

# City of Wolverhampton Council Risk Management Framework



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## Introduction

Risk Management is the process of identifying risks which impact on the achievement of the Council's objectives, evaluating their likelihood and potential consequences / impacts and determining the most effective methods of controlling or responding to them.

As a Council, we are committed to actively managing risk, this framework sets out the Council's approach to risk management and aims to help us achieve the objectives outlined within the Our City, Our Plan Vision 2030. The framework will be reviewed on an annual basis to take into account environmental changes, changes in the Council's risk appetite and to ensure compliance with best practise.

## Aims and Objectives

This strategy sets out how the Council plan to manage risk and demonstrates our commitment to making risk management an essential part of our daily work. It aims to explain what risk management is and what members and employees at all levels are expected to do. Risk Management does not seek to prevent the Council from developing new ideas and different ways of working which make services more effective, it aims to help us achieve this in a more considered way.

Risk Management is all about:

- Helping protect our assets and resources.
- Helping us to be more confident so that we can achieve our aims and objectives.
- Helping us to make informed decisions about opportunities.
- Boosts the confidence our communities have in what we can do.

This framework aims to:

- Encourage us to maintain a system to identify, assess, prioritise and manage risks facing the council (at all levels – from strategic to operational, including our work with partners and on individual projects).
- Eliminate or reduce risk to an acceptable level.
- Demonstrate how well we are managing our risks through the maintenance and communication of risk registers.
- Make sure we consider and record risks whenever we make decisions.
- Identify who does what to manage risks.
- Promote good running of the council and therefore contribute to our Annual Governance Statement (included within our Annual Statement of Accounts).

## Risk Appetite

The amount of risk we take as a Council to achieve our objectives is known as our risk appetite. Defining our risk appetite gives us overall guidance when we make decisions. As a council, we seek to deliver better outcomes for residents and businesses in the City of Wolverhampton by producing solid and sustainable plans that can be held accountable for delivering. We challenge ourselves to evaluate the level of risk within these plans and only go ahead with them after doing so.

This means we look at our risk appetite for each decision. In some areas we may take more risk in order to support new ways of working, in others we may take less risk (to make sure we comply with the law or maintain public confidence).

In all circumstances, though:

- We would never do anything to financially threaten our ability to continue as a going concern.
- We would always act within the law.

Despite this, there may be times when we are forced to take risks we wouldn't otherwise tolerate in order to follow Government directions or satisfy public expectations of better services. Our risk appetite is monitored by the Senior Executive Board.

## The Risk Management Process

We use a series of logical steps to manage risks.

The diagram below represents the cyclical nature of managing risk:



Each of these steps is explained in more detail on the following pages;



## Identification of risks impacting on the achievement of our objectives

At the Council we use a number of methods for identifying risks, these include; holding risk workshops, horizon scanning and through the work of our internal auditors. Risks are also highlighted by Senior Managers and the Senior Executive Board.

We identify the core objectives for the Council and the risks associated with the achievement of these objectives. At the time this framework was prepared the Council had identified 6 strategic outcomes as part of it's Our City, Our Plan Vision for 2030 which is outlined in the diagram below.



The risks on the Council's strategic risk register have been linked to the Council's six strategic priorities to show where they will impact if appropriate actions are not put in place to mitigate those risks.

## Risk analysis and scoring

Once risks have been identified, they need to be rated to establish which risks pose the greatest threat. This is done by assessing both the likelihood, of the risk occurring and its potential impact. At Wolverhampton we have adopted a '5 by 5' risk matrix approach, rating the likelihood and impact of each risk from 1 – 5 using the criteria set out below:

### Risk Scoring - Impact

Impact	Score	Descriptor
Low	1	Minimal loss, delay inconvenience or interruption. Can be easily and quickly remedied
Low / Medium	2	Minor loss, delay, inconvenience or interruption. Short to medium term effect.
Medium	3	Significant waste of time and resources. Impact on operational efficiency, output and quality. Medium term effect which may be expensive to recover.
Medium / High	4	Major impact on costs and objectives. Serious impact on output / or quality. Medium to long-term effect and expensive to recover.
High	5	Critical impact on the achievement of objectives and overall performance. Critical impact on costs and / or reputation. Very difficult and possibly long-term to recover.

### Risk Scoring – Likelihood

Impact	Score	Descriptor	
Low	1	Rare (0-5%)	This risk will only materialise in exceptional circumstances.
Low / Medium	2	Unlikely (5-25%)	The risk will probably not materialise.
Medium	3	Possible (25-60%)	The risk may materialise at some point.
Medium / High	4	Likely (60-80%)	The risk will probably materialise.
High	5	Almost certain (80%+)	The risk will materialise in most circumstances.

## The Risk Matrix

The two ratings are then multiplied to give a final score for each risk. Scores can be plotted onto the risk matrix below to identify whether risks are Red, Amber or Green.

Likelihood	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
Impact					

## Risk control / assurance

This is where we analyse the risks to identify gaps/weaknesses in controls, we would expect to find gaps in red and amber risks. Then we can choose to manage the risk in one of the following ways:

- Stop the activity (**Terminate**) – sometimes this is the only way to cut risk to acceptable levels.
- Put more controls/ actions in place to reduce risk (**Treat**). We'll manage many risks in this way, identifying who's responsible for doing what and when they should do it by.
- Accept the risk and monitor it (**Tolerate**) - exposure to it may be acceptable without doing anything else. Even if this isn't the case, we may not be able to do much about some risks – or the costs of doing something may not be worth the potential benefit.
- Pass the risk to someone else (**Transfer**) – for example, to an insurer, contractor, or partner. Some risks aren't (fully) transferable – things we must do by law or things which harm our reputation even if we've put a service out to a contractor.

Our tolerance of risk and the resources available to us will determine which of these options we take.

## Risk reporting / monitoring

We use risk registers to monitor risks, these exist at different levels i.e. strategic, departmental and project (see the Risk Management Hierarchy below for more details). The format of risk registers can vary provided they record all necessary information i.e. (risk description, risk score, risk owner(s), controls / gaps in control).

We aim to review all risks regularly (at least quarterly in line with Audit and Risk Committee meetings). Risks can change over time and need to be monitored closely to make sure proper controls remain in place. The Senior Executive Board and the Audit and Risk Committee receive quarterly reports on the strategic risk register. This gives them assurance that we're reviewing

risks and doing something to reduce them. Such reporting also provides a chance to identify and discuss new and developing areas of risk.

Directorate Leadership Teams should also discuss significant risks with relevant cabinet members and Heads of Service. Leadership Teams should make risk monitoring a regular part of their management meetings and integrate it into the way they manage.

## Establishment and Review Registers of Risk

Risk registers are a vital tool to help us manage risk. Completing one is not in itself evidence that risks are being managed, but a register aims to:

- Help identify risks and evidence how we're dealing with them to cut the likelihood of loss and its impact if things go wrong.
- Show clear links between our priorities and the risks affecting them.
- Give us confidence because we know that procedures to deal with any risks that may arise are in place.
- Enable us to share information on risks.

We should continually review registers to make sure that people are doing what they are supposed to do within agreed timescales. Reviews will also show when risks are no longer relevant and, more importantly identify and assess any new risks.

## The Assurance Map

The Council also maintains a strategic assurance map in respect of risks on the strategic risk register. The assurance map follows the three lines of defence model (shown below), and details where the Council can gain assurance against its strategic risks. This too is a live document and is updated alongside the monitoring and reviewing of the strategic risk register.

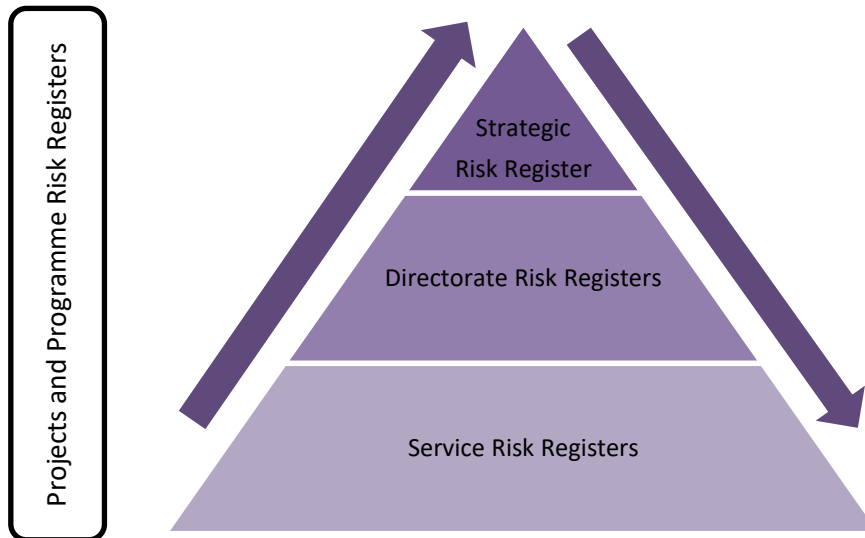
The three lines of defence model:

First line	Second line	Third line
The first level of the control environment is the business operations which perform day to day risk management activity	Oversight functions such as Finance, HR and Risk Management set directions, define policy and provide assurance	Internal and external audit are the third line of defence, offering <b>independent</b> challenge to the levels of assurance provided by business operations and oversight functions



## Risk Management Hierarchy

The diagram below shows how risk registers at various levels across the Council link to each other (so that risks can be cascaded down to lower levels and, more importantly, escalated up to higher levels);



Projects and Programme risks can apply at any level across the organisation, hence why the diagram shows these as relevant at each level.

Below are more details on the risk registers at each level:

- **Strategic** – Includes the most significant risks that could potentially impact on the achievement of the Council’s corporate priorities. The Strategic risk register is maintained by Audit Services who liaise with risk owners to review and update risks. Details of the strategic risk register are reported to the Corporate Leadership Team and the Audit and Risk Committee on a quarterly basis.
- **Directorate** – Includes risks that could potentially impact on the achievement of directorate priorities. Directorate registers are maintained by each directorate in liaison with Audit Services and should be reviewed by Leadership Teams on at least a quarterly basis. Where necessary directorate risks can be escalated to the Strategic risk register.
- **Service** – Service risk registers may not be appropriate in all circumstances; risks can be included on directorate registers. Where they are maintained, they are the responsibility of individual service areas and should be reviewed on at least a quarterly basis. Risks from service risk registers can be escalated to either directorate or the strategic risk register.
- **Projects / Programme** – include risks that could impact on the delivery of programme/project objectives. Project risks are maintained in Verto, the Council’s project management system, risks are the responsibility of the project team and should be reviewed on a regular basis. Project and programme risks can apply at any level across the Council and where necessary should be included on the strategic risk register.

## Roles and Responsibilities

A variety of teams and individuals within the Council have specific roles and responsibilities to make sure that risks are managed properly. These are detailed in the table below:

Role	Responsibility
Audit and Risk Committee	<ul style="list-style-type: none"> <li>Reviews the strategic risk register and assurance map quarterly.</li> <li>Seeks assurance that we are managing our risks in line with this framework.</li> <li>Ensures the Annual Governance Statement properly reflects the risks we face.</li> </ul>
Senior Executive Board	<ul style="list-style-type: none"> <li>Help to identify and manage our biggest risks which impact on our strategic and directorate objectives.</li> <li>Reviews the strategic risk register and assurance map quarterly.</li> <li>Challenges (and holds accountable) specific officers responsible for taking action to manage risks.</li> </ul>
Departmental Leadership Teams	<ul style="list-style-type: none"> <li>Help identify and manage risks which impact on our strategic and directorate objectives.</li> <li>Reviews departmental risk registers on a quarterly basis and identifies risks that should be escalated to the Strategic Risk Register.</li> <li>Challenges (and holds accountable) specific officers responsible for taking action to manage risks.</li> </ul>
Project and Programme Boards / Teams	<ul style="list-style-type: none"> <li>Helps identify and manage the biggest risks to the programme/ project's objectives.</li> <li>Obtains assurances that these risks are managed.</li> </ul>
Audit Services (Risk Officer)	<ul style="list-style-type: none"> <li>Responsible for monitoring, updating and reporting on the Strategic Risk Register and assurance map.</li> <li>Reports on risk to senior officers and members.</li> <li>Helps identify risks.</li> </ul>
Audit Services	<ul style="list-style-type: none"> <li>Provides independent assurance on the adequacy and effectiveness on the controls in place to manage risks.</li> </ul>
Counter Fraud Officer	<ul style="list-style-type: none"> <li>Helps identify fraud related risk areas.</li> <li>Co-ordinates and reports on our anti-fraud activities including investigation of suspected fraud and corruption.</li> </ul>
All Employees	<ul style="list-style-type: none"> <li>Identify and manage risk in their job and report risks to their manager.</li> </ul>

## Further information and advice

For further information and advice on Risk Management and this risk management framework please contact.

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