Risk Management Toolkit

Corporate Services Department

November 2021

carmarthenshire.gov.uk

Cyngor Sir Gâr
Carmarthenshire County Council

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Acknowledgements

The guidance and toolkit included in this document has been produced by the Risk Management section of Carmarthenshire County Council and is based on the Alarm Risk Management Toolkit.

Alarm is a membership organisation whose purpose is to support risk and insurance professionals and those that deal with the management of risk as part of a wider role, within organisations that provide or support our communities or citizens

The Alarm Risk Management Guide and Toolkit builds on Alarm's Core Competencies in Public Service Risk Management (2011), which outlines the key skills, knowledge and behaviours expected of a risk practitioner. Further information about Alarm can be found at www.alarm-uk.org

Additional material was sourced from Powys County Council's Risk Management Toolkit (June 2018).

1. Introduction

1.1 Risk Management is an integral part of Carmarthenshire County Council's business and our approach needs to be able meet new challenges in an ever-changing world.

1.2 This Risk Management Toolkit provides an approach to implementing best practice management of risk across the Authority.

1.3 The information and guidance included in this toolkit will help identify, assess and manage risks facing the Authority and will help embed the practice of managing risk within the Authority.

Who should use the toolkit?

1.4 The toolkit provides all the information required to apply the management of risk principles and processes across all levels of the Authority to anyone who:

- has responsibility for managing risk
- provides oversight to the management of risk process
- has been tasked with implementing a management of risk approach across the Authority
- has been tasked with improving management of risk across the Authority or a particular activity e.g. a programme or project
- would like to ensure the Authority's current management of risk approach is aligned to best practice.

How to use the toolkit

1.5 Implementing an approach to the management of risk will require a phased approach, with each phase building on previous steps. The toolkit is organised according to these phases.

1.6 Part 1 introduces the toolkit, provides some definitions, outlines the risk management landscape and relevant risk management standards / guidelines

1.7 Part 2 outlines the considerations and steps that need to be taken to implement a management of risk approach, including:

- governance and infrastructure
- risk management process
- integration of risk management
- risk management culture
- continuous improvement

Part One

2. Definitions of risk

2.1 There are a number of various definitions of risk to be had:

Effect of uncertainty on objectives
- ISO 31000, 2009

An uncertain event or set of events that will have an effect on the achievement of objectives. A risk is measured by a combination of the probability of a perceived threat or opportunity occurring and the magnitude of its impact on objectives
- Management of Risk, 2011

Risk is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives
- Audit Commission

2.2 This Strategy uses the following definition of risk management:

The process by which risks and opportunities are identified, evaluated, prioritised, monitored and managed
- Audit Commission

2.3 The Authority has always recognized the benefit of being proactive with the management of risk and has, since its beginning, invested funds to identify and minimize risks. The advantage of such investments can be quantified in both financial and non-financial terms.

2.5 The chart below shows some of the benefits of effectively managing risk:

2.6 Effective risk management needs to be integrated into the culture of the organisation and must anticipate and respond to changing social, environmental and legislative needs as well as changes in the internal environment.

2.7 The Toolkit has been developed to define our approach to both Risk Management and Contingency Planning.

3. Risk Management Landscape

3.1 Local Government continues to undergo a significant period of change and therefore the management of risks, both new and old, becomes even more critical.

3.2 Outlined below are some of the factors contributing to this change:

- a difficult economic and financial climate
- the development of partnerships with other public, private and third sector organisations to deliver outcomes and critical operations
- new technologies
- greater pressure for public service organisations to be creative / innovative to increase efficiencies.
- The COVID pandemic has accelerated the rate of this change in many areas. It has brought with it new pressures, both financial and non-financial, which required Local Authorities to adapt and respond at an unprecedented rate.

3.3 By recognising the need to increase community confidence and effectively manage these new risk profiles, the Authority has implemented a more structured approach to the management of risk.

3.4 These structures aim to ensure a better anticipation of risk and to focus on embedding risk management processes and creating a culture of risk awareness.

3.5 In line with our support for the delivery of the Corporate Strategy we have identified the following as the key priorities for Risk Management:

3.9 **<u>Statutory Context</u>**

Carmarthenshire County Council has set out the following 13 Well-being Objectives designed to maximise our contribution to achieving the 7 well-being goals of the Well-being of Future Generations (Wales) Act 2015 (see Appendix B):

Start Well

1. Help to give every child the best start in life and improve their early life experiences
2. Help children live healthy lifestyles
3. Support and improve progress, achievement, and outcomes for all learners

Live Well

4. Tackle poverty by doing all we can to prevent it, help people into work and improve the lives of those living in poverty
5. Create more jobs and growth throughout the county
6. Increase the availability of rented and affordable homes
7. Help people live healthy lives (tackling risky behaviour and obesity)
8. Support community cohesion, resilience, and safety

Age Well

9. Support older people to age well and maintain dignity and independence in their later years

In a healthy and safe environment

10. Look after the environment now and for the future
11. Improve the highway and transport infrastructure and connectivity
12. Promote Welsh Language and Culture

Corporate Governance

13. Building a Better Council and Making Better Use of Resources

3.10 Risk Management, as a Strategic function, will feed into all 13 with its work with the departments, and will directly contribute to the following:

- Promote Welsh Language and Culture
- Governance and Use of Resources

"the role of risk management will be an important part of how a public body Builds a Better Council and Makes better use of Resources"

4. Risk Management Standards

4.1 A number of best practice risk management guidance documents and standards exist and although they vary in content and methodology, every risk standard aims to:

- ensure appropriate accountability for the management of risk
- bolster an organisation's resilience to risk
- account for the full spectrum of risks faced by organisations.

4.2 Common characteristics emerge across these various standards, which have been adopted by Carmarthenshire County Council and are incorporated into the Authority's Risk Management Framework:

4.2.1 **Governance and infrastructure**

Adoption of a cross organisation management of risk approach with executive level support, policies, standardised processes and defined accountabilities communicated throughout the organisation. Management of risk is integral to planning and performance and there is a clear vision of risk appetite.

4.2.2 **Risk identification, assessment and prioritisation**

Risks and opportunities, including new and emerging risks / opportunities, are identified systematically and consistently across the organisation, strategic decisions and partnerships. Risks are assessed and prioritised to focus time and resource on the critical risks. Risk assessment takes into account risk correlation and incorporates both qualitative and quantitative factors.

4.2.3 **Risk treatment and control**

Controls are tested and action plans developed and implemented where necessary – risk management and risk transfer decisions are fully informed.

4.2.4 **Reporting, monitoring and communication**

There is a strong governance framework in place to facilitate risk reporting and monitoring at all levels of the organisation. Reporting is supported by tools and systems where appropriate. Management fully understand and monitor the risks the organisation faces as well as the effectiveness of risk management. Independent assurance is sought where required.

4.2.5 **Culture**

A risk aware culture exists and employees understand the benefits of risk management and have the knowledge, skills and tools to embed the management of risk process.

4.2.6 **Partners / Third Parties**

The organisation has robust risk management practices in place when working with external organisations. This framework is jointly applied when working in partnership.

Part Two

5. Risk Statement

Carmarthenshire County Council recognises risk management as a vital activity that both underpins and forms part of our vision, values and strategic objectives, including those of operating effectively and efficiently as well as providing confidence to our community.

Risk is present in everything we do and it is therefore essential to identify, assess and manage the key areas of risk on a pro-active basis. We seek to embed risk management into the culture of Carmarthenshire County Council and the behaviour of all people involved in the management, operation and development of Carmarthenshire County Council. Risk management needs to be embedded throughout all processes, projects and strategic decisions, including procurement and contract management which will ensure partnerships and third party relationships are fully compliant with the risk management strategy of Carmarthenshire County Council.

The aim for our risk management framework is that it will be fit for purpose, reflect our size and the nature of our various operations and use our skills and capabilities to the full. In order for risk management to be most effective and become an enabling tool, we must ensure we have a robust, consistent, communicated and formalised process across Carmarthenshire County Council.

In order to obtain a clear picture of which risks will threaten the ability of Carmarthenshire County Council to achieve its objectives it is important the level of risk considered acceptable for the Authority to be exposed to, that is the risk appetite of Carmarthenshire County Council, is defined.

This statement and supporting documentation form an integrated framework that supports Carmarthenshire County Council in the effective management of risk. In implementing our management of risk system we seek to provide assurance to all our stakeholders that the identification and management of risk plays a key role in the delivery of our strategy and related objectives.

We will involve, empower and give ownership to all of our staff in the identification and management of risk. Management of risk activity will be regularly supported through discussion and appropriate action by the senior management. This will include a thorough review and confirmation of the significant risks, evaluating their mitigation strategies and establishing supporting actions to be taken to reduce them to an acceptable level.

Managing risks will be an integral part of both strategic and operational planning and the day-to-day running, monitoring, development and maintaining of Carmarthenshire County Council.

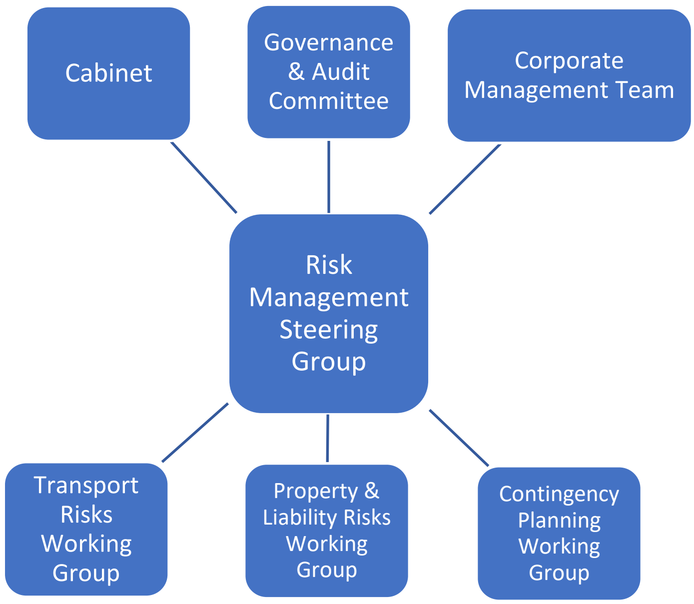
6. Governance

6.1 In order to ensure successful implementation, it is essential for the management of risk approach to gain endorsement and support from all levels of the Authority.

"A clear framework is in place to manage corporate and project risks, with dedicated senior political and officer leadership and risk champions at departmental level. Risks are overseen by a risk management steering group which includes political representation from the Council's Executive"

- Corporate Assessment Report 2015 Carmarthenshire County Council – Wales Audit Office

6.2 The Risk Structure of Carmarthenshire County Council is based on and aligns to existing structures and reporting lines.



6.3 The Risk Management Steering Group and the three working groups continue to be very proactive and focused on key developments. The Steering Group meet on a quarterly basis and the minutes of its meetings are referred to Governance & Audit Committee. It also monitors the Corporate Risk Register on behalf of the Corporate Management Team on a bi-monthly basis and reports to Governance & Audit Committee on a half yearly basis.

6.4 The roles and responsibilities of each aspect of the risk structure are shown below:

Role of the Cabinet

- approve the risk management strategy and framework
- review the key risks to the organisation and the controls that are in place and provide assurance to stakeholders that the risks are being effectively mitigated.

Role of Corporate Management Team

- regularly review the risk management strategy and framework to ensure that it underpins the organisation's strategy and objectives
- agree on the risk appetite for the organisation
- review the key risks across the organisation, consider their importance against strategic objectives and action further controls as required
- allocate sufficient resources to address top risks
- report on key risks and controls in line with the organisation's risk management strategy
- create an environment and culture where risk management is promoted, facilitated and appropriately undertaken by the organisation
- champion risk management activities, educate colleagues and raise awareness of the benefits of managing risk effectively.

Role of Governance & Audit Committee

- To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances.
- To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- To monitor the effective development and operation of risk management in the Council.
- To monitor progress in addressing risk related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To consider fraud risks and potential harm to the Council from fraud and corruption.

Role of Risk Management Steering Group

- provide guidance and oversight to the management of risk framework
- challenge the effectiveness of the management of risk framework.
- The Risk Management Steering Group oversees the Risk Management budget of £250,000 which is used to invest in areas to reduce the risk of claims or expensive litigation.

Role of Working Groups

To ensure that the Risk Management Steering Group is able to maintain a strategic focus:

- the **Transport Risks Working Group** and the **Property & Liability Risks Working Group** consider issues at an operational level, undertaking detailed monitoring of risks and being pro-active in identifying solutions.

- the **Contingency Planning Group** monitors departmental risk registers on a regular basis.

The minutes of the three sub-group meetings are referred to the Risk Management Steering Group.

6.5 Roles of other related parties

Role of Departmental Management Teams (DMT)

- ensure the risk management process and risk reporting procedures are completed, as per the Authority's management of risk strategy, for each area under their responsibility

- monitor the key risks in each area of their responsibility.

- promote and share management of risk best practice across the organisation.

Role of Internal Audit

- To create an audit plan that is aligned to the top risks
- To review / challenge the effectiveness of the management of risk framework
- To review the progress of planned actions

6.5.1 Individual Officers

Role of Risk Champions

- communicate the benefits of risk management across their operational area
- help facilitate the risk management process and risk reporting procedures across their operational area
- help ensure commitment of key stakeholders is obtained
- share best practice across the Risk Champion network.

Role of Principal Risk Officer

- coordinate the organisation's management of risk activity
- develop and maintain the risk management strategy, framework, methodologies and tools for management of risk
- highlight any significant new or worsening risks to the Risk Management Steering Group or associated working groups for review and action
- assist in the delivery of the management of risk process and aggregation of risk profiles across the organisation
- provide guidance, training and advice on the management of risk
- provide the link between risk management and the other related disciplines e.g. insurance, business continuity, emergency planning and health and safety

Role of Operational / Service Managers

- manage risk effectively in their area of responsibility
- complete the risk management process and risk reporting procedures as per the Authority's guidelines
- complete, track and monitor the progress of action plans.

Role of all staff

- take due care to understand and comply with the risk management processes and guidelines of the organisation
- monitor their own area on an ongoing basis to identify new and emerging risks and escalate as required.

7. The Risk Management Budget

7.1 The Authority continues to commit £250,000 per annum to the Risk Management budget to be used to **pump-prime** risk reduction initiatives. Risk Management funding is a one-off opportunity and if successful becomes mainstream.

7.2 Bids should be approved for a maximum duration of 24 months. If no funds are called for in respect of an approved scheme in this time, the bid will lapse.

7.3 Corporate bids should be funded up to 100% whilst Departmental bids will be match-funded i.e. 50% of the cost of the initiative.

7.4 Bids for improvements in school security should be funded on a 50:50 split with Risk Management providing half and the School's Fund providing the remaining half.

7.5 The Risk Management Steering Group has funded several initiatives which has reduced the risk of claims or expensive litigation in some key areas including:

- Deprivation of Liberty Safeguarding in response to the significant implications for the Authority of the Supreme Court Judgment in P v Cheshire West and Chester Council and P&Q v Surrey Council.
- Security and safeguarding in schools by funding bids to improve fencing at schools and the introduction of a thermostatic management system in schools.
- Hand Arm Vibration Syndrome relating to the purchase of new equipment to enable the Council to meet the requirements of the Control of Noise and Vibration at Work Regulations 2005.
- The digitisation of records across the Authority.
- Training initiatives for the Authority's drivers to reduce the risk of accidents occurring

7.6 The use of this budget is always a key area of discussion for the Insurers at annual review and the risk budget commitments give them reassurance in areas such as fleet safety and the health and safety of staff in vulnerable occupations.

7.7 For the purpose of monitoring, the Risk Management Steering Group should periodically review the success of individual initiatives.

8. Risk Appetite

The amount and type of risk that an organisation is willing to pursue or retain

- ISO 31000/Guide 73

8.1 The application of a risk appetite enables the Authority to determine what are material risks – what a high risk is and what a low risk is. By doing this, the Authority can:

- more effectively prioritise risks for mitigation
- better allocate resources
- demonstrate consistent and more robust decision making around project / programme initiation.

8.2 It is important to remember that the risk appetite will change over time, due to changes in circumstances such as funding movements or legislation changes. Once it is developed and implemented, the risk appetite statement should therefore be reviewed annually and after any significant change

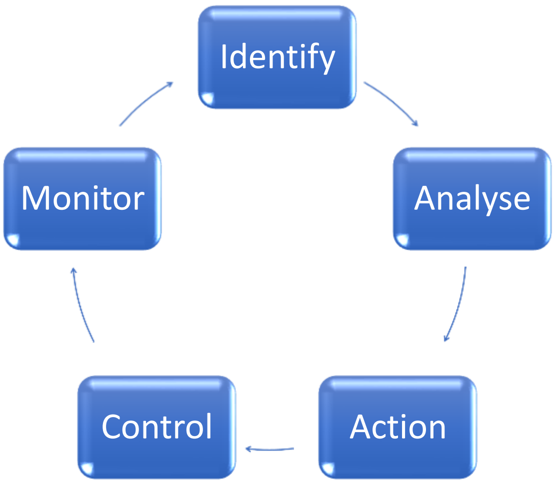
8.3 At the time of writing the Council's Risk Appetite Statement is being developed by the Corporate Management Team and Heads of Service. The Risk Management Toolkit will be updated once the Risk Appetite Statement has been finalised – anticipated completion date – February 2022.

9. Managing Risk

9.1 The risk management process is a continuous process involving:

- the identification of risks,
- prioritisation of these risks
- and the implementation of actions to further mitigate top risks.

9.2 Carmarthenshire County Council's risk management process involves a series of steps and these are shown in the illustration below:



Step 1 – Identify

9.3 Identify risk

The purpose of risk identification is to generate a comprehensive inventory of risks based on those events which might create, prevent, accelerate or delay the achievement of the Authority's objectives. It is important that these are identified at all levels of the Authority.

9.3.1 Risk Identification Techniques

The identification process should begin by reviewing the existing risk registers and asking the following questions:

- Have any of the risks recorded changed significantly in terms of impact or likelihood?
- Are any risks missing from the risk register?

- Is anything planned over the next 12 months that will give rise to a significant risk?

9.3.2 The risk identification exercise should not be limited to a review of existing risk registers, it must also include some fresh thinking on what new and emerging risks need to be considered.

9.3.3 Techniques for this include:

- Analysis of previous losses, events, incidents or lessons learnt
- Technical briefings, national reports and networking

9.3.4 There are a number of techniques that can be utilised to identify risks:

Checklists The Risk Universe, as shown in Appendix D, supports the identification stage of the process. It provides a general overview of the risks that should be considered.

Questionnaires Used to capture the views of a wide range of people in a relatively short timescale

Interviews Risks can be explored in greater detail but are time consuming to perform

Workshops Gathers the views of a number of people with different views on risks and the impact of those risks should they materialise

SWOT Analysis Strategic planning tool that identifies the Strengths, Weaknesses, Opportunities and Threats facing the Authority. Strengths and Weaknesses analyse factors that are internal to the Authority, whereas Opportunities and Threats explore factors that are external to the Authority.

PESTLEC Analysis As shown in Appendix E, this is used to better understand the environment in which the Authority is operating, both strategically and operationally. Considers aspects relating to the Political, Economical, Sociological, Technological, Legal, Environmental and Cultural standpoints

Bow-tie analysis Illustrates the causes, consequences, proactive controls and reactive mitigation for each individual risk

9.4 Recording risk – Risk Register

9.4.1 The Authority follows the 7 Principles of Good Governance set out by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

9.4.2 Risk Management has a key role in supporting the:

- Well-being objective of ‘Building a better Council and Making Better Use of Resources’
- The principle ‘Managing Risks, Performance and Finance’

by managing our risks and performance through robust internal control and strong financial management.

9.4.3 This is done through the use of an electronic risk management system software tool to identify, mitigate against and monitor key risks. The upgrade to the JCAD CORE system has brought with it increased functionality in terms of being able to collate and amend risks directly onto the system and has enabled the Authority to move away from the use of spreadsheets as a tool for capturing risks. **Carmarthenshire County Council will therefore expect ALL service areas to record their risks on JCAD CORE**

9.4.4 Key officers will be provided with training on the upgraded version which will ensure that the JCAD Core system will be the primary tool for collating and monitoring risks for the Authority. At a corporate level a Corporate Risk Register is maintained which is reported to and approved by Corporate Management Team bi-monthly and reported to Governance & Audit Committee on a half yearly basis.

9.4.5 Each Department must have a Risk Register and each section within the department should consider the need for individual Risk Registers. The Departmental Management Teams are responsible for ensuring that the departmental and service risks are captured and monitored via this system. Risk information for inclusion in departmental business plans, can then be taken from the system, and subsequently utilised to measure performance.

9.4.6 The growth in specific projects, particularly those benefiting from grant funding, has seen an increased use of the Risk system to identify, assess and track project based risks.

9.4.8 The Wales Audit Office (WAO) Corporate Assessment 2015 identified some areas where the use and monitoring of the Risk Register could be improved, namely variability in the updating of departmental risk registers and links with service business plan.

9.4.7 During the risk identification process you should aim to complete the following columns in the risk register:

Risk ID: Unique risk number / letter that will follow the risk for the duration of the process to enable monitoring and reporting.

Risk title: A brief articulation of the risk. This needs to be specific so as not to over complicate your risk register but also needs to fully articulate the risk in question to ensure it is clearly understood by the reader. The risk title may form the basis of risk reporting.

Cause: More than one cause can be included for each risk.

Consequence: The consequence to your organisation should the risk materialise. More than one consequence can be recorded for each risk.

Risk category: The category that the risk fits into which is used to code risk descriptions. The risk universe outlines the risk categories that could be used.

Current controls: A list of current controls that are in place to mitigate the risks. These should be specific and auditable. A control should either reduce the likelihood of the risk materialising and / or reduce the impact should the risk materialise.

9.4.5 When expressing a risk, it is important to ensure risk descriptions are brief but fully communicate the risk in question. The following wording groups are often used to begin the process of articulating risk

9.4.6 The description should incorporate the Risk, the Cause and the Consequence:

<u>Example</u>

Risk: Failure to retain key employees.

Cause: Uncompetitive compensation packages, work overload of staff.

Consequence Disruptions to services, increase in temporary staffing costs, increased pressure on recruitment team.

<u>Step 2 - Analyse</u>

9.5 <u>Analyse, assess/evaluate risks</u>

9.5.1 The risks that have been identified need to be assessed so that the Authority can prioritise mitigation actions towards better controlling those risk areas that are most likely to prevent or hinder the achievement of your strategic plan and related objectives.

9.5.2 The assessment method used by Carmarthenshire County Council evaluates risk from two perspectives; impact (severity) and likelihood (probability) and calculates a risk score.

9.5.3 Risk impact refers to the impact to the organisation should the risk materialise, whereas likelihood refers to the chance of that risk materialising.

9.5.4 Impact

Scale	Description	Impact
1	Minor	No impact to service quality, limited disruption to operations
2	Moderate	Minor impact to service quality, minor service standards are not met, short term disruption to operations, minor impact on a partnerships
3	Significant	Significant fall in service quality, major partnership relationships strained, serious disruption in service standards
4	Substantial	Major impact to service quality, multiple service standards are not met, long term disruption to operations, multiple partnerships affected
5	Catastrophic	Catastrophic fall in service quality and key service standards are not met, long term catastrophic interruption to operations, several major partnerships are affected

9.5.5 Probability

Scale	Description	Impact
1	Improbable	The event may occur in certain circumstances
2	Unlikely	The event could occur
3	Possible	The event may occur
4	Likely	The event will probably occur
5	Probable	The event is expected to occur or occurs regularly

9.5.6 The risk score is calculated as follows:

Impact Score x Likelihood Score = Risk Score

9.5.7 The score is then assessed using the Probability – Impact grid below, and recorded in the relevant column on the JCAD CORE system:

Probability - Impact Grid for Project, Strategic, & Service Risks

		Impact				
		Minor (1)	Moderate (2)	Significant (3)	Substantial (4)	Catastrophic (5)
Probability	Probable (5)	Low (5)	High (10)	High (15)	Significant (20)	Catastrophic (25)
	Likely (4)	Low (4)	Medium (8)	High (12)	Significant (16)	Significant (20)
	Possible (3)	Very Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
	Unlikely (2)	Very Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
	Improbable (1)	Negligible (1)	Very Low (2)	Very Low (3)	Low (4)	Low (5)

Step 3 - Action

9.7 Response to risk

9.7.1 In managing risks and opportunities, each element has to be assessed with a decision made on the best course of action based on the following:

Remove/Terminate (avoidance): Implies that a risk is undesirable e.g. it is off-strategy, offers unattractive rewards, is outside of risk appetite or the organisation does not have the capability to manage the risk. Examples of how to terminate a risk include divesture or stopping a certain process or activity completely.

Reduce/Treat (reduction): Putting in place risk control measures that reduce the likelihood and / or the consequence(s) of the risk to acceptable levels. The vast majority of risk treatment options will fall within this category. Examples include strategy, process, people or systems improvement.

Reassign/Transfer: Involves transferring the cost of the risk to a third party e.g. insurance, contract, outsourcing.

Retain/Tolerate (accept): The organisation decides to accept the risk as it is and do nothing further to mitigate it. Risks that are accepted may still require monitoring and review.

9.7.2 Any risks that are to be treated will require an action plan to be developed by the risk owner in collaboration with relevant stakeholders. Action plans should be used as a tool for assigning and monitoring additional actions that have been identified to mitigate the risk.

9.7.3 An action plan records the additional controls that need to be put in place to further mitigate the risk. The action plan should include (at least):

- the action to be completed
- the person responsible for completing this who is often referred to as the control owner
- the target completion date.

9.7.4 This information should be recorded in the risk register

Step 4 - Control

9.8 Review of controls and control effectiveness

9.8.1 Many of the risks identified during the first stage of the risk management process will already have controls in place to mitigate them. However, these are not always effective and the organisation should make an assessment of the effectiveness so that a decision can be made about whether additional controls are required.

Step 5 – Monitor

9.9 Record, monitor and report

9.9.1 The purpose of risk reporting is to:

- monitor and report on the effectiveness of the risk management process to senior management and elected members
- provide relevant and sufficient risk information in a timely manner that is user-friendly and drives decision making and action
- ensure that senior management and elected members views on risk are filtered back to the organisation in a timely manner
- focus on the most significant risks, ensuring adequate response are actioned
- include qualitative and quantitative information where appropriate
- compare results against benchmarks
- show trends of early warning indicators for key risks.

9.9.2 Reporting should provide the Risk Management Steering Group and Governance & Audit Committee with assurance that all risk exposures have been identified, impacts assessed, and mitigating controls evaluated

- management information should provide a view on increasing and decreasing risk exposures, as well as a means of identifying new risks
- reporting should incorporate strategic risks
- management information should allow for informed decision-making, which may be used to continuously improve the management of risk
- consistent use of tools and process across the organisation will allow benchmarking of departments
- risk reports will need to vary depending on the audience

9.10 Projects and Programmes

9.10.1 Projects and programmes form a large part of the operations across Carmarthenshire County Council. Risk is present in all projects and programmes, therefore it is good practice to implement a formal management of risk approach for all projects and programmes.

9.10.2 Benefits of project / programme risk management include:

- improved stakeholder relations
- on time, on quality and on budget programme / project completion
- early allocation of risk and risk mitigation responsibility to the most appropriate owner
- risk mitigation is focused on the biggest risks to achieving the project / programme objectives
- greater certainty around decisions
- demonstration to stakeholders that the project / programme is being managed effectively.

9.10.3 The basic approach will remain the same as outlined in this toolkit, however there are additional considerations for the management of risk across projects and programmes:

- Risk identification:

    - should focus on the risks that may impact the achievement of the project or programme objectives
    - should be completed by key project / programme team members
    - a project / programme risk register should be used to record this information.

- Controls / action planning:

    - the cost / benefit of proposed additional controls should be considered within the parameters of the project
    - risk ownership should be allocated across the project / programme team.

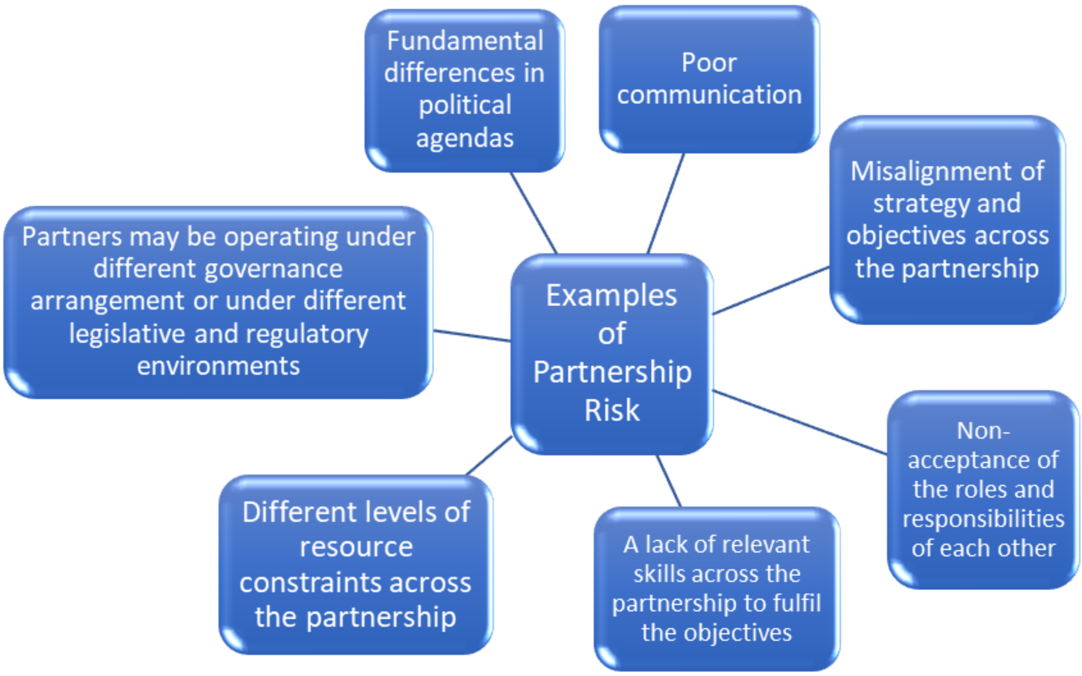
- Monitoring and reporting:

    - risk reporting should be integrated with established project / programme reporting lines
    - risks should be monitored at the beginning of each stage of the project.

9.11 Partnerships and third parties

> *Organisations with which a department works to deliver their objectives, with a formal agreement of roles, contract, funding agreement, Service Level Agreement, etc.*
>
> \- ALARM Toolkit

9.11.1 Reduced public service funding is leading to more public services and community projects being delivered through different forms of partnership, involving the public, private and third sectors.



9.11.2 The basic approach will remain the same as outlined in this toolkit, however there are additional considerations for the management of risk across projects and programmes:

- Risk identification:
  - this should focus on risks that may impact the achievement of the objectives of the partnership
  - all key partners should be involved
  - a partnership risk register should be used to record this information.

- Controls / action planning
  - risk ownership and responsibility for actioning additional controls should be allocated to an individual partner within the partnership
  - risk mitigation requiring input from multiple partners should be agreed by the partnership.

- Monitoring and reporting
  - the process for ongoing monitoring of the risk profile and progress of action plan completion needs to be agreed by the partnership
  - the frequency and content of risk reports needs to be agreed by the partnership and responsibility for this allocated.

9.12 Opportunity Risk Management

9.12.1 The Authority recognises the benefit of proactively managing opportunity risk; if only threat risks are managed then the best outcome that can be expected is to meet the promised objectives but never to improve upon them. The key to identifying both opportunity risk and threat risk is that the Authority can take a strategic approach to doing something about the risk.

9.12.2 The basic application will remain the same as outlined in this toolkit, however there are additional considerations for the management of risk across projects and programmes:

- Risk identification:
  - a SWOT analysis is a good way to facilitate the identification of opportunities
  - real opportunities should be identified, not simply the flip side of threats.

- Prioritisation:
  - impact criteria should reflect the positive impact that opportunities will bring an organisation - the risk map may need to be adjusted to reflect this
  - unlike scoring risks, the aim with opportunities is to maximise the scores for likelihood and impact.

- Action plans:
  - opportunity responses will need to be considered e.g. exploit, share, enhance and accept

9.12.3 Benefits of aligning management of risk and opportunity management

- Maximum efficiency - there is no need to maintain a separate opportunity management of risk process
- Cost-effectiveness - a single process to achieve proactive management of both types of risk
- Familiar techniques - only minor changes to current techniques used in managing threat risks required so organisations can deal with opportunity risks
- Minimal additional training
- Proactive opportunity management of risk
- More realistic budgetary and schedule contingency management by including potential upside impacts as well as downside impacts
- Improved chances of achieving / exceeding strategic objectives
- Removing the negative perception of management of risk

10. Risk Framework

10.1 To achieve ‘best practice’ the assimilation of risk management into organisational culture is central in contributing to its long-term success.

10.2 Risk management culture refers to people embracing the risk management strategy and process as well as creating a culture that is willing to talk about mistakes and lessons learned without consequence.

10.3 Effective Risk Management relies on Members and Officers having the required skills to understand their roles and contribution to effective Risk Management.

10.4 Risk management training should be tailored to the audience and to the management of risk strategy, process and framework adopted by the Authority.

10.5 Risk management training has been delivered to Governance & Audit Committee and Cabinet Members as “key individuals”.

10.6 “Key individuals” also include Officers sitting on the Risk Management Steering Group, the Risk Working Groups, the Contingency Planning Group and other groups.

10.7 Training requirements will be reviewed on an ongoing basis in the light of changes in circumstances such as Local Government Elections and changes in “key individuals”.

10.8 Member training was delivered following the 2017 Local Government Elections to ensure that Governance & Audit Committee Members were fully up to speed with their responsibilities.

10.9 As previously mentioned, the WAO Corporate Assessment 2015 identified variability in recording and monitoring of risk within service areas and the need to fully integrate Risk Management within business planning. This has been addressed through refreshing the business planning process and regular corporate and departmental monitoring of the risk register.

Key Action

Ensure adequate Risk Management and Contingency Planning training and guidance is provided to both Officers and Members.

10.10 Communication & Consultation

Effective risk management requires engagement from staff across the Authority. Communication on the risk management strategy and processes of the organisation is essential to ensure a consistent approach to the management of risk.

11. Risk Partner / Challenge

11.1 Previous Risk Management Strategies (2003 onwards) have recognised the significant contribution made by the Authority's brokers, Marsh UK in developing the Authority's approach to risk.

11.2 Also, it is recognised that Marsh UK represent some 15 authorities in South & Mid Wales and provides a comprehensive risk service from their Cardiff office.

11.3 Their strength in South & Mid Wales has continued and there continues to be an apparent lack of any realistic alternative provider.

11.4 In addition, their assistance in the annual renewal of insurances and in ensuring that Insurers progress issues / claims to the Council's satisfaction arguably produces savings far in excess of the annual fee payable. (The fee is not identified in this toolkit due to commercial sensitivity).

11.5 As with the 3 previous strategies, covering the period since 2007, there continues to be very strong justification for negotiating new terms specifically with Marsh UK to continue to act as the Authority's External Risk Advisor / Risk Partner for the life of the current Strategy (2018-2022).

Key Action

The Head of Revenues and Financial Compliance be authorised to negotiate terms for the continued engagement of Marsh UK as the Authority's external risk advisor / risk partner. The negotiated terms in line with financial procedure rules will be subject to formal approval by the Director of Corporate Services and the Head of Administration & Law.

12. Contingency Planning

Business Continuity Management is a holistic management process that identifies potential business impacts that threaten an organisation and provides a framework for building resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value creating activities.

- Business Continuity Institute

12.1 Carmarthenshire County Council recognises the fact that incidences that have the potential to threaten or disrupt the lives of individuals, businesses and communities can and do occur.

12.2 The Authority has made significant progress in recent years with regard to Business Continuity

12.3 The Civil Contingencies Act requires each Authority to compile a plan directed at identifying how the Authority will deliver services to the public in the event of a significant incident or civil disaster.

12.4 This is distinct from Emergency Planning which looks at how the whole area is capable of responding to an incident i.e. including Police, Fire, other Local Authorities, Health Bodies etc

12.5 A Business Continuity Working Group was established to assist in developing the Authority's Business Continuity arrangements. It includes Business Continuity Champions from each Department together with four "specialist officers" from People Management, Information Technology, Property and Highways & Environmental Services.

12.6 There has also been a Departmental Emergency Planning Group to provide the overall emergency planning strategy for all departments within the Authority. In 2015 it was decided to merge the two Groups into the Contingency Planning Group to provide the overall emergency planning and business continuity strategy for all services within the Authority.

12.7 This Group will:

- Ensure Emergency and Business Continuity Plans and Procedures are updated on an annual basis.
- Provide a multi – service forum to share best practice and procedures for dealing with Civil Contingency and Business Continuity issues.

- Assist in the preparation and participation of multi-service area training and exercises to test Corporate and Service Area Plans.
- Be able and ready to respond to any event that requires a response from any service area within the Authority. This may result in attending either our Emergency Control Centre or another centre as deemed appropriate at the time.
- Monitor the corporate risk register.

Key Action

The Contingency Planning Working Group will continue to provide the overall emergency planning and business continuity strategy for all services within the authority.

13. Safeguarding Risk Register

13.1 In response to the CSSIW Performance Evaluation in 2015, a Corporate Governance on Safeguarding Group was set up to have oversight of safeguarding across the Authority. The Group reports to CMT on a regular basis.

13.2 It is responsible for the Corporate Safeguarding Policy and annual reports in relation to safeguarding. Following a review by WAO a recommendation was made that a separate Safeguarding Register should be kept.

13.3 A separate risk register for safeguarding has been developed and maintained with lead officers allocated to oversee specified risks.

13.4 The Group is chaired by the Director of Community Services (Statutory Director) and includes the Director for Education & Children's Services for Children and Young People); the Assistant Chief Executive, People Management & Performance or his/her representative; other departmental representatives as nominated and a Children and an Adult Protection Services lead. It meets on a monthly basis.

13.5 The Corporate Governance on Safeguarding Group will monitor the risks on a 6 monthly basis.

Key Action

The Risk Management Unit in conjunction with the Communities Business Support Unit will continue to support the Corporate Governance on Safeguarding Group through administering their Safeguarding Risk Register..

14. Emerging Risks

14.1 The world is changing rapidly especially in light of technological advances and this brings both new opportunities and risks. A Digital Transformation Strategy 2017 – 2020 was endorsed by the Executive Board in May 2017.

14.2 **Cyber Risks** - The nature of the services we deliver make it critical that we provide a secure place to conduct business. Cyber is not an event. It is a conduit for events to occur. Cyber risk can be identified as:

> *"any risk of financial loss, disruption or damage to reputation from some form of failure of information technology systems"*
>
> - Institute of Risk Management 2015

14.3 This includes accidents as well as attacks, the latter the majority of the risk and cost. Attacks can be categorized into three levels; fraud, organisation "take-down" and system failure.

14.3 A Senior Information Risk Owner (SIRO) from the Corporate Management Team has been identified and the Corporate Information Governance Group oversees issues that need to be dealt with in regards to Information Management and Security. It reports to the Corporate Governance Group (CGG) and the Corporate Management Team. The minutes from CGG are reported to the Governance & Audit Committee.

14.4 **Project Based Risks** - The Authority has a significant capital programme of more than £210m to deliver over the next five years including external funding of over £85m. It will also be delivering a plethora of other grant funded schemes and projects with associated risks.

14.5 The Risk Management Unit provides access to the CORE Software and support to departments in setting up new schemes and advising how to input risks and control measures which can then be tracked. This approach is encouraged by Grant Bodies and it is envisaged that this facility will be increasingly used.

14.6 A major project, the Swansea Bay City Deal was agreed by UK and Welsh Government Ministers in March 2017. There are three specific projects for Carmarthenshire – a £200m Wellness and Life Science Village in Llanelli; a creative industry project at Yr Egin in Carmarthen; and a skills and talent initiative which will support skills development for all eleven projects. Delivering the City Deal and Wellness Project has been identified as an individual high risk project and is being monitored via the risk register.

Key Action

The Risk Management Unit will continue to support departments in setting up Project Risk Registers in CORE to link with specific projects.

Appendices

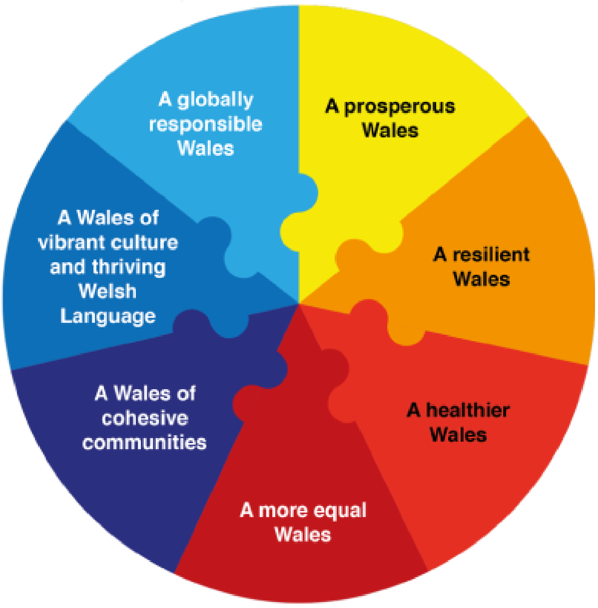
Appendix A - Glossary

Accept	A risk response that means the organisation takes the chance the risk will occur, with full impact on objectives if it does.
Avoid	A risk response that seeks to eliminate a threat by making the situation certain.
Communications plan	A plan of the communications activities during the organisational activity (strategic, programme, project or operational) that will be established and maintained. Typically contains when, what, how and with whom information flows.
Control owner	A control owner is the individual assigned for the implementation of the measures to mitigate the risk. They support and take direction from the risk owner.
Frequency	A measure of likelihood expressed as the number of occurrences of an event in a given time.
Impact	Impact (often referred to as consequence) to the organisation should the risk materialise.
Inherent Risk	The level of risk before treatment measures have been taken into consideration.
Key Performance Indicator (KPIs)	A measure of performance that is used to grade and monitor progress towards an objective / goal.
Key Risk Indicator (KRIs)	An early warning indicator that can be used to monitor a change in the likelihood or impact of a risk and assist in the decision making process for risk mitigation.
Likelihood	A qualitative description of the probability or frequency of that risk actually materialising.
Maturity level	A well-defined evolutionary plateau towards achieving a mature process.
Open Risk Appetite	All potential options risks are considered, assessed and controls put in place to manage these risks. Levels of risk tolerance will vary across the Authority depending on the type of service, legal or regulatory aspects and the controls in place.
Partnerships (Third parties)	Contractual relationship between two or more persons carrying out a joint venture, each incurring liability for losses and the right to share in the outcome.
Programme	A temporary, flexible organisation structure created to coordinate, direct and oversee the implementation of a set of related outcomes and benefits related to the organisation's strategic objectives.

Project	A temporary organisation that is created for the purpose of delivering one or more products according to a specified business case.
RAG Analysis	'RAG Analysis' describes a process whereby complex data can be displayed in 'traffic light' or Red-Amber-Green (RAG) format.
Residual Risk	The remaining level of risk after risk mitigation and control measures have been taken into consideration.
Risk Management Information System	Risk Management Information Systems (RMIS) are typically computerised systems that assist in consolidating and tracking risk information.
Risk	ISO 31000: Effect of uncertainty on objectives.
Risk Analysis	A systematic use of available information to determine how often specified events may occur and the magnitude of the impact.
Risk Appetite	The amount of risk to the organisation, or subset of it, is willing to accept.
Risk Assessment Criteria	The terms of reference by which the significance of risk is assessed.
Risk Category	Represents a collection or group of risk types with a common denominator (e.g. strategic, operational, people, legal / regulatory, financial, hazard).
Risk Cause	A description of the source of the risk, i.e. the event or situation that gives rise to the risk.
Risk Management / Management of Risk	ISO 31000: Coordinated activities to direct and control an organisation with regards to risk. The culture, processes and structures that are directed towards the effective management of potential opportunities and threats to the organisation achieving its objectives.
Risk Map	A model that visually displays the relationship between the likelihood and impact of specific risks.
Risk Owner	A single individual who is nominated and responsible for the monitoring and reporting of a risk.
Risk Perception	An individual's subjective view of risk, based on a set of values and / or concerns.
Risk Prioritisation	The process that allows risks to be ranked into a logical order by establishing how significant they are in terms of likelihood and impact.
Risk Register	A basic, ongoing working document that records the risk identification, assessment and sometimes action planning process.

Risk Response	Actions that may be taken to bring the risk to a level that is acceptable to the organisation. These responses fall into one of a number of risk response options.
Risk Tolerance	The threshold levels of risk exposure that, with appropriate approvals, can be exceeded, but which when exceeded will trigger some form of response (e.g. reporting the situation to senior management for action)
Risk Universe	The Risk Universe supports the risk identification stage of the risk management process. It provides a guide to the risks that should be considered during the risk identification process.
Stakeholder	Any individual, group or organisation that can affect, be affected by, or perceive itself to be affected by a risk.
Uncertainty	A condition where the outcome can only be estimated.

Appendix B – Well-being of Future Generations (Wales) Act 2015



The Act requires each public body to carry out sustainable development, which means the process of improving the economic, social, environmental and cultural well-being of Wales.

Risk management will be an important part of how a public body meets its obligations under the Act.


Well-being of Future Generations (Wales) Act 2015
The Essentials
Llywodraeth Cymru
Welsh Government
www.gov.wales
Advise, Encourage & Promote
Advisory Panel
Annual Report
Auditor General for Wales
Carry out Reviews
Collaboration
Future Generations Commissioner for Wales
Future Generations Report
Future Trends Report
Integration
Involvement
Long Term
Make Recommendations
National Indicators & Milestones
Prevention
Public Services Boards
Research
Responding to the Future Generations Commissioner
Sustainable Development
Sustainable Development Principle
Transparency
Well-being Duty
Well-being Goals
Well-being Statement

Appendix C –Risk Appetite Statement

TO BE DEVELOPED BY CMT / HoS – FEBRUARY 2022

Appendix D – Risk Universe

The Risk Universe supports the risk identification stage of the risk management process. It provides a guide to the risks that should be considered during the risk identification process.

The list is not exhaustive as each organisation will have its own unique risk profile / footprint and should be considered as a guide only.

Strategic Risks

Uncertain future events that could negatively impact the achievement of the organisation's vision and strategic objectives.

- Heavy snow fall leads to major transport disruption
- A change in government policy diverts funding focus away from the organisation's activities
- A Committee Member fails to fulfil their responsibilities to the organisation
- Change of Government
- An event leads to dissatisfied citizens, users, central / regional government or other stakeholders
- Failure to establish and implement an effective marketing campaign
- Failure to adapt to changes in social trends prevents the achievement of strategic objectives
- Loss of position in the community due to competition from similar local organisations
- Failure to align agendas and objectives with key partners
- Inability to take advantage of a key funding opportunity
- Loss of a key supplier / contractor, especially if there is a dependence on it for delivery of a key service
- The Board do not receive sufficient information to make a robust and informed decision
- A conflict of interest emerges between the organisation and one of its partners
- Inaccurate financial forecasting and reporting is used to make a strategic decision
- Loss of a key delivery partner
- Failure to deliver key stakeholder expectations
- A major environmental incident

Operational

Uncertain future events that could negatively impact the day to day operations of the organisation.

- Failure of a key contractor to deliver a service, entirely or within the pre agreed timescale
- Loss of critical IT systems
- Loss of confidential information
- Loss of insurance cover for key operations

- Failure to react appropriately in the event of a disaster (e.g. to follow appropriate business continuity arrangements)
- A significant increase in the costs associated with the maintenance of the organisation's buildings

People

Uncertain future events that could negatively impact the staff

- Inadequate training and development is provided to staff
- Loss of a key member of staff
- Inability to recruit and retain suitable employees, volunteers, trustees or committee members
- Committee Members lack the necessary skills or commitment to perform their duties to the required standard

Legal / regulatory

Uncertain future events that could negatively impact the organisation's ability to comply with the legal / regulatory landscape.

- Breach of data protection laws
- A lack of awareness leading to non compliance with a key piece of legislation e.g. health and safety, employment, and equal opportunities, etc
- Failure to recognise and respond to a change in legislation
- An employee initiates legal action against the organisation resulting in a tribunal case

Financial

- Uncertain future events that could negatively impact the financials of your organisation.
- Increase in pension fund liabilities
- Inability to meet monthly payroll/pension payments and creditor payments
- Negative movements in the interest rate, significantly decreasing return on investment
- Loss of a key funding stream
- A member of staff commits a fraudulent act
- A significant increase in the cost base of your organisation e.g. increase in supplier costs

Hazard

Uncertain future events that negatively impact on your organisation, caused by a hazard of some sort.

- Fire in one of the organisation's buildings
- Flood denies access to a building / renders it unfit for use
- A major health and safety incident occurs at one of the sites
- A member of staff is injured while performing their duties (assault or accident)

- Theft of a key piece of equipment e.g. computer, minibus,

Appendix E – Strategic and Operational Risks

Risks can be broadly split between strategic and operational risks. We need to ensure that all risks are picked up on the "Risk Radar".

STRATEGIC RISK CLASSIFICATION	Examples of Risks/ Failures/ Hazards
Political	Failure to adequately define strategic priorities –e.g. compliance with the Wellbeing of Future Generations (Wales) Act 2015 Delivering on Government Agenda Meeting Electorate's Expectations
Economic	Global / National / Regional Economic Climate Availability of finance
Social	Meeting the needs of disadvantaged communities / groups Impact of demographic change Crime and disorder
Technological	Capacity to deal with the pace / scale of technological change
Legislative	Formal intervention by regulatory bodies or inspectorates Judicial Review
Environmental	Impact of Council's Policies e.g. Planning and Transportation Policies
Competitive	Failure to deliver high quality services
Customer/ Citizen	Failure to engage with the Public Public and media relations

OPERATIONAL RISK CLASSIFICATION	Examples of Risks/ Failures/ Hazards
Professional	Recruitment / retention of specialist staff Inefficient / ineffective processes
Financial	Adequacy of budget management at a service level.
Legal	Failure to meet statutory duties
Physical	Loss or damage to physical assets e.g. buildings, vehicles Attacks on personnel
Contractual	Failure of contractors to deliver goods or services to the agreed cost and specification
Technological	Development and delivery of I.T. systems to support service delivery Embracing new technology
Environmental	Impact of Environmental Policies on individual services
Information	Management of information at a service level Data Protection Control of personal information