Appendix
Relative to paragraph 4

Midlothian

Midlothian Council Risk Management Policy

Risk Management

Version No.2

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1.0		Gerald Tait	Created
2.0	26/2/14	Christopher Lawson	Amended to create further clarity of individual roles within the organisation with respect to risk management. Clarify the framework for Managing Risk, align risk management with Service Planning.

CONTENTS

INTRODUCTION

Risk Management is about getting the right balance between innovation and change on the one hand, and the avoidance of shocks and crises on the other.

Midlothian Council recognises that Risk Management is as much about exploiting opportunities as it is managing threats. A certain amount of risk taking is both inevitable and essential if the Council is to achieve its objectives. Midlothian Council recognises that the way that it manages the many risks facing it will contribute towards the successful implementation of the Single Midlothian Plan and achievement of the associated priorities.

Midlothian Council believes that risk needs to be managed rather than avoided and consideration of risk should not stifle innovation. Midlothian Council will therefore use Risk Management to promote innovation as well as to help secure delivery of existing objectives. The Corporate Management Team will consider risk when reaching its decisions, including those affecting new and innovative projects and will take a proportionate response to managing risk.

DEFINITION

For the purposes of this Policy, Midlothian Council defines risk as the effect of uncertainty on the delivery of organisational outcomes.

SCOPE
This policy will be applied to ensure Corporate, Service and Project risks are suitably identified and considered to ensure the ability of the Council to deliver on its stated objectives.

Corporate risks represent the potential for the 'corporate body' Midlothian Council to achieve (opportunity) or fail to meet (threat) its stated corporate objectives and those that require strategic leadership (for example, the Community Plan, the Single Outcome Agreement etc). Service risks may be proposed for inclusion on the corporate risk register where a risk impacts on multiple services or requires significant central resources in the development of risk control measures.

Service risks represent the potential for impact on 'individual services' in relation to service delivery, or the experience of those who work within the services, i.e. employees, partners, contractors and volunteers, or the general public, service users, vulnerable people or clients in receipt of the services provided.

Project risks represent events or circumstance which may impact on a specific project - usually as a threat to the schedule and/ or cost of a project or the benefits the project will deliver. Any residual risks remaining at the end of a project are handed over to the relevant service department/s to manage as business as usual.

POLICY STATEMENT

Midlothian Council is committed to a culture where employees are encouraged to develop new initiatives, improve performance while ensuring the Council meets its stated objectives; effectively and efficiently through the application of sound risk management. In so doing the Council aims to protect vulnerable people, deliver high quality services for all service users, achieve high standards of performance, make the most of opportunities and provide a safe environment for those it employs, partners contracts with and provides services to.

Midlothian Council believe firmly that in times of austerity or growth, the appropriate application of risk management will prevent or mitigate the effects of loss or harm and will increase the Council's success in the delivery of better financial outcomes, business objectives, better project success rates, achievement of targets and fewer unexpected problems.

Midlothian Council expects the application of sound risk management practice in the achievement of its key aims and objectives such as those contained within the Midlothian Single Outcome Agreement, the Single Midlothian Plan and Service Plans.

Midlothian Council is ambitious for the people of Midlothian and is therefore keen to promote an environment that is risk aware, as opposed to risk averse; placing risk management at the heart of policy decision making. This approach will enable the Council to take an effective approach to managing risk in a way that addresses significant challenges and embraces innovation.

Midlothian Council is committed to providing a clear perspective in relation to the Council's risk appetite, a combination of its capacity and tolerance for risk.

In normal circumstances:
- Any very low or low risk is acceptable without further action to prevent or mitigate risk,

- Any medium risk is tolerable – control measures implemented or introduced must be cost effective,

- Any high risk may be tolerable – providing the Council is assured regarding the adequacy and effectiveness of the control measures in place. Any further control measures implemented or introduced must be cost effective in relation to the risk.

- Any critical risks is considered unacceptable and measures must be taken to terminate, transfer or treat these risks to a tolerable position.
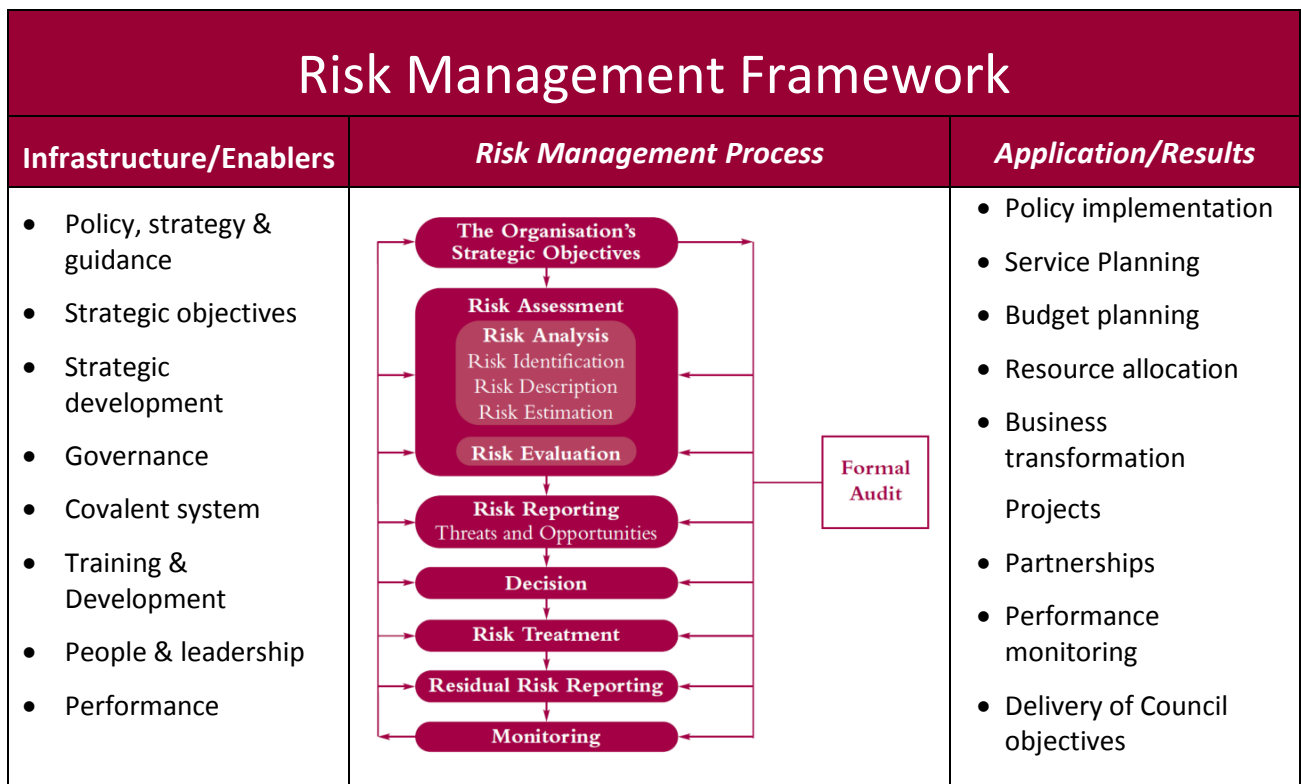
Midlothian Council recognises that in exceptional circumstances a combination of factors can converge to produce a critical risk, for which the Council has limited control (such as the recession and impact of demographic change).

Midlothian Council regularly receives assurance reports on the adequacy and effectiveness of its risk management arrangements (internal & external) and consequently values the contribution risk management makes to the Council's corporate governance arrangements.

Midlothian Council Risk Management framework consists of three main components:
- Infrastructure/enablers
- Risk Management Process
- application/results

'Infrastructure/enablers' consist of components required for risk management to be effected; the 'Process' is used for consistency in assessing and responding to risks; 'application/results' describes a range of activities in which the enablers and process is applied to produce beneficial results.

Risk Management Framework

Infrastructure/Enablers	Risk Management Process	Application/Results
• Policy, strategy & guidance • Strategic objectives • Strategic development • Governance • Covalent system • Training & Development • People & leadership • Performance		• Policy implementation • Service Planning • Budget planning • Resource allocation • Business transformation Projects • Partnerships • Performance monitoring • Delivery of Council objectives

ORGANISATION

This section sets out specific roles and responsibilities of individuals and groups involved in the effective management of risk within Midlothian Council.

Elected members

A significant aspect of an elected member's role is in making decisions for the council and the people of Midlothian. The CIPFA/ SOLACE 'Good Governance Guide for Scottish Local Authorities' –and in particular Principle 4, makes explicit the elected member's decision-making role and the need to ensure that risk management information contributes to the decision-making process. In considering any recommendations from council officers in relation to new policies/ proposals, members will ensure they are aware of the risks and benefits involved prior to making their decisions. A 'risk implications' section on committee papers will enable risk information to be provided.

Chief Executive

The Chief Executive has overall accountability for the council's risk management framework, ensuring that there are suitable and effective arrangements in place to manage the council's risks. The Chief Executive is supported in this role by the Director of Resources.

Director Resources

The Director of Resources is directly accountable to the Chief Executive and is the Corporate Management Team member responsible, on behalf of the Chief Executive, for overseeing the risk management framework and remit of the council's risk management function.

The Director of Resources is responsible for overall leadership and co- ordination of the risk management agenda and for bringing to the Corporate Management Team any risk issues requiring to be addressed. The Director of Resources is supported in this role by a dedicated risk management resource in the Risk, Safety & Civil Contingencies Manager.

Directors

It is the responsibility of each Director and their divisional management teams to implement this policy.

Specifically, directors will:
- implement the policy within their own services, seeking every opportunity to embed risk management methodologies within their existing processes;
- monitor and review the effective application of the risk management process throughout their service and report on significant risks to the Risk Management Group;
- promote employee learning and development in risk management and monitor operational risk management progress; and,
- promote a learning environment in which risk management can flourish and all employees are encouraged to identify opportunities for improvement and are supported when coming forward with matters of concern or when adverse situations arise.

All directors are accountable to the Chief Executive, the Corporate Management Team and the Audit Committee for the management of risk within their areas of responsibility.

While service Directors have overall accountability for the management of a risk within their service departments, they might not 'own' the risk control measures being implemented to manage the risks (e.g. implementation of policies developed by other services). In this case, the role of the Director is to oversee that the controls are fit for purpose and operating effectively within their area of responsibility and liaise with Directors who 'own' the controls should they have any concerns.

Heads of Service
All Heads of Service across Midlothian Council have a responsibility to ensure their employees are familiar with the latest risk management policy, guidance and relevant controls.

Specifically, Heads of Service will:
- ensure employees are informed of the risk context in which they undertake specific duties;
- ensure employees are encouraged to promptly report any matters of concern;
- ensure that employees' risk management skills and training needs are assessed and addressed
- ensure their Service Risk register reflects the risks associated with Service & Council objectives and that the register is maintained through the financial year each year.

All Heads of Service are accountable to their Director for the management of risk within their areas of responsibility.

Service Managers
Service Managers will play an important role in the identification of risks associated with the delivery of Service Objectives and identifying the most suitable means of addressing identified risks.

Service Managers must ensure controls identified as part of the Service Risk Register are implemented within their area of control.

Employees
Risk management should be integrated into the daily activities of every employee. By ensuring that decisions on risk management are taken locally rather than centrally, the council will encourage local ownership of the process. All employees are therefore encouraged to be involved at all levels in identifying current and potential risks where they work.

Employees should make every effort to be aware of situations which place themselves or others at risk, report identified hazards and implement risk reduction measures developed by their service.

This approach will require employees to:
- understand the risks that relate to their roles and their activities;
- understand how the management of risk relates to their own and their client's/ the public's safety;
- understand their accountability for particular risks and how they can manage them;
- understand how they can contribute to continuous improvement of risk management;
- understand that risk management is a key part of Midlothian Council's culture; and,
- report systematically and promptly to senior management any perceived new risks or failures of existing control measures.

Internal Audit Manager
The Internal Audit Manager is responsible for:
- ensuring that the development of the audit plan considers the council's corporate risks and the service departments' significant risks, as well as key areas of organisational change for which risk is inherent; and,
- ensuring that the results of internal audit work will inform the corporate and service risk registers as appropriate.

Risk, Safety & Civil Contingencies Manager
The Risk, Safety & Civil Contingencies Manager will:
- provide advice and support to Directors, Heads of Service, Service managers and Groups in the management of corporate, service and/ or projects risks;
- provide a range of training and education opportunities in risk management for members and employees, in line with elected member training and development programmes, management development programmes and bespoke training needs;
- oversee use, development and maintenance of the risk module within Covalent, ensuring timeous risk management reports are available for stakeholders;
- support the process of corporate risk register and annual risk management plan development and submission to Audit Committee;
- chair and organise the meetings of the Risk Management Group

Corporate Management Team
In respect of the Risk Management Framework, the Corporate Management Team will:
- provide a high profile mandate and commitment to enhancing risk management performance and embedding a risk aware culture, proactively promoting, supporting and encouraging good risk management practice across all services and activities;
- ensure appropriate risk information is utilised to guide major decisions in areas such as policy development, service planning, performance monitoring, budget planning, investment programmes, change programmes, projects and partnerships;

- ensure that a member of the management team is responsible on behalf of the Chief Executive for overseeing the risk management framework and the remit of the risk management function;
- ensure appropriate reporting arrangements for risk management are implemented across all levels of the council and actively reported to the Risk Management Group;
- ensure there are mechanisms in place to check that risk management is being implemented in a manner consistent with the council's risk management policy; and
- ensure the risk management framework is reviewed at a minimum of every two years to ensure it remains fit for purpose and reflects best practice.

In respect of managing risk, the Corporate Management Team will:
- annually review the proposed corporate risk register and agree the corporate risks for the council in achieving its key corporate objectives, prior to submission to Audit Committee;
- ensure on an ongoing basis that significant risks that could impact on key objectives or service delivery responsibilities are identified, analysed, evaluated and responded to appropriately across the council;
- ensure appropriate senior managers are clearly assigned responsibilities for assessing, reporting and managing identified key risks;
- monitor the effective management of the corporate risks by reviewing action taken as outlined in the Quarterly reports to be provided by the Risk Management Group for onward submission to Audit Committee;
- maintain a clear understanding of the council's risk profile and its relation to the council's capacity and tolerance for risk;
- actively 'horizon scan' to enable timely identification of potential risks (opportunities or threats) emerging from the council's external environment; and encourage innovation through appropriate and informed risk management.

The Risk Management Group
The Risk Management Group and in particular the members of this group play a pivotal role in Midlothian Lothian Council's approach to risk management. The group members have two particular roles, the first of which is to oversee the operation of the Council's Risk Management Framework, the second to support their respective Service areas to manage risk in line with the Council's Framework.

The Group will:
- oversee the ongoing revision, implementation and monitoring of progress of the Risk Management policy;
- prepare an annual risk management action plan;
- oversee the ongoing revision, implementation and monitoring of key risk management performance indicators;

- prepare the risk management annual report which will demonstrate key achievements in relation to the Risk Management Policy and risk management action plan; providing assurance to CMT & Audit Committee on the efficacy of the council's risk management framework;
- ensure that members who represent their services take forward agreed risk management initiatives within their respective services, thereby achieving a consistent approach to risk management across all services.
- assist in implementation issues across the council, sharing experience and informing changes to policy and direction.

In respect of managing risk, the Risk Management Group will:
- oversee the process of annual revision of the corporate risk register in consultation with Service Directors and Heads of Service. The Risk Management Group will present the corporate risk register to CMT for agreement and submission to the Audit Committee for approval;
- monitor (on a quarterly basis) the progress of action plans designed to manage corporate risks;
- ensure that processes are in place for escalating risks at various levels as appropriate;
- provide routine and exception reports to the CMT.

PLANNING & IMPLEMENTING
Risk Management is about the culture, processes and structures that are directed towards realising potential opportunities whilst managing adverse effects.

It is pro-active in understanding risk and uncertainty, it learns and builds upon existing good practice and is a continually evolving process that has an important role to play in ensuring that defensible and beneficial 'risk-aware' not 'risk- averse' decisions are made; that the council provides high quality services and employees are assured that every effort has been made to maximise their opportunities to succeed.

Application of risk management across all services
A standard approach will be implemented corporately and across all Service and Projects in order to achieve consistent application and effective implementation of good risk management.

Full implementation of the risk management process, embedding risk management within existing council processes. This means that an assessment of risk as well as costs and benefits becomes routine, for example in change management, project management (and in partnership management).

Identification of risk using standard methodologies, 'bottom-up' and 'top-down' approaches and involving managers throughout the service with detailed knowledge of the

service and the environment in which it operates. The Council will produce a guide setting out how to identify and assess business risks.

Risk will be categorised under the headings noted below, reflecting Single Midlothian council plan:

| Early Years | Positive Destinations | Economic Growth & Business Support |

In addition risk will be categorised by Service Plan outcomes.

Consistent application of Midlothian Council's risk matrix to analyse risk in terms of likelihood of occurrence and potential impact, taking into account the effectiveness of current risk control measures and thus producing a risk evaluation of either 'very low', 'low', 'medium', 'high' or 'critical' risk.

LIKELIHOOD	Consequent Impact				
	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Critical
5 Almost Certain	5	10	15	20	25
4 Likely	4	8	12	16	20
3 Possible	3	6	9	12	15
2 Unlikely	2	4	6	8	10
1 Remote	1	2	3	4	5

Very Low (1-3),   Low (4-9),   Medium (10-16),   High (20),   Critical (25)

How a risk is evaluated will determine how the risk is then treated.

Very low	Low	Medium	High	Critical

High and critical risk will be subject to closer scrutiny by the Corporate Management Team and the Councils' Audit Committee. Medium – Critical risks will be subject to scrutiny and action by Service Management Teams.

Consistent response to risk that is proportionate to the level of risk. This means that risk may be terminated; transferred elsewhere (such as through insurance); tolerated as it is; or, treated with cost effective measures to reduce it to a level where the exposure is acceptable or tolerable for the council in keeping with its capacity for risk.

In the case of opportunities, the council may 'take' an informed risk in terms of tolerating it if the opportunity is judged to be worthwhile pursuing and the council is confident in its ability to achieve the benefits, manage and justify the risk.

Implementation and maintenance of risk registers as a means of collating risk information in a consistent format allowing comparison of risk evaluations, informed decision-making in relation to prioritisation of resources and ease of access to information for risk reporting.

Routine reporting of risk information to appropriate Teams and Committees as appropriate dependent on the type and significance of risk. A procedure for movement of risks between corporate and service risk registers will be operated by services through their representative on the Risk Management Group.

Periodic re-assessment of individual risks, proportionate to risk significance (i.e. low risks fully reassessed every year, medium risks every 6 months and significant [high and critical] risks on a quarterly basis), including routine audit of robustness of measures implemented to control risks.

Annual review of corporate and service risk registers to ascertain progress and to check for contextual changes affecting the risks in line with changes to Service Planning.

Quarterly review of service risk management plans undertaken by Service Management Teams, with Quarterly progress reports to Audit Committee as part of report submitted by the Risk Management Group.

Commitment to ongoing proactive identification of new and/ or potential risks and a learning culture that seeks to avoid repetition of adverse events, as a general responsibility of all council planners, groups, teams and project boards, and specifically those where risk is inherently discussed as part of their remit.

Risk management training opportunities
To effectively Manage Risk, it is essential to harness a workforce with the competence and capacity to manage risk and handle risk judgments with confidence, to focus on learning from events and past experience in relation to what has worked well or could have been managed better, and to focus on identifying malfunctioning 'systems' rather than people.

Training is important and will be essential in embedding risk management throughout the council and developing the council's risk management maturity. The Risk, Safety & Civil Contingencies Manager, will regularly review the risk management training needs of the council and provide training opportunities for Members, Directors, Managers and Employees.

Depending on the context of the training, it can be delivered in a range of formats, such as e-learning, presentations, workshops, seminars or one-to-one briefing sessions where appropriate.

Risk management learning outcomes

Depending on the context of the training, it can provide participants with knowledge of:

- the council's risk management framework and its component parts;
- the legislative and compliance context of risk management;
- the risk management/ service planning/ performance management relationship;
- how risk management supports corporate governance;
- how risk management supports decision-making and the influence of risk perception in decision- making;
- how risk management supports projects and innovation and assists in achieving positive outcomes for the council; and
- how risk tools and techniques can be applied in a variety of business environments.

MONITORING RISK MANAGEMENT ACTIVITY

Midlothian Council operates in a dynamic and challenging environment and a monitoring and review structure needs to be in place to ensure that any changes to the council or its environment, or other factors affecting the suitability or cost of risk response options, are identified and addressed.

Monitoring arrangements require that:

- there will be quarterly reporting to the Corporate Management Team and Audit Committee of progress in managing the risks recorded in the corporate risk register;
- there will be quarterly reporting to service management teams of progress against the risk management plans arising from service risk registers;
- there will be quality assurance checks on the risk management process conducted through meetings of the Risk Management Group;
- there will be ad hoc tailored reports/ presentations to the Corporate Management Team on specific risk related issues/ topics arising from discussion or specific enquiry;
- there will be continual review by Service Risk Management Representatives of progress in managing individual risks listed in the service risk registers;
- there will be regular reporting of claims performance data to Services by the Insurance Officer;
- there will be annual review of risk registers by Internal Audit to inform the strategic audit plan; and,
- there will be annual review of risk registers by Financial Services Manager to inform future financial planning.

Diagram 1 below provides an overview of the Annual planning, assessment and refresh of Service Risk Registers. Diagram 2 shows the quarterly monitoring regime aimed at ensuring continual improvement, action on managing risk and that risk registers remain valid in between annual service planning and assessment refreshes.
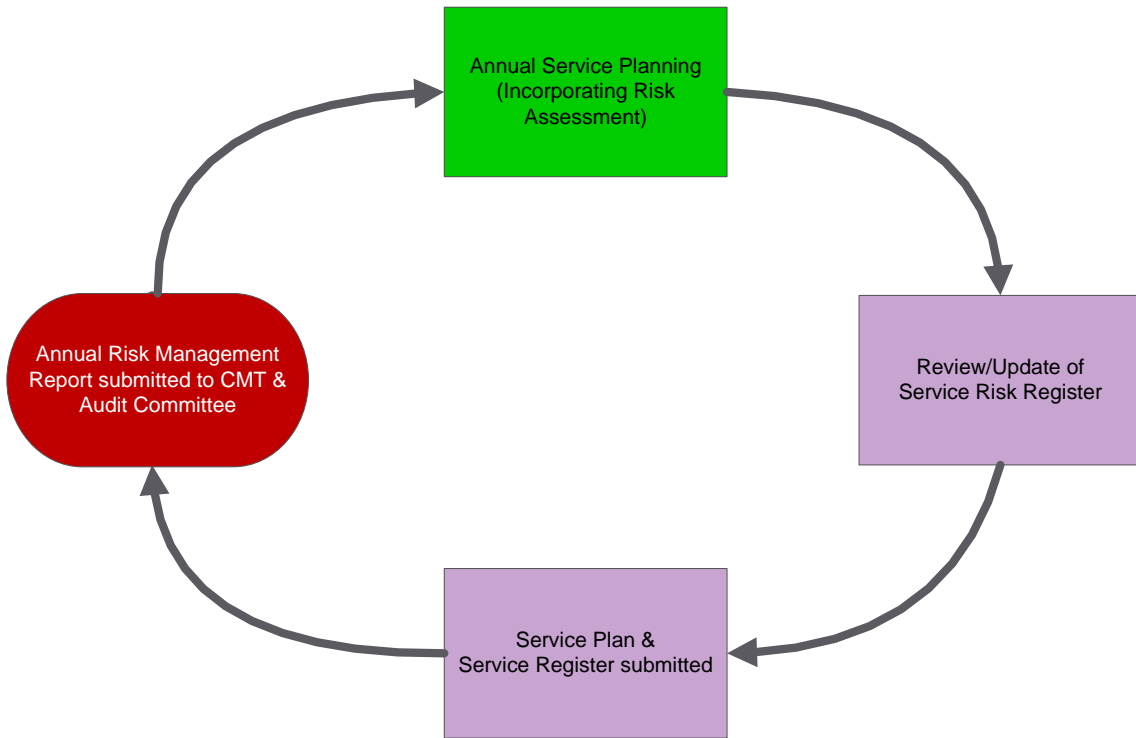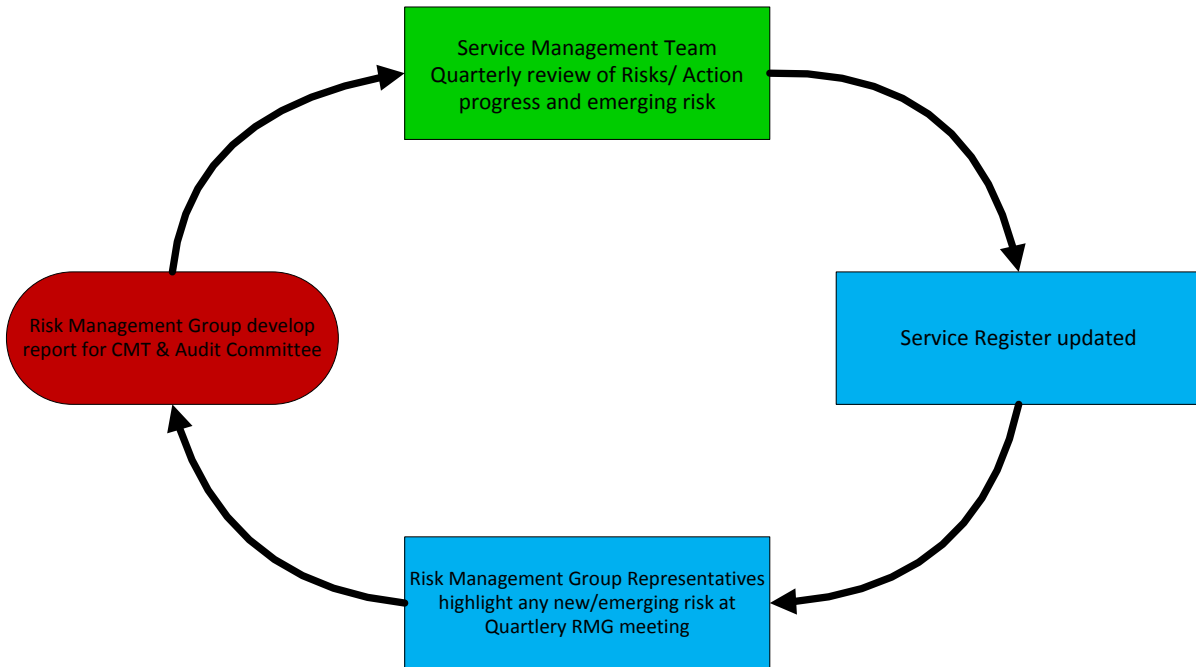
Diagram 1 (Annual Risk Management Cycle)

Diagram 2 (Quarterly Risk Management Monitoring Cycle)

MONITORING RISK MANAGEMENT PERFORMANCE

Monitoring risk management performance is key to the effective delivery of the council objectives. Performance will be measured using a suite of key risk management performance indicators.

The development and ongoing monitoring of the risk management performance indicators is overseen by the Risk Management Group and information concerning the indicators will be reported by the Group, on an exceptions basis, to the Corporate Management Team, and on an annual basis as part of the risk management annual report provided to the Audit Committee.

The key risk management performance indicators will provide an insight into the effectiveness of the council's approach to risk management in specific areas, covering both the enablers and results aspects of the risk management framework .

Within the risk management framework there needs to be sufficient planning, implementation, monitoring and reviewing of performance. A review of the monitoring activity and the risk management performance indicators will determine whether:

- the risk management framework and process is fit for purpose with risks aligned to the council's corporate objectives;
- the risk management framework and processes resulted in what was intended;
- employees received adequate information to enable them to discharge their risk management roles and responsibilities;
- employees across the council have sufficient risk management skills, knowledge and competence in line with the activities they are required to perform on a daily basis; and
- improved knowledge would have helped to make better judgments or reach better decisions and identify lessons for future assessments and the management of risks.

The risk management framework, including policy, service action planning and performance indicators will be formally reviewed every two years, this will constitute a 'Plan/ Do/ Check/ Act review cycle that will shape future risk management priorities and activities of the council, inform subsequent revisions of the risk management framework and its various components and drive continuous improvement in risk management in the council.

REVIEWING PERFORMANCE

The purpose of this review is to enable the Corporate Management Team to ensure that its policy is being carried out and that it is having the desired effect, e.g. improving the prospect of the Council delivering on its objectives for the benefit of the people of Midlothian.

REFERENCES

This section will contain a list of documents referred to or used to inform the development of the policy.

Institute of Risk Management, The Association of Insurance and Risk Managers, The Association of Local Authority Risk Management, 2010, A Structured Approach to Enterprise Risk Management (ERM) and the requirements of ISO 31000, 6 Lloyd's Avenue, London

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