EXETER CITY COUNCIL
Risk Management Procedures

1	Introduction

1.1 What is risk management?
"*Risk Management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of controlling them or responding to them.*"
(Accounts Commission for Scotland publication 'Shorten the odds' July 1999)

1.2 Everyone, whether they realise it or not, undertakes risk management as part of their everyday life. For example, when crossing the road, the decision to use a pedestrian crossing reduces the risk of being hit by a vehicle

1.3 The purpose of risk management is to:
- preserve and protect the Council's assets, reputation and staff
- promote corporate governance by integrating risk management and internal control
- enhance and protect the environment
- improve business performance
- promote a risk aware culture in order to avoid unnecessary liabilities and costs, but to encourage the taking of calculated risks in pursuit of opportunities that benefit the Council

1.4 Risk management consists of four basic processes:
- identifying hazards
- analysing them
- minimising, controlling and responding
- monitoring and reporting

1.5 The purpose of these risk management procedures is to explain what risk management is and how Exeter City Council's process works. Please read and should you have any queries, raise them with your line manager in the first instance

2	Applicability

2.1 Risk management affects everyone, from employees and Councillors to those who have dealings with the Council including contractors, service providers and partners. As stated in the *Risk Management Policy*, it is vital that risk management becomes part of daily routines to ensure the Council, its services, employees, Councillors, etc. are protected from potential harm

2.2 The Council's aim is to anticipate and avoid risks rather than having to deal with the consequences of such occurrences. However, not all risks can be managed, therefore, particularly for key services, Business Continuity Plans are being developed.

2.3 Risk management needs to be aligned with corporate aims, objectives and priorities. The approach is to embed risk management throughout the Council by a culture that spreads best practice, lessons learnt and using expertise. Risk management therefore needs to be considered at corporate, unit and section levels, and needs to take into account the increasing use of partnership workings

2.4 Risk management needs to be proactive so that corporate and operational risks are identified, the impact and likelihood of occurrence are assessed and actively managed (via effective controls and countermeasures) as appropriate. When assessing risks, the cost effectiveness of implementing proposed controls needs to be considered

2.5 Corporate risks are those that affect the Council or City as a whole (e.g. economic factors, changes in interest rates and inflation). Operational risks are those that affect the unit or service. Both corporate and operational risks are captured in the Council's Risk Registers.

2.6 However, some operational risks could have a very significant effect on the Council's objectives and could, if they occur, result in significant financial losses or incurring of expenditure (e.g. a major IT loss or failure). Such operational risks are therefore also corporate risks and need to be recorded as such.

2.7 It is essential that prior to decisions being made concerning the Council joining or establishing a 'significant' partnership, that a risk management assessment is undertaken. The purpose of a risk management assessment is to identify (for example, financial, legal and resources) obligations, commitments and liabilities that the Council could incur

2.8 Importantly, assurances need to be obtained that partnerships have adequate risk management, corporate governance, etc., processes in place

3	**Risk assessment**

3.1 **Hazards and risks**

As part of the risk assessment process, it is necessary to consider *hazards* and *risks*:

a   a *hazard* is anything that has potential to cause harm, harm includes:
  • personal injury or ill health
  • loss or damage to assets and property
  • loss of reputation
  • financial loss
  • environmental pollution

b   a *risk* is the *likelihood* of a *hazard* occurring, and the *impacts/consequences* that could occur should it happen

c   Using as an example Information Security:
  - the *hazard* is that information and data are not held and disposed of securely
  - the *risk* consists of the**:**
  • *impacts/consequences* - release of information such as a complaint about a missed bin would have a *minor* impact. However, release of sensitive personal data that is highly confidential (e.g. medical condition) would have a *major* impact.
  • *likelihood* of someone being able to access confidential information (e.g. it is locked away?)
  (For examples of the types of hazards that may affect the Council please see examples below).

3.2 **Risk identification**

A number of approaches are taken to identify risks to the Council at the earliest opportunity and ensure that they are managed from a very early stage. These include:
  • Regular monitoring of the Forward Plan/Corporate Plan
  • Regular monitoring of Committee Reports
  • Performance monitoring reports
  • Quarterly meetings with Assistant Directors and Corporate Managers
  • Quarterly discussions at SMT (Performance) to ensure that all risks have been captured on the register

3.3 **Impacts/consequences scoring**

The Council uses risk scores ranging from 1 to 4:

EXETER CITY COUNCIL
Risk Management Procedures

- 1 = minor
- 2 = significant
- 3 = serious
- 4 = major

(Examples of how to assess impacts are given below)

Severity of impact matrix						
Score	Personal safety	Failure to provide statutory duties or meet legal obligations	Financial loss	Service disrupt-ion	Personal privacy infringement	Embarrass-ment or reputation
1 Minor	Minor injury or discomfort to an individual or several people	Litigation, claims or fines - Section/ Unit up to £5k	Up to 5% of budget	1 day	Isolated individual personal detail compromised or revealed	Contained within section or unit
2 Signifi-cant	Severe injury to an individual or several people	Litigation, claims or fines - Section/ Unit £5k to £10k	Up to 10% of budget	2-3 days	Some individual personal details compromised or revealed	Local public or press interest
3 Serious	Major injury to an individual or several people	Litigation, claims or fines - Section/ Unit £10k to £50k	Up to 25% of budget	3-5 days	Many individual personal details compromised /or revealed	National public or press aware
4 Major	Death of an individual or several people	Litigation, claims or fines - Unit over £50k	Over 25% of budget	5+ days	All personal details compromised or revealed	AD, DCX or CX forced to resign

3.4 Likelihood scoring

The Council uses risk scores ranging from 1 to 4:
- 1 = remote
- 2 = unlikely
- 3 = likely/possible
- 4 = very likely

(Examples of how to assess likelihood are given below)

Likelihood matrix			
Score	Definition	Likelihood of occurrence	Environmental event (e.g. flooding)
1 Remote	Rare/may occur in exceptional circumstances	0% to 15%	Once in 50 years
2 Unlikely	Could occur at some time	15% to 55%	Once in 20 years
3 Likely/possible	Will/might occur at some time	55% to 90%	Once in 5 years
4 Very likely	Almost certain/is expected to occur in most circumstances	90% +	Annually

3.5 Current and Post Mitigated risks

a *Current risk* is the risk score taking into consideration any actions or measures which are already in place when the risk was identified

b *Post mitigated risk* is the risk score after all risk reduction measures have been implemented and put into operation.

c In the case of a stores building, for example, the:

Current risk assesses the *impact* (e.g. financial loss) and the *likelihood* of events happening such as:
- the building being broken into or burning down
- theft of stock, etc.

The current risk would also take into consideration any actions or measures which are already in place.

*Post mitigated risk t*akes into account risk prevention and reduction measures implemented such as:
- perimeter fencing
- bars at windows, secure doors
- burglar and fire alarms
- CCTV
- security patrols

d The reasons for undertaking these assessments are they:
- act as a check to ensure that the effectiveness of controls and countermeasures in reducing risks are not overstated
- immediately show the extent of risks where it is subsequently found that the controls being relied upon to reduce the current risk are either not in place or not working effectively

3.6 **Risk ratings**
To assess the *risk rating* (i.e. High, Medium or Low) multiply each risk's *impact* score by the *likelihood* score:
- 12 to 16 = High
- 6 to 9 = Medium, or
- 1 to 4 = Low
(Please also see the Risk matrix below)

Risk matrix					
Impact	**4**	4 Low	8 Medium	12 High	16 High
	3	3 Low	6 Medium	9 Medium	12 High
	2	2 Low	4 Low	6 Medium	8 Medium
	1	1 Low	2 Low	3 Low	4 Low
		1	**2**	**3**	**4**
		Likelihood			

EXETER CITY COUNCIL
Risk Management Procedures

3.7 **Risk register**

  a The Council maintains a Corporate Risk Register and an Operational Risk Register that shows details of all risks identified. Risks can be filtered by any column on the Risk Register.

  b As part of the quarterly risk management report to the Audit and Governance Committee, all corporate risks are presented so that Councillors can direct their attention to those risks most likely to affect the Council

3.8 **Risk Monitoring**

Corporate risks to the Council are monitored on a quarterly basis by SMT (Performance) and the Audit and Governance Committee.

Operational risks are monitored by Assistant Directors and Managers. Operational risks which could potentially have an impact on the Council or City overall are also included on the Corporate Risk Register. Operational risks are monitored on a quarterly basis by Assistant Directors, Managers and Corporate Manager (PCCE). Internal Audit will also conduct routine audits of the operational risk register.