

Midlothian Council Risk Management Strategy

1. Policy Statement

Midlothian Council understands that it is important to recognise and manage the many risks which are inherent in its activities, and in the services which it provides for the benefit of the community. The Council has therefore adopted this policy on risk management, has established the attached Risk Management Strategy and has implemented procedures in support of the policy and strategy.

Midlothian Council acknowledges that risk can never be eliminated in its entirety. The Council also recognises that managing risk can also identify positive opportunities which, with the appropriate level of control, may lead to service improvements. Therefore, the measures which the Council adopts are principles of good management practice which seek to control and balance risk and opportunity.

Specifically, in the area of risk management, the Council seeks to:

- Always meet its statutory obligations, and to act within the law.
- Safeguard the public at large, the Council's members, employees, pupils, tenants and all persons to whom the Council has a duty of care.
- Protect its property, including buildings, equipment, vehicles or any other assets and resources.
- Preserve and enhance service delivery.
- Maintain effective control of public funds.
- Maintain and enhance the Council's reputation.
- Safeguard and enhance the quality of Midlothian's environment.

The Council will promote these objectives by systematically identifying, evaluating, and thereafter seeking to control and monitor all risks which would potentially endanger, or which could have a detrimental effect upon the aims and objectives stated above.

The Council will support its members and officials in developing the necessary skills and competencies to enable the provision of good quality risk management to the Council.

There is a commitment to embedding risk management throughout Midlothian Council, promoting a positive risk culture and making it a part of everyday service delivery and decision-making, ensuring that sufficient resources are allocated. This includes fostering an environment that embraces openness, supports integrity, objectivity, accountability and transparency in the identification, assessment and management of risks, welcoming constructive challenge and promoting collaboration, consultation and cooperation.

Risk Management enhances strategic planning and prioritisation, assists in achieving objectives and strengthens the ability to be agile to respond to the challenges faced. To meet our objectives, improve service delivery and achieve value for money for the residents of Midlothian, risk management will be an essential and integral part of planning and decision-making.

2. Introduction

The objective is to ensure that risk management is an integral part of the Council's corporate and service management, forms part of the Council's governance, planning and service delivery operations and allows for monitoring and reporting on the effectiveness of that strategy.

The strategy acknowledges that risks occur at all levels of the Council's functions and activities and includes strategic or corporate risks as well as innumerable operational risks.

This strategy and policy applies to all of Midlothian Council's core functions. Where Midlothian Council enters into partnerships, the principles of risk management established by this strategy and policy and supporting guidance should be considered as best practice and applied where possible. It is also expected that our significant contractors have risk management arrangements at a similar level, which should be established and monitored through commissioning processes and contract management arrangements.

3. Terminology

Governance

The system by which local authorities fulfil their purpose and achieve their intended outcomes for citizens and service users and operate in an effective, efficient, economic and ethical manner. Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users.

Risk

The chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. This can be further defined as “the combination of the likelihood of an event occurring (or not occurring, as the case may be) and its impact on the organisation”.

Risk Management

The planned and systematic approach to the identification, evaluation and control of risk. The objective of risk management is to secure the assets and reputation of the organisation and to ensure the continued financial and organisational well-being of the Council. All organisations exist to achieve their objectives. The purpose of risk management is to manage the barriers in achieving these objectives.

Effective risk management

Having a process in place that can identify what might go wrong, what the consequences might be of something going wrong and finally, deciding what can be done to reduce the possibility of something going wrong. If something does go wrong, making sure that the impact is kept to a minimum. Good risk management is successfully managing the barriers to achieving objectives.

4. Objectives

Midlothian Council is committed to establishing and maintaining a systematic approach to the identification and management of risk.

The Council's risk management objectives are to:

- Ensure that risk management is clearly and consistently integrated and evidenced in the culture of the Council.
- Manage risk in accordance with best practice.
- Anticipate and respond to changing social, environmental and legislative requirements.
- Consider compliance with health and safety, insurance and legal requirements as a minimum standard.
- Prevent death, injury, damage and losses, and reduce the cost of incidents and accidents.
- Inform policy and operational decisions by identifying risks and their likely impact.
- Raise awareness of the need of risk management by all those connected with the Council's delivery of service.
- Recognise that good risk management also includes positive risk taking and the identification of opportunities.

These objectives will be achieved by:

- Clearly defining the roles, responsibilities and reporting lines within the Council for risk management.
- Setting out clear risk management processes.
- Continuing to demonstrate the application of risk management principles in the activities of the Council, its employees and members.
- Reinforcing the importance of effective risk management as part of the everyday work of employees and members.
- Maintaining a register of risks linked to the Council's business, strategic and operational objectives, including those risks linked to working in partnership.
- Maintaining documented procedures of the control of risk and provision of suitable information, training and supervision.
- Maintaining an appropriate system for recording health and safety incidents, responses and identifying preventative measures against recurrence.
- Preparing contingency plans to secure business continuity where there is a potential for an event to have a major impact upon the Council's ability to function.
- Monitoring arrangements continually and seeking continuous improvement.

5. Approach

It is essential that a single risk management approach be utilised at all levels throughout the Council. By demonstrating good governance through effective management of risks and opportunities, the Council will be in a stronger position to deliver our objectives, provide improved services to the public, work better as a partner with other organisations and achieve value for money.

This approach to risk management will inform the Council's business processes, including:

- Strategic planning.
- Financial planning.
- Service planning.
- Policy making and review.

- Performance management.
- Project management.
- Partnership working.

It is essential in order to achieve the objectives referred to in section 4 that processes are in place to identify and assess risks and opportunities, develop and implement controls and warning mechanisms, and to review and report on progress.

The identified risks and relevant control measures will be managed through the Council's Strategic Risk Register.

There are five key principles of risk management that provide the basis on which Midlothian Council will manage risk:

A. Governance and Leadership – risk management shall be an essential part of governance and leadership, and fundamental to how the organisation is directed, managed and controlled at all levels.

B. Integration – risk management shall be an integral part of all organisational activities to support decision-making in achieving objectives.

C. Collaboration and Best Information – risk management shall be collaborative and informed by the best available information.

D. Structured Processes – risk management processes are recognised as iterative in practice, rather than sequential, and shall be structured to include:

Risk Identification and Assessment – to determine and prioritise how the risks should be managed.

Risk Treatment – the selection, design and implementation of risk treatment options that support achievement of intended outcomes and manage risks to an acceptable level.

Risk Monitoring – the design and operation of integrated, insightful and informative risk monitoring.

Risk Reporting – timely, accurate and useful risk reporting to enhance the quality of decision-making and to support management and oversight bodies in meeting their responsibilities.

E. Continual Improvement – risk management shall be continually improved through learning and experience.

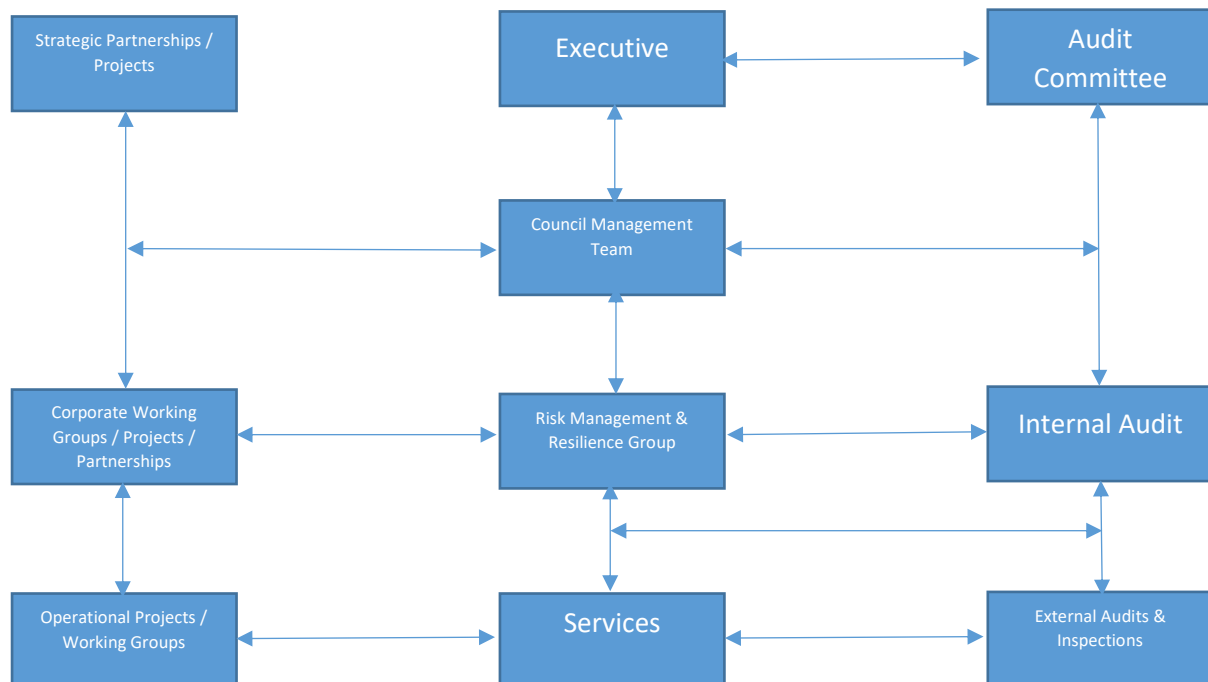
6. Status of Risk Management

Risk management is as much a part of the duties of Council officials as, for example, the control of budgets or the deployment of staff and assets. It is one of many substantive issues to be considered by elected members when making decisions. If the Council is to have reasonable assurance that risk management is effective, and is effectively part of the Council's operations, risk management must be carried out in a systematic and structured manner and be subject to monitoring and reporting on its effectiveness.

7. Management Arrangements

Risk management is a part of service and corporate / strategic management and accordingly is integrated within normal management processes.

The Risk Management Reporting Framework illustrates the Council's risk management structure:



The Chief Executive has overall responsibility for the management of risk within Midlothian Council.

Chief Officer – Place will have responsibility for ensuring that the Council's Risk Management Strategy, Policy and Strategic Risk Register/Profile are maintained and regularly reviewed. Risk owners will be clearly identified within the Strategic Risk Profile. The Strategic Risk Profile will be reviewed quarterly, or where a new significant risk is identified. The reviewed Strategic Risk Profile will be presented to the Council Management Team for approval and thereafter to the Audit Committee.

Executive Directors will have responsibility for ensuring the Strategic Risk Profile is compiled and maintained in respect of their Service.

Chief Officers will be responsible for ensuring all risks falling within their service portfolio are reviewed quarterly, or where a new risk is identified.

Senior Managers will ensure that Service Risk Registers are reviewed quarterly, or where a new risk is identified. Any identified risk which has a wider corporate impact will be escalated to the Strategic Risk Register.

The Council Management Team shall:

- Determine the levels of risk and outcomes that are tolerable and acceptable to achieve the Council's objectives.
- Provide advice to elected members on the type and amount of risk to accept when making policy decisions.
- Assume ownership of the strategic risks recorded in the Strategic Risk Profile.
- Carry out a strategic overview of the Strategic Risk Profile quarterly.
- Promote and support the implementation of the risk management policy and strategy throughout the Council.

Identified risks will be allocated to an officer of the CMT and each risk will be accompanied by an assessment of likelihood and impact. Registers will be accompanied by related actions, highlighting the means by which the risk will be controlled.

There are some aspects of operational risk management which benefit from corporate support and co-ordination. There is also a need for the Council to be able to demonstrate that risk management arrangements are effective, through the Audit Committee.

The Risk Management & Resilience Group consists of at least one senior representative from each directorate of the Council. This is not a decision-making body, as recommendations that have a strategic or corporate impact are referred to the Council Management Team.

The Audit Committee evaluates and recommends approval of the strategies and frameworks in respect of risk management. The Committee approves updates and provides direction in respect of risks held within the strategic risk profile.

The Risk Management Policy and Strategy will be reviewed every two years.

8. Health & Safety

The Council has responsibilities under health and safety legislation to ensure the health, safety and welfare at work of employees and other people affected by the Council's business. Managing health and safety risks is an integral part of business risk management and the management of such risks should not be taken in isolation. Poor health and safety management can have a negative impact on other business risks such as reputation, insurance, business continuity and financial resources.

The effective management of health and safety risks, as with all significant corporate risks, is an essential part of the role of the relevant managers. The organisation and arrangements for managing health and safety within the Council are detailed in the Council's Health and Safety Policy documents.

9. Business Continuity

The business continuity process is essentially risk management applied to the whole organisation and its ability to continue with its service provision in the event of a catastrophic or a localised operational impact event. The Council ensures risk management processes are applied throughout the business continuity lifecycle.

10. Monitoring and Accountability

Formal monitoring and accountability procedures form an integral part of the risk management process, covering the following three main issues:

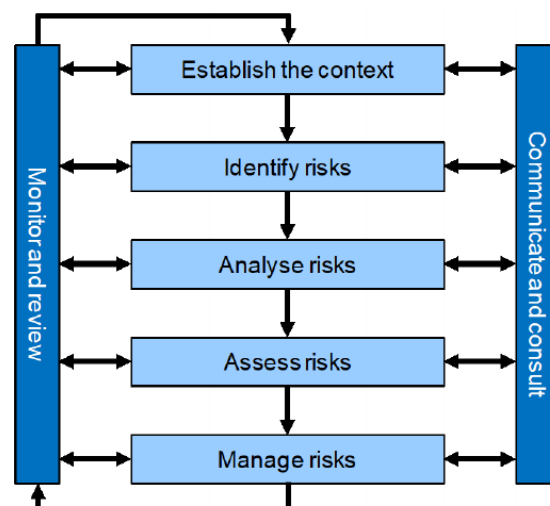
- Delivering the risk management strategy.
- Implementing risk management action plans, both corporate/strategic and service.
- Determining whether the related actions are making a difference to the risk, as appropriate.

The following monitoring arrangements are in place:

- Risk registers are presented to the Audit Committee quarterly to advise members of the risks which may affect the achievement of the Council's strategic objectives.
- Service risks are monitored through quarterly performance reports so that any performance risks are highlighted to the Council Management Team through exception reporting.
- Ensuring that the Risk Management & Resilience Group continues to be an effective and streamlined means of maintaining an overview of risk management and supporting corporate and strategic consistency in the implementation of the risk management policy.
- Internal Audit's role includes the auditing of the risk management process across the Council and the reporting on the efficiency and effectiveness of internal controls.

11. Approach to Risk Management

Risk Management Process – ISO31000



The above diagram demonstrates the whole process and cycle of risk management under the international standard ISO 31000.

The standard as outlined above makes clear that risk management is a dynamic process, with frequent review of existing risks and monitoring of the environment necessary to ensure the risks captured represent the current profile of the organisation.

Continual communication of risks within the organisation is essential to allow for informed decision-making. Communication to the Audit Committee and other stakeholders is imperative to allow effective scrutiny and provide assurance that the risk profile is being effectively managed.

Risk Identification

The aim of risk identification is to recognise and articulate the risks that may help or prevent Midlothian Council to achieve its objectives. It is particularly relevant to consider new or emerging risks alongside business planning and strategy formulation processes. #

There are several risk perspectives:

Corporate - Those risks, which if they occurred, would have a major impact on the organisation or delivery of its priorities. Corporate risks also include cross-cutting risks that impact across directorates.

Change related (Programme / Project) – where we are exposed to risks that could affect our ability to successfully complete the desired transformational outcomes or deliver predefined outputs that enable us to deliver outcomes and realise benefits.

Operational / Service / Contract – where we are exposed to risks that could affect our control and ability to successfully and continually deliver or commission services to our service users / residents.

The following factors, and the relationship between these factors, should be considered when identifying risks:

- Changes in the external and internal context
- Causes and events
- Consequences and their impact on objectives
- Threats and opportunities
- Vulnerabilities and capabilities
- Uncertainties and assumptions within options, strategies, plans or initiatives
- Indicators or emerging risks
- Limitations of knowledge and reliability of information
- Time-related factors
- Any potential biases and beliefs of those involved.

Risks will be identified whether or not their sources are under the Council's direct control, as they have the potential to impact on achievement of objectives, causing great damage or creating significant opportunity.

Assessment / Analysis of Risk

The aim of risk analysis is to build understanding of the nature of risk and its characteristics including, wherever possible, the level of risk. It involves consideration of uncertainties, risk sources, consequences, likelihood, events, scenarios, controls and their effectiveness. Analysis techniques can be qualitative, quantitative or a combination of these, depending on the circumstances and intended use.

The assessment, or scoring, of risk allows for prioritisation by evaluation. Determining the likelihood and impact of a risk and utilising a standardised assessment criteria to assign a score based on these factors allows the Council to understand and prioritise which risks to mitigate first.

	1	2	3	4	5
Likelihood	Rare	Unlikely	Possible	Likely	Almost Certain
Impact	Negligible	Minor	Moderate	Major	Extreme

Risk Assessment Matrix

The risk assessment matrix is a 5x5 scoring mechanism which will identify a score between (1x1) at the lowest (very low) and 25 (5x5) at the highest possible score (critical).

The risk assessment matrix is summarised below:

LIKELIHOOD	5	Low 5	Medium 10	Medium 15	High 20	Critical 25
	4	Very Low 4	Low 8	Medium 12	High 16	High 20
	3	Very Low 3	Low 6	Medium 9	Medium 12	Medium 15
	2	Very Low 2	Low 4	Low 6	Low 8	Medium 10
	1	Very Low 1	Very Low 2	Very Low 3	Low 4	Medium 5
		1	2	3	4	5
	IMPACT					

Risk Evaluation

Once analysed, risks will be evaluated to compare the results against the nature and extent of risks that the organisation is willing to take or accept to determine where and what additional action is required.

Controls

Risk controls are management measures put in place to effectively manage a risk to within acceptable levels (i.e. within target score). It is essential that the controls put in place to manage a risk are effective. The identification of effective controls is the most important part of the whole risk management process as without this element the Council would simply be identifying risks and doing nothing to manage them.

There are two main types of control measure that can be put in place to manage a risk:

- *Preventative Controls:* These are mitigating actions which will work to control the cause of the risk and prevent it happening in the first place
- *Contingency Controls:* These are actions that can be put in place to reduce the impact of the risk if it does materialise.

Risk Appetite, Tolerance and Escalation

Midlothian Council recognises that risk is inherent in delivering and commissioning services and does not seek to avoid all risk, but instead aims to have an 'open' approach to risk, appropriately balancing risk against reward, with risks managed in a proportionate manner.

This will require an approach that allows flexibility and support for well-informed and considered risk taking, promoting transparency and effective risk management, while maintaining accountability. While risks defined as 'high' are to be managed down to a tolerable level wherever possible, it is important that risks across the Authority are not over-controlled.

It is not realistic for the Council, with its diverse range of services and duties, to have just one definitive application of risk appetite across the entire organisation. Instead, risk appetite should be set with reference to the strategy for service delivery in each particular area. However, examples of risks that would be seen as intolerable are those that are likely to:

- Negatively affect the safety of our service users, residents or employees.
- Severely damage the Authority's reputation.
- Lead to breaches of laws and regulations.
- Endanger the future operations of the County Council (i.e. by exceeding the risk capacity of the organisation – the amount of risk that the Authority can bear).
- Adversely impact the financial security or resilience of the Council

In addition, to aid managers in understanding what risks are acceptable, our appetite for risk is implicitly defined within our standard for determining risk levels. Risks rated as "Critical" will be deemed to have exceeded tolerance levels and will be subject to escalation to the Risk Management & Resilience Group for review and action. The target rating for a risk is expected to be 'medium' or lower. In the event that this is not deemed realistic in the short to medium term, this shall be discussed as part of the escalation process, and this position regularly reviewed with the ultimate aim of bringing the level of risk to a tolerable level.

Risk Review

Once the process of identifying, analysing and assessing a risk are complete, it is imperative that it is subject to regular review. Ongoing management and review of a risk is the most important part of the process as maintaining or reducing the risk score to within an acceptable level assures the overall management of the organisation's profile.

During a risk review, the risk is re-assessed. If it is identified that the risk continues to exist, the list of current controls and further controls required must be checked, cross-referenced and added to where necessary. On the basis of progress with controls and an assessment of the risk environment, a re-assessment of the current score must be made using the risk assessment matrix. This will show whether the risk is decreasing, increasing or remaining static. Depending on its escalation level, a change to risk score will be reported at the Audit Committee.

Risk Reporting

A quarterly risk management report is presented to the Audit Committee which reports on the Council's strategic risks. In addition, the Council Management Team is provided with a regular risk management report on strategic and organisational risks.

The Risk Management & Resilience Group provides recommendations to the Council Management Team on the escalation, de-escalation and closure of strategic level risks.

Directorates and services undertake quarterly review, monitoring and reporting on their risk registers (supported by the risk management function) in order to ensure that risks are identified and escalated to the appropriate level at an early stage.