aims.

The current risk appetite for Sefton Council is highlighted as the dark green box in the table on page 28. Any entry in light green is currently within the Council's risk appetite and conversely any box highlighted in yellow is currently outside of the Council's risk appetite.

Staff should look at each strand of the framework and determine the box in the table whether the proposed action or decision is. For example, Finance if the cost is £250k this would sit within the Council's current risk appetite. Assess for each strand/ risk appetite area and determine if overall the decision will overall meet the criteria. Where there are exceptions, or the decision is completely outside of the risk appetite then careful consideration of the options should be considered before proceeding.

In reality the proposals staff members are considering will likely involve Committee reports which will require SLB and Members approval. There is a section of the Committee agenda which should be completed outlining the risk appetite assessment, the link to the corporate risk or the identification of the relevant risk. The risk appetite section should be completed outlining whether the proposals are inside or outside of the risk appetite and why. The section should describe options that can be taken if any to mitigate to the risk appetite and where a decision is recommended to continue a careful evaluation of the rationale to proceed with both positive and negative factors.

Training has been provided to DMT and Assistant Directors however further support and assistance can be provided.

Advice can be obtained from the Risk and Resilience Team