

# Torfaen County Borough Council

## Guide to... Identifying and Managing Risks



## Guide to... Identifying and Managing Risks

The effective management and monitoring of the risks we face as an organisation is an issue of significant importance for the whole Council. During our work, we are all exposed to risk both in terms of threats to service provision and the potential of lost opportunities. It is essential therefore that we can demonstrate we are fully considering the implications of risk as we deliver services for the citizens of Torfaen.

Ultimately, effective risk management helps to ensure we **maximise our opportunities and minimise the risks we face**, thereby improving the Council's ability to deliver its priorities and improve the agreed outcomes.

We describe risk as:

**“The likelihood of something happening that will have an impact on the Council's business.”**

### Why is risk management Important?

Risk management is the planned and systematic approach to the identification, evaluation and control of risks. The objective of risk management is to secure the assets and reputation of the Council and to ensure our continued financial and organisational well-being.

Risk management is an essential part of good corporate governance and the Council has a responsibility to put in place a process for managing risk. By creating a comprehensive, properly co-ordinated set of risk registers, the Council can determine its “appetite for risk” and put in place measures to mitigate and manage risk.

Whilst it is acknowledged that some risks will always exist and will never be eliminated, it is important that all employees identify, evaluate and accept responsibility for the risks associated with their areas of work.

## Good risk management is about understanding.....

- What might go wrong;
- What the consequences might be of something going wrong;
- Deciding what can be done to reduce the possibility of something going wrong; and
- If it does go wrong, as some things inevitably will, making sure the impact is kept to a minimum.

## Good risk management will lead to....

- Improved decision making - decisions are made knowing the full facts, weighing up the benefits of particular actions against any risks that may be created.
- Effective implementation of decisions - early consideration is given to identifying risks that may obstruct implementation and devising controls to avoid or reduce them.
- Compliance with statutory requirements to have comprehensive internal controls in place to manage risk.
- Protection for the Council, its services and the public who rely on our services - by putting appropriate controls in place we can avoid or reduce risks arising from hazards and threats.
- Efficient use of public resources - by minimising the need to use money to correct errors or pay compensation arising from us not identifying and mitigating our risks.

## Our Approach

It is important that a single approach to risk management is operated throughout the Council. It must be a continuous and developing process which is reviewed on a regular basis. By effectively managing our risks and opportunities, the Council will be in a stronger position to:

- Deliver its priorities;
- Provide improved services to the public;
- Work better as a partner with other organisations; and
- Achieve value for money.

By following the steps outlined in this document, a comprehensive set of Risk Registers will be created for the whole Council which will ensure:

- the identification of the Corporate risks that need to be monitored on a regular basis by the Leadership Team;
- the identification of Directorate risks that need to be reviewed regularly via SMT's to ensure that the content is accurate and risks are being managed appropriately.
- the identification of service risks that need to be managed within Service Areas but still viewed by the wider service area in SMT's
- a greater focus of delivery Corporate Plan priorities;
- clear mitigating activities provided on a quarterly basis to show what has been done to mitigate the risk ; and
- continuous monitoring and updating of all risks throughout the year.

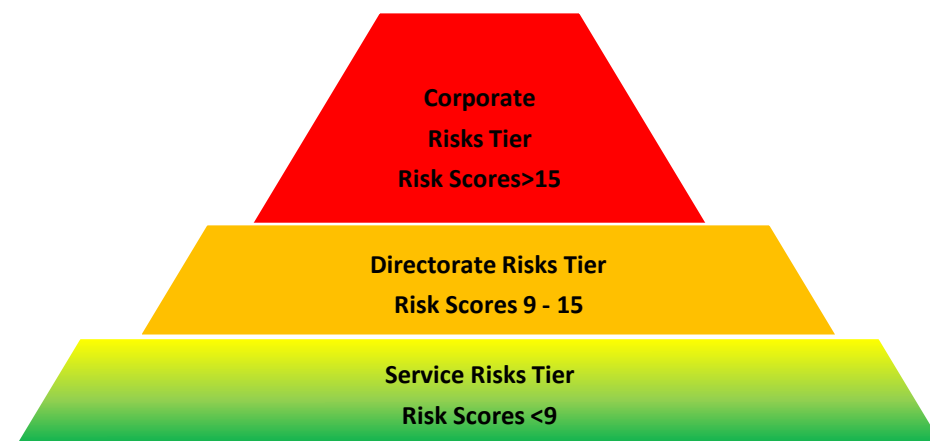
All risks will sit on a master Risk Register which will be reviewed and monitored by the Corporate Risk Management Group (CRMG)

### What risk registers do we hold?

The Council operates 3 tiers of risk registers: a Corporate Risk Register, Directorate Risk Register and Service Risk Register. Risks

move between registers in order to allow effective management and visibility of risk.

Risks will be scored using a numerical 5x5 Matrix, and each score will determine which tier of the Council's Risk Register each risk sits within, see breakdown and criteria for the movement between tiers below:



Risks associated with individual capital or revenue projects that are significant in size or nature should be captured in a risk register for the relevant project. These risks should be captured, reported and monitored by the relevant service area and if necessary, escalated to the CGRMG and Leadership Team. All identified risks and their associated mitigating activities need to be monitored and updates provided to the Corporate Risk Management Group (CRMG) on a quarterly basis, so that changes can be considered by the Group and reported to Leadership Team.

### Identifying, recording and managing your risks

Nominating risks does not mean things are going wrong or will go wrong. For instance, conducting and implementing the results of a service review can carry a great deal of risk, but will ultimately result

in an improved service. You need to be open and honest about what big issues you are facing your service area in the next 12 months.

Any new risks are considered on a quarterly basis by the CRMG before being approved by Leadership Team. The template for bringing new risks forward can be found below:

[M:\Members Common\Corporate Governance & Risk Group\Risk Template - New Risks as at April 22.docx](#)

All risks once approved will appear on the Master Risk Register with risks also being replicated on either the service, directorate or corporate risk register depending on the risk score given.

It is important that we make use of the organisational insight we have within the organisation and as such the CRMG will consult with corporate teams such as Finance, HR and Legal on a regular basis to identify patterns or trends across the Council that will help provide resilience and future proof the Council.

There will be long term risks that will affect both the delivery of your services but also the communities you are enabling to improve. Use the well-being goals and five ways of working to frame what risks you may be subject to in the short, medium and long term, together with the steps you will take to ensure they are well managed.

In planning for the future, it is important to horizon scan and any early insights as to potential risks should be discussed with your Strategic Director. Strategic Directors are then able to discuss with the Chief Executive in their 1 to 1 session but will also have the discretion to raise potential future risks in their quarterly performance reviews in Leadership Team for further discussion.

## Monitoring our risks

Performance monitoring of the Council's risk management activity will ensure our treatment of risk remains effective and the benefits of

implementing risk control measures outweigh the costs of doing so. Performance monitoring of our risks must be continuous - not only of the whole process, but also of the individual risks and of the benefits gained from implementing risk control measures.

For each risk identified it should be categorised as 'TREAT' or 'TOLERATE' using the following definitions:

**TREAT** – to reduce the risk to an acceptable level by taking mitigating action(s).

**TOLERATE** – The Council may tolerate a risk where the risk cannot be mitigated cost effectively or is effectively mitigated by internal controls even if it remains high.

The management of any corporate risks will be monitored and reported to the Leadership Team via the CRMG on a quarterly basis, whilst all Directorate and Service risks should be monitored by the relevant service areas on a regular basis through SMT and reported quarterly basis to the CRMG.

As part of the monitoring process the CRMG and Leadership Team will expect to see evidence via commentary to show whether the mitigations put forward for each risk are working. To do this a set of questions will be asked as follows:

- What has been done in the past quarter to mitigate the risk?
- What has the impact been of these actions, if any?
- If there has been no change in the score of the risk, why?
- If the risk is identified as a "Treatable" risk, when can we expect to see de-escalation of the risk score?

It is appreciated that some risks may take longer to treat than others, if this is the case de-escalation of risks will be reviewed annually.

The CRMG will assess the feedback provided and report to Leadership accordingly.

All decision-making reports prepared for Cabinet, your Executive Member or Strategic Director must have the “risk section” of the corporate template completed using this guidance so the level of the risk is identified and highlighted before the decision is taken, e.g. there is a high risk that unless this action is approved, the service will fail.

## Closing Risks

As a risk is reduced, or the potential event passes, risks should be closed and removed from the Risk Register.

At this stage, the risk will be moved on to a second tab and recorded as closed, detailing a brief description of why risk has closed and the date the risk is closed.

## Steps to take to identify, evaluate and control our risks

See the tables below for a step-by-step guide to the process of identifying, evaluating and controlling our risks:

- Step 1 - Identify your risks
- Step 2 – Assess your risks ( Identify the rating of your risks )
- Step 3 – Control your risks ( Mitigating actions )
- Step 4 – Monitor & Review your risks

## Step 1 - Identify your risks

### 1.1 Think about what could go wrong.

Use the information in your Chief Officer Plans, Business as usual or Self Evaluation to identify your risks.

### 1.2 Write your risks in a structured way.

For example, "There is a risk that long term service delivery may be impeded without strategic workforce planning"

### 1.3 Identify what category (or categories) your risk falls into.

<b>Strategic</b>	<b>Technology &amp; Innovation</b>	
Political, economic, social, technological, legislative, environmental and competitive as well as the requirement to meet changing expectations of customers & citizens	ICT security and disaster recover contingency planning and opportunities for improvement through innovation	
<b>Operational</b>	<b>Improvement &amp; Performance</b>	
Partnership, service failure, risk to customers / staff, health & safety, event safety, professional issues, industrial relations, capability	Corporate priorities / targets and performance indicators	
<b>Legal / Statutory Obligations &amp; Regulations</b>	<b>Emergency Management</b>	
Related to risk of breaches to legislation	Business continuity planning, civil contingencies. Denial of occupancy, utilities & ICT	
<b>Reputation &amp; Litigation</b>	<b>Financial</b>	
Ethical matters, issues of impropriety, political	Budgetary, fraud, irregularity, contract related	
<b>Assets &amp; Property</b>	<b>Major Projects</b>	
Fire safety & prevention, flooding, asbestos, infectious disease	Procurement, contracts, decision making	

## Step 2 – Assess your risks ( Identify the rating of your risks )

2.1 How likely is it to happen?					
	Level	Likelihood of something happening during the next twelve months			
	1	Rare	It is unlikely that the event will occur		
	2	Possible	It is likely that this event will occur		
	3	Likely	There is a fair chance (50:50) that this event will occur		
	4	Almost Certain	The event will almost surely occur		
	5	Certain	The event has occurred or will definitely occur		
2.2 What will the impact be?					
	1	2	3	4	5
	Insignificant	Minor	Moderate	Major	Critical
Delivery and operational	Day to day operational problems	Manageable disruption to the service	Disruption to one critical Council Service for more than 48hrs	Major disruption to Council's critical services for more than 48hrs (e.g. major ICT failure)	Potential to threaten the existence of a service/s
Compliance	Concern raised Complaint received	Warning received	Breach Improvement Notice	Enforcement Action Breach of legal or contractual obligation attracting medium-term attention of legislative or regulatory bodies	Prosecution Service delivery has to be taken over by Central Government
Financial as per the finance procedure rules	Up to £100,000 – within a directorate	Up to £100,000 – across directorates	Between £100,001 & £250,000 – within a directorate Between £100,001 & £250,000 – across directorates	Between £250,001 & £500,000 – within a directorate Over £250,001 – across directorates	Over £500,001 – within a directorate

	1	2	3	4	5
	Insignificant	Minor	Moderate	Major	Critical
Environment (incl. consideration of - Biodiversity - Carbon emissions - Waste & pollution - Air Quality)	Minimal impact on waste/pollution levels/carbon emissions requiring no/minimal intervention	Minor impact on waste/pollution levels/carbon emissions requiring minor intervention	Moderate impact on waste/pollution levels/carbon emissions requiring intervention	Increase in pollutant/carbon emissions/waste from service delivery requiring additional offsetting and mitigation measures	Significant increase in pollutant/waste/carbon emission levels which compromise the Council's ability to deliver carbon neutrality and biodiversity net gain.  Significant loss to protected sites, species and loss of life.
Reputation	Short term local media attention	Sustained local media attention	Front page news locally	Adverse coverage in National Press	Potential public interest report, third party intervention
Health & Safety	Minimal injury requiring no/minimal intervention	Minor injury or illness, requiring minor intervention	Moderate injury requiring professional intervention. RIDDOR/ agency reportable incident.	Major injury leading to long-term incapacity/ disability	Incident leading to death, multiple permanent injuries or irreversible health effects Death of employees
Risk to vulnerable people	Minimal impact on individuals receiving services	Minor impact on individuals receiving services requiring minor intervention	An event which impacts on a small number of individuals receiving services	Serious impact to individuals receiving services Mis-management of care with long term effects Breach of human rights	Death to individuals receiving services



2.3

Likelihood ( step 2.1 ) x Impact ( step 2.2 ) = Risk Rating

Likelihood	Impact				
	1 Negligable	2 Minor	3 Significant	4 Major	5 Critical
5 Certain	5	10	15	20	25
4 Almost Certain	4	8	12	16	20
3 Likely	3	6	9	12	15
2 Possible	2	4	6	8	10
1 Rare	1	2	3	4	5

## Step 3 – Control your risks ( Mitigating actions )

<b>3.1</b>	<b>Can the risk be mitigated?</b>			
	<p>For each risk identified you should be able to categorise it as 'TREAT' or 'TOLERATE' using the following definitions:</p> <p><b>TREAT - to reduce the risk to an acceptable level by taking mitigating action(s)</b> – if a risk can be treated then the table below should act as a guide.</p> <p><b>TOLERATE - The Council may tolerate a risk where the risk cannot be mitigated cost effectively or is effectively mitigated by internal controls even if it remains high</b> – if it is agreed a risk is to be tolerated the risk should still be regularly monitored and updates should still be provided.</p>			
<b>3.2</b>	<b>What should you do to reduce the risk?</b>			
	Any mitigating actions must be referenced in your quarterly monitoring updates to the Corporate Governance and Risk Management Group			
	Level of risk	Level of concern	Recommended review pattern	Action required
	<b>16 - 25</b>	Very concerned	1 - 2 months	<p>These are critical risks requiring immediate attention.</p> <p>This will mean that strategies need to be developed to reduce or eliminate the risk.</p> <p>Mitigation in the form of specific risk treatment and targeted resources will be needed as an urgent priority.</p>
	<b>9 - 15</b>	Concerned	3 – 4 months	<p>These risks are significant.</p> <p>Consideration should be given to the development of strategies to reduce or eliminate the risks.</p> <p>Mitigation in the form of general or specific risk treatment should be put in place and monitored on a regular basis.</p>

	5 - 8	Quite concerned Risk can be tolerated at this time*	5 – 6 months	<p>These risks are less significant, but may cause upset and inconvenience in the short term.</p> <p>These risks should be monitored to ensure they are being appropriately managed and they do not escalate to a higher category of risk.</p> <p>* You can tolerate the risk if additional resources (cost, time &amp; effort) outweigh the risk reduction e.g. you can tolerate the risk if the cost of addressing it is so great, there will be little benefit gained.</p>	
	1 - 4	Not concerned Risk accepted at this time	7 – 8 months	<p>These risks are both unlikely to occur and nor significant in their impact.</p> <p>They should be managed using normal planning arrangements and require minimal monitoring and control unless subsequent risk assessments show subsequent change, prompting a move to another risk category.</p>	

### Step 4 – Monitor & Review your risks

<b>4.1</b>	<b>Are the controls effective?</b>
<p>Few risks remain static – all risks should be monitored, reviewed and reported on a quarterly basis. Risk monitoring and review will form part of Executive Member Performance Monitoring Sessions for your service area where appropriate.</p>	
<b>4.2</b>	<b>Has the risk changed?</b>
<p>Existing risks may change – the likelihood and the impact of the risk may change at any time so continuous monitoring is required.</p>	
<b>4.3</b>	<b>Is there something new?</b>
<p>New issues and risks may emerge at any time – as part of the monitoring process, risks need to be continuously reviewed throughout the year.</p>	