



Risk Management Framework

DRAFT

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Organisation	North Devon Council
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Introduction

Welcome to the Risk Management Strategy.

This document is managed by CORGI our Risk Management Group.

Risk has been defined as:

*“An **uncertain event** or set of events which, should it occur, will have an effect on the achievement of **objectives**”*

(Source: Office of Government Commerce)

*'The **possibility** of an **event** occurring that will have an **impact** on the achievement of **objectives**. Risk is measured in terms of **impact** and **likelihood***

(IIA's International Standards definition of risk)

To give the Council a better chance of achieving its objectives, it is essential that potential risks are identified, and informed decisions made about them, in order to reduce as much uncertainty as possible.

Risk management is synonymous with good management and good governance. It is not a bolt on to existing practices or an exercise simply to meet regulatory requirements.

Risk management is relevant to all areas of the Council, to all its staff, and to all of the services it provides to the citizens of North Devon.

When used well it can actively encourage us to take on activities that have a higher level of risk. This is because once risks have been identified and are being well managed, so the exposure to risk is both understood and acceptable.

No risk management process can create a risk-free environment and in fact they should not try to do so, as eliminating all risk will inevitably mean never improving the operation, by never taking opportunities.

The following links introduce the concept and general principles of risk management and set out North Devon Council's framework on risk management. The accompanying policy on the risk management model provides a structured approach to the identification, assessment and management of risks.

The Risk Management Framework will be reviewed on a regular basis, at least every three years.

If you have any suggestions, queries or comments as to how this document can be improved, please email adam.tape@northdevon.gov.uk or phone on 01271 388875.

Commitment statement

North Devon Council is committed to managing risks in all its activities, including decision making, corporate and service planning, programme and project management. The Strategy & Resources report writing template, the service planning process, and the project appraisal process (PAG) all include the need for risk assessment. For consistency, all risks should be identified, assessed, addressed, reviewed and reported in line with the **risk management model**.

The capacity and resources available for managing risk are limited, so our aim is to achieve an optimum response to risk. The Council agrees a **risk management appetite** from time to time which sets out the amount of exposure to risk the Council is prepared to accept aligned to our Corporate Objectives. Management attention will be targeted towards risks that are assessed as above this level.

The Council's members and officers all have **roles & responsibilities** in managing risk as highlighted in this Risk Management Framework. This helps to ensure that there is consideration of risk in decision making at all levels. Training and support will be provided to assist members and officers in undertaking their responsibilities.

The benefits we expect from implementing the Risk Management Framework:

- planning future activity in a consistent and controlled manner
- improving our decision-making, planning and prioritisation
- improving our ability to meet objectives and assess new opportunities
- contributing to more efficient use of resources within the organisation
- supporting corporate and service planning and governance arrangements
- helping to plan a risk based Internal Audit inspection programme
- protecting and enhancing assets and image
- developing and supporting people and our organisation's knowledge base
- reducing sudden shocks and unwelcome surprises
- ensuring robust contingency planning.

Through effective risk management the Council strives to increase the confidence of its members, staff and stakeholders in its ability to achieve its key objectives¹.

¹ Adapted from Guidance for our Policy & Framework originated from H M Treasury Orange Book – Management of Risk – Principles and Concepts.

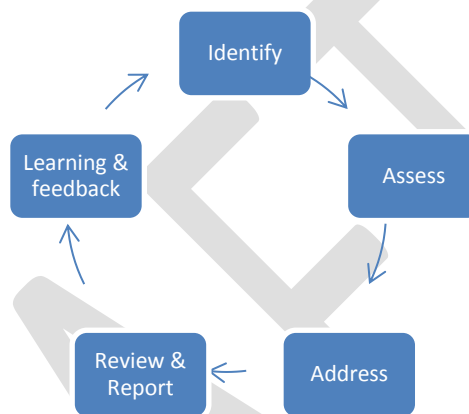
Risk management model

The focus of good risk management is the identification and treatment of risks, or termination of the risky activity.

The management of risk is not a linear process. Instead, effective management is down to balancing a number of elements that interact with each other.

Risk management is the process we use to help us:

- **identify** risks that could stop or delay the achievement of our objectives



- **assess** the risks' likelihood of happening and the impact that it could have if realised
- **address** the risks identified, taking into account our assessment and evaluation and determine how we will approach managing the risk
- **review and report** on risks to ensure the risk register is up to date, no new risks have been identified, gain assurance that current controls are effective and identify when further action is necessary and these actions assigned for delivery
- **communicate** what potential risks we may face and learn from the experience of others internally and externally.

These are described in more detail in our Risk Management Model.

Risk appetite statement

Introduction

This statement sets out how we balance risk and opportunity in pursuit of achieving our objectives. It forms a key element of our governance and reporting framework and is set by CORGI, who will review this statement in line with the review date of this document.

CORGI distinguishes between those risks which are operational in nature and within our control and those external risk factors, such as the risk of an economic downturn, which are not directly within the control but which nevertheless must be identified and considered to address those risks we can influence.

Overarching statement

We are **not adverse** to taking risks; and our approach is based on judgement and the circumstances of each potential risk and an assessment of its impact should that risk be realised. This means we will not seek to intervene in all situations, rather we prioritise in terms of risks, cost and perceived benefits in a consistent and transparent way, choosing the most appropriate course of action.

We are **adverse** to risks to our statutory objectives and legal frameworks in which we operate and those who we regulate against failing to meet the standard required by law.

However, we have an **open** appetite for taking well managed risks where innovation and change create opportunities to deliver benefits and clear improvement in our ability to achieve our objectives.

Operational

We maintain a **cautious** risk appetite towards sustaining appropriate operational processes, systems and controls to support delivery but adopt a more **open** appetite for the development and enhancement of these systems.

We are reliant upon information and data to be able to operate. The accidental or deliberate wrongful disclosure of sensitive or restricted information has the potential to erode trust, damage our reputation and ultimately prevent us from being able to function. As such we have a **minimalist** appetite for such risks.

Fraud

We are **adverse** to the risks of internal fraud and fraudulent behaviour and will maintain appropriately robust controls and sanctions to maximise prevention, detection and deterrence of this type of behaviour.

Legal

We retain an **adverse** risk appetite to having in an illegal, unreasonable or irrational way, or any other way, which would likely to give rise to a successful judicial review.

Reputational

We rely on our reputation in order to influence and secure the engagement of the regulated and wider community, commercial operators and wider stakeholders. The support of these parties is essential to achieving our objectives, so we hold a strong commitment to being seen as a proportionate and respected authority within the Local Government arena and retain an overall **cautious** risk appetite with regard to our reputation. However, we are prepared to take a stance which may be opposed by some of our audience where we believe it is necessary for the achievement of one or all of our statutory objectives.

Appetite	Descriptions
Adverse	Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is paramount. Activities undertaken will only be those considered to carry virtually no inherent risk.
Minimalist	Pre-direction to undertake activities considered to be very safe in the achievement of key deliverables or initiatives. Activities will only be taken where they have a low degree of inherent risk. The associated potential for reward / pursuit of opportunity is not a key driver in selecting activities.
Cautious	Willing to accept / tolerate a degree of risk in selecting which activities to under to achieve key deliverable or initiatives, where we have identified scope to achieve significant reward and / or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.
Open	Undertakes activities to achieve a balance between a high likelihood of successful delivery and a high degree of reward and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.
Hungry	Eager to be innovative and choose activities that focus on maximising opportunities (additional benefits and goals) and offering potentially very high reward, even if these activities carry a very high residual risk.

Risk appetite

Risk appetite is the amount of exposure to risk the Council is prepared to accept in pursuit of its objectives. It is an essential element of risk management. It defines what is and is not an acceptable level of risk to the organisation.

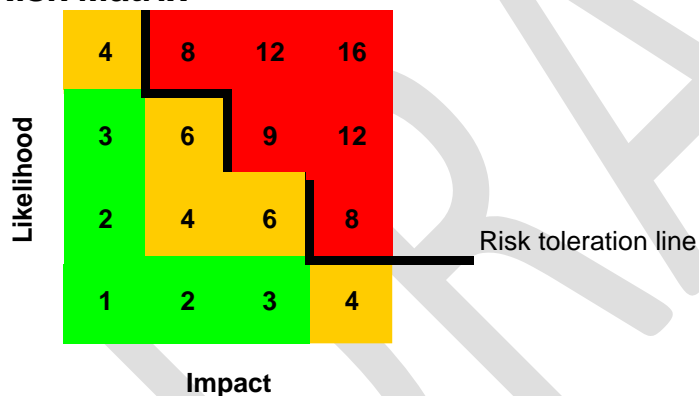
A risk is assessed according to its potential impact and the likelihood of it occurring, giving a numerical score of between one and sixteen.

North Devon Council's tolerance of risk appetite has been set at six or below.

Management attention should focus on managing and monitoring risks with a score of eight or more. For these risks mitigating action should be taken to reduce the Impact and/or Likelihood of the risk occurring. If this is not possible, contingency plans should be put in place or alternative activities considered.

Please see the Risk Management Model for the risk escalation and reporting process.

Risk Matrix



Roles and responsibilities

Role	Responsibility
Council	<p>Council is responsible for ensuring an effective system of internal control, of which risk management is a key area.</p> <p>Council set the tone and influence the culture of risk management at the highest level, delegating responsibility to the Governance Committee to address the key risks facing the Council.</p>
Strategy & Resources	<p>Strategy & Resources takes the Risk Management Framework into account when making key decisions.</p>
Governance Committee	<p>The Governance Committee is responsible for ensuring proper arrangements exist for risk management and internal control. It does this by:</p> <ul style="list-style-type: none"> ○ overseeing the production of the Council's Annual Governance Statement and recommending its adoption by Council. ○ Approves the Risk Management Framework ○ monitoring the effective development and operation of risk management and corporate governance in the Council, including the quarterly review of the Corporate Risk Register. ○ considering the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice. ○ considering the Council's compliance with its own and other published standards and controls. ○ making recommendations as appropriate to the Committee or body, in respect of contract procedure rules, and financial regulations. ○ receiving all external and internal audit reports, and considering their opinions of the levels of assurance that can be placed in the Council's various activities. This includes the external auditor's Annual Audit Letter and their report to those charged with governance.
Chief Executive	<p>The Chief Executive acts as the figurehead for the management of risk within the organisation.</p> <p>In managing risk, the Chief Executive is responsible for ensuring that: a system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets risk registers are maintained for corporate, service and project risks.</p> <p>This includes:</p> <ul style="list-style-type: none"> ○ setting and communicating the risk management strategy ○ providing leadership and direction over the risk management process ○ reviewing the corporate risk register on a quarterly basis ○ conducting an annual review of the effectiveness of the system of

Role	Responsibility
	internal control in support of the Statement of Internal Control.
Section 151 Officer	The Section 151 Officer signs an annual assurance statement that any significant internal control issues are adequately addressed in the Annual Governance Statement.
Monitoring Officer	<p>The Monitoring Officer effectively serves as the guardian of the Council's Constitution and the decision-making process. S/he is responsible for advising the Council on the lawfulness of its decisions and providing guidance to councillors and officers on the Council's Constitution and its powers. The purpose of this is to reduce the risk of incorrect, ill-informed or unlawful decisions being taken.</p> <p>To this end the Monitoring Officer has responsibility to ensure that the Council, the Strategy & Resources and any Committees:</p> <ul style="list-style-type: none"> ○ comply with the law (including any relevant Codes of Conduct). ○ comply with any General Guidance issued, from time to time, by the Ethics Committee and the Monitoring Officer. ○ make lawful and proportionate decisions. ○ comply with the Council's Constitution and standing orders ○ generally, not take actions that would bring the Council, their officers or professions into disrepute. <p>Must report to the Council and to Strategy & Resources in any case where s/he is of the opinion that any proposal or decision of the authority has given rise to or is likely to or would give rise to any unlawfulness, maladministration or breach of statutory code.</p> <p>In addition the Monitoring Officer reduces the risk of inappropriate behaviour by:</p> <ul style="list-style-type: none"> ○ reporting on any maladministration or injustice where the Ombudsman has carried out an investigation; ○ having overall responsibility for the operation of the whistleblowing policy, including receives copies of whistleblowing and allegations of misconduct; ○ maintaining registers of members interests and gifts and hospitality ○ maintaining registers of officer interests and gifts and hospitality.
Head of Governance	The Head of Governance will undertake the Annual Governance Assessment reviewing internal controls and act as the Risk Champion, through CORGI (the Corporate Risk Development Team), co-ordinating the risk management process.

Role	Responsibility
CORGI Corporate Risk Development Group	<p>CORGI is responsible for</p> <ul style="list-style-type: none"> ○ drafting and implementing the Council's Risk Management Framework. ○ reviewing the Corporate Risk Register quarterly and reporting to SMT and the Governance Committee ○ keeping an oversight of and challenging service risk registers and the achievement of mitigating actions arising ○ ensuring audit recommendations are appropriately managed.
Heads of Service	<p>Heads of Service are responsible for :</p> <ul style="list-style-type: none"> ○ preparing an annually updated Service Plan, which includes a summary of risks associated with the Service Actions ○ preparing a regularly updating their Service Risk Register detailing the risks from the Service Plan and other risks associated with the service ○ reviewing the Service Plan and Risk Register with the team on a regular basis ○ monthly/quarterly reporting on performance against the Service Plan, including identification of new risks ○ using the escalation process if they feel the risk is wider than just their service area ○ signing an annual assurance statement to support the Annual Governance Statement (AGS) ○ encouraging their staff to understand their ability to affect the risk process, making clear how their actions can help minimise risks to the Council, and to promote this framework, communicating good and bad practice.
Risk Owners	<p>Once assigned to own a risk, risk owners are responsible for implementing appropriate procedures to manage and monitor these risks, ensuring any changes are escalated to the appropriate Head of Service.</p>
Project Managers / PMO	<p>Project Managers are responsible for:</p> <ul style="list-style-type: none"> ○ preparing project documentation to include risk registers ○ managing the risks associated with their projects ○ report project risks outside of our risk appetite through their Sponsor / Programme Meeting. ○ promoting risk management within their project team.
Internal Audit	<p>The role of internal audit is to assess the adequacy and effectiveness of internal control, risk management and governance arrangements. Internal audit is part of the Council's assurance cycle that can inform and update the organisation's risk profile.</p>

Role**Responsibility**

All staff

All staff must understand the nature of risk and accept responsibility for risks associated with their areas of responsibility. The necessary support, assistance and commitment of senior management will be provided as required.

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