

Appendix A

Risk Management Policy



HILLINGDON
LONDON

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1. INTRODUCTION

- 1.1 The London Borough of Hillingdon (LBH) has a statutory responsibility to ensure arrangements are in place for managing risks. Risk management should be embedded into the culture of the organisation, with members and officers recognising that risk management is part of their role.
- 1.2 Risk Management is about managing opportunities and threats to objectives and in doing so helps create an environment of “no surprises”. It is a crucial element of good management and a key part of corporate governance. Risks can never be entirely eliminated but proportionate and targeted action should be taken to reduce risks to an acceptable level.
- 1.3 Managing risk is part of everyday business for the Council and is a process that involves; the early identification of risks, assessing their potential consequences and determining the most effective way to reduce the likelihood and/or impact of the risk. This policy and guidance provides a framework to ensure:
 - Clear accountabilities and well defined roles and responsibilities for managing risks
 - Employees have the knowledge and skills to identify and manage risks
 - Risks are identified at an early enough stage and their likelihood and impact on Council business is accurately assessed and appropriate action is taken to mitigate the potential risk
 - Decisions are taken having considered relevant risks
 - The impact of risk management is evaluated.
- 1.4 The Chief Executive, the Corporate Management Team (CMT), Senior Management Teams (SMTs), Members of the Audit Committee, Members of Cabinet and Full Council should be familiar with this policy and guidance. This document applies to all employees of the Council, with the exception of schools as they are required to put in place their own local risk management arrangements.

2. PURPOSE

- 2.1 The Council is committed to providing high quality services in the most efficient and cost effective way that puts its residents first. The management of risk is a core element of corporate governance to ensure the Council's priorities for improvement as well as day to day services are delivered as expected. For the purpose of this policy and guidance, risk is considered to mean anything that will, or has the potential to, adversely affect the achievement of Council objectives and/ or disrupt day-to-day operational service delivery.

3. RISK MANAGEMENT FRAMEWORK

- 3.1 To ensure effective risk management, the Council will:
 - Incorporate risk management into service improvement and everyday management arrangements
 - Identify, assess and manage risks so as to minimise the potential costs and disruption to services caused by undesired events
 - Raise employee awareness of risk management through promotion, training, performance management and review

- Make informed decisions based on a balance between risk and the benefits that may be realised from opportunities for service improvement
 - Encourage innovation and improvement through taking calculated and well managed risks to improve services for residents
 - Support the Annual Governance Statement in relation to the authority's system of internal control, corporate governance arrangements and risk management framework
 - Work in partnership to manage risks.
- 3.2 Risks should be recorded, escalated and communicated as appropriate. At a Service and Directorate level, risks should be escalated to SMT leads for consideration, and where appropriate escalated to Corporate Directors for discussion with CMT. Cabinet Members and the Leader of the Council must be informed of all Strategic and Corporate risks as well as any key risks appearing in the Directorate Risk Registers, with a decision sought on the recommended mitigating action, where appropriate.
- 3.3 The Council's approach to risk management requires managers and staff to undertake the following steps:
- 1) Risk Identification
 - 2) Risk Analysis & Evaluation
 - 3) Risk Response
 - 4) Risk Monitoring & Review
 - 5) Risk Reporting

4. RISK MANAGEMENT CYCLE

Risk Identification

- 4.1 There are many different types of risks that could affect Council business. These include risks to the Council's finances, the delivery of services, the health and safety of staff and residents, and anything that affects the reputation of the Council. Managers must ensure they, and their teams, are alert to risks and consider how risks could affect service delivery and service improvement.
- 4.2 The annual planning and ongoing performance review process as part of the Council's corporate governance arrangements is also an opportunity to identify potential risks to service delivery or achieving the service objectives. Managers and their teams are expected to discuss any potential and emerging risks as they are identified.

Risk Analysis & Evaluation

- 4.3 Officers must use the Council's risk management scoring methodology to assess a risk (refer to **Appendix A**). The assessment of a risk is based on a combined score from the likelihood of the risk occurring and the impact in the event that the risk is fully realised. The risk scoring methodology shows the risk criteria in use to guide officers when assessing the likelihood/impact of the risk and the score the assessment will produce.
- 4.4 All risks must be recorded in the Council's risk management system. The risk assessment will lead to the risk being graded either 'red', 'amber' or 'green'. Those risks with the greatest likelihood and/or the greatest impact to Council business will be graded 'red'. 'Red' graded risks will be escalated to CMT to be regularly reviewed and lead officers must prioritise actions to minimise the Council's exposure to these risks. 'Amber' graded risks should be escalated to Directorate SMT to be regularly reviewed and actions monitored at a Directorate

level. 'Green' graded risks should be managed at a local level and reviewed through service level team meetings and action plans.

- 4.5 Managers can record project specific risks as part of service risk register or in a separate project risk register on the risk management system. Where risks impact on more than one service area the relevant Heads of Service should agree which service will lead on the risk, or whether it would be more appropriate to add two separate linked risks.

Risk Response

- 4.6 Managers must agree and take action to mitigate the impact and/or likelihood of all risks to an acceptable level. The action to be taken and the lead senior officer accountable to progress the action must be recorded on the risk management system.
- 4.7 Managers should consider all options available when identifying actions to mitigate or prevent a risk. Actions for Amber and Red rated risks should be agreed with CMT or the relevant SMT, these could include agreeing not to proceed with a proposal which has significant risks attached to it. For example, the cost of proceeding with a proposed service improvement may outweigh the benefits to be realised and therefore the proposal may have to be reconsidered.
- 4.8 A risk may be removed from the risk register where it is no longer thought necessary to keep it under review or where the risk has been terminated. A justification should be added to the risk record on the risk management system to document why the risk is no longer required. Typically this will be because the mitigating actions have been fully implemented and the residual risk is considered acceptable.

Risk Monitoring & Review

- 4.9 All risks must be regularly reviewed and the risk management system updated as required. There are governance arrangements for monitoring and reviewing risks (refer to **Appendix B**). This includes:
- As a minimum, a quarterly review of corporate ('red' rated) and directorate ('amber' rated) risks by the Directorate SMTs and CMT
 - A quarterly review of the strategic and corporate risks by senior managers through the Corporate Risk Management Group (CRMG), see **Appendix D** for terms of reference.
 - A quarterly review of the strategic and corporate risks by the Leader of the Council, Cabinet Member for Risk and Audit Committee.

Risk Reporting

- 4.11 All red rated risks are presented to CRMG and the Audit Committee on a quarterly basis. Key performance indicators relating to the effectiveness of the Council's risk register and risk management arrangements are also presented to CRMG and the Audit Committee on a quarterly basis. A summary of the Risk Management arrangements over the year is included in the annual Risk Management Report.

Risk Appetite

- 4.12 Risk appetite is the phrase used to describe how much risk the Council is prepared to take in pursuit of its objectives. Due to its diverse range of services the Council does not have a single risk tolerance and the appetite for risk will vary between different risk categories.
- 4.13 Considering and setting risk appetite enables the Council to optimise its risk taking and accepting calculated risks by enabling risk-reward decision making. Equally, it reduces the likelihood of unpleasant surprises. Risk targets should be determined for each risk based on the overarching risk appetite.

4 ROLES AND RESPONSIBILITIES

5.1 It is the responsibility of all employees to identify and manage risk effectively. The following roles and responsibilities underpin effective officer leadership for risk management. Further information about the wider roles and responsibilities for risk management and the governance arrangements for reviewing and mitigating risks can be found in [Appendix B](#).

5.2 Directors/Deputy Directors

- Are accountable for effective risk management in their Directorate
- Provide leadership within their Directorate for risk management
- Ensure that arrangements for identifying, mitigating and reviewing risks are working effectively and in line with relevant policies, procedures and guidelines
- Review and update the risks for the Directorate with the relevant Lead Member on a quarterly basis.

5.3 Heads of Service/Service Managers

- Must actively identify and take action to mitigate any risks which could affect service delivery and service improvement
- Bring significant (rated amber or red) or escalating risks to the attention of the Directorate SMT
- Ensure that staff within each of the service areas understand and are alert to all potential risks
- Ensure that members of staff attend relevant and appropriate training
- Provide regular updates on risk management as required.

5.4 All Staff

- All members of staff have a responsibility to identify, assess and manage risks effectively in their job, report risks to their managers and to work within the appropriate risk management process.

5 Wider Risk Management Arrangements

Service and Financial Planning

6.1 Risk management is part of service and financial planning. Managing strategic risks is a core responsibility for senior managers in close liaison with Elected Members. The annual planning process requires services and directorates to consider and report risks that may affect or arise from service improvement and financial budget proposals. The Council's capital programme includes risk management as part of the criteria used to allocate resources.

Project Management

6.2 Hillingdon has a Council-wide approach to project management. The management of risks is seen as one of the key requirements for delivering successful projects. Where a project management approach is required, the risks to achieving the project are monitored throughout the life of the project.

Contractual Arrangements

- 6.3 Risks identified through the contract management process are recorded and managed for individual service providers and kept under review as part of the Council's contract management framework.

7. Promotion, Training and Support

- 7.1 To support the development of a robust approach to risk management in the Council, all managers are encouraged to complete the e-learning risk management module. The Corporate Risk Management Group will monitor training and support for risk management and provide further information/ briefings on risk management as and when needed.
- 7.2 Training on risk management for Elected Members and the Independent Chair of the Audit Committee is facilitated by the Risk Assurance team. This is provided on an individual basis through the induction process, as part of the annual Member Development Day, or as a specific session within the corporate Training & Development Plan co-ordinated by Democratic Services.

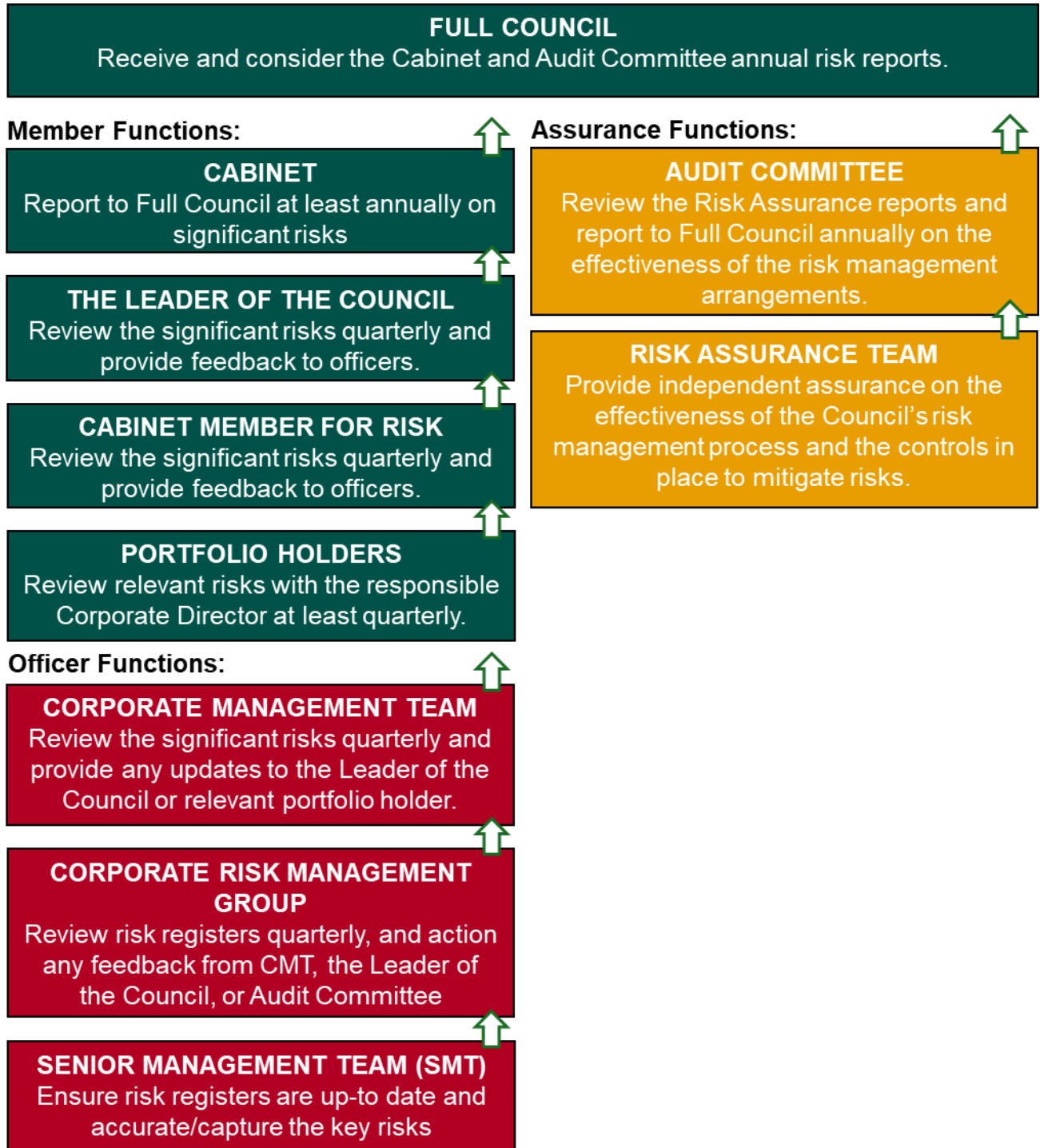
8. Review Cycle

- 8.1 The Council's Risk Management Policy and Guidance will be updated periodically (as and when required) and be subject to a detailed review every 3 years to ensure it is up to date with best practice in this area. The next detailed review is planned for September 2027.

APPENDIX A. RISK SCORING METHODOLOGY

LIKELIHOOD			RISK SCORE			
Greater than 90%	This Week	Very High (A)	A4 (6)	A3 (12)	A2 (18)	A1 (24)
70% to 90%	Next Week / This Month	High (B)	B4 (5)	B3 (10)	B2 (15)	B1 (20)
50% to 70%	This Year	Significant (C)	C4 (4)	C3 (8)	C2 (12)	C1 (16)
30% to 50%	Next Year	Medium (D)	D4 (3)	D3 (6)	D2 (9)	D1 (12)
10% to 30%	Next 5 Years	Low (E)	E4 (2)	E3 (4)	E2 (6)	E1 (8)
Less than 10%	Next 10 Years	Very Low (F)	F4 (1)	F3 (2)	F2 (3)	F1 (4)
			IMPACT			
			Small (4)	Medium (3)	Large (2)	Very Large (1)
Financial:			Up to £250k	£250k - £1million	£1million - £5million	Over £5million
Service Provision:			Slightly reduced	Service suspended short term	Service suspended long term / statutory duties not delivered	
Health & Safety:			First Aider required	Broken Bones/Illness	Loss of life/Major illness	Major loss of life/large scale major illness
Workforce:			Negative morale	Some hostility/minor non cooperation	Industrial action	Mass staff leaving
Reputation:			Minor Letters	Adverse local media	Adverse national publicity	Remembered for years
Government Relations:			Poor assessment		Service taken over temporarily	Service taken over permanently

Appendix B: Corporate Governance of Risk Management



Appendix C: Risk Management Roles & Responsibilities

Elected Members

The Leader of the Council

- To review significant risks on a quarterly basis (or otherwise through direct contact with Cabinet Members) and provide feedback to officers as appropriate.

The Cabinet

- To promote risk management and take risk management issues into account when making decisions
- As portfolio holders, to review the relevant Risks on the Council's Register with Corporate Directors at least quarterly.

Cabinet Member responsible for Risk Management

- To specifically champion risk management within the Council and to provide leadership on the issue amongst Elected Members
- To ensure that risk management is given due consideration in Cabinet discussions
- To attend Audit Committee meetings as required to present on the risk management arrangements

Audit Committee

- To periodically review the Council's Risk Management policy, guidelines and framework
- To review the effectiveness of the risk management arrangements at least quarterly
- To review significant risks (Corporate and Strategic risks) on a half yearly basis, or at such frequency as it considers necessary and provide feedback to officers as appropriate
- To report to Full Council annually providing assurance that the risk management process is operating effectively, and reporting concerns on specific risks on an exception basis.

All Service Select Committees

- To review the management of risks within their specific service areas

Full Council

- Full Council has ultimate responsibility for risk management within Hillingdon.
- Full Council will need to consider the annual report from the Audit Committee.

Officers

Corporate Management Team (CMT)

- CMT has overall responsibility for the operation of the agreed risk management approach within the Council's business operations
- To give due consideration to risk management in strategic decision making and performance management, and ensure that advice to Cabinet and other member bodies takes full account of risk management considerations
- To review all significant risks at least quarterly, ensuring that all emerging risks have been identified and appropriate actions are being taken, and report comprehensively to the Leader of the Council
- To periodically review the Council's risk management policy, guidelines and the effectiveness of the risk management arrangements.

Corporate Director of Finance (CMT Risk Management Lead)

- To act as the champion of risk management within the Council's management structure
- To lead on the development of the Council's risk management framework
- To ensure that the risk management strategy and framework meet appropriate standards of best practice
- Operational responsibility for the implementation of the risk management strategy and framework
- Co-ordination of the Corporate Risk Management Group

Directors/Deputy Directors/Heads of Service

- Are accountable for effective risk management in their Directorate/Service
- Provide leadership within their Directorate/Service for risk management
- Nominate a risk champion at SMT level who will co-ordinate and promote risk management within the Directorate
- Ensure that arrangements for identifying, mitigating and reviewing risks are working effectively and in line with relevant policies, procedures and guidelines
- Review and update the risks for the Directorate with the relevant Lead Member on a quarterly basis

Service Managers

- Actively identify and take action to mitigate any risks which could affect service delivery and service improvement
- To bring significant or escalating risks to the attention of the Directorate SMT
- Ensure that staff within their service areas understand and are alert to potential risks
- Ensure that members of staff attend relevant and appropriate training
- Provide regular updates on risk management as required

Corporate Risk Management Group (CRMG)

- To share good practice on risk management and to promote risk management across the authority
- To meet on a quarterly basis to raise or discuss material risk management issues and ensure matters identified are appropriately progressed
- To report to CMT on risks and risk management issues

Risk Champions (representative from each Directorate)

- To promote risk management within their Directorate
- To provide support on risk management issues within their Directorate
- To ensure that the risk management framework is being applied within their Directorate
- To ensure appropriate reporting to SMT's and CRMG

Internal Audit & Risk Assurance

- To provide independent and objective assurance on the risk management process and the controls in place to mitigate risks
- To provide an Internal Audit Plan that is based on a reasonable evaluation of risk and to provide an annual assurance statement to the Council based on work undertaken in the previous year
- Production of reports for CMT, the Leader of the Council and Audit Committee on the operation of the risk management process and the current status of the high-level corporate risks

All Staff (whether permanent or temporary)

- Have a responsibility to ensure that they are aware of this policy and to ensure risks are identified and managed in line with relevant policies, procedures and guidelines; and
- Are to undertake training as required.

Appendix D

CORPORATE RISK MANAGEMENT GROUP TERMS OF REFERENCE

1. Purpose

- 1.1 The Corporate Risk Management Group (CRMG) is responsible for ensuring good practice in risk management as well as promoting risk management across the Council.
- 1.2 CRMG will ensure significant risks that may impact on the Council's objectives are appropriately identified, analysed, managed and reported to Corporate Management Team and Members on a quarterly basis.

2. Key Responsibilities

- 2.1 The key responsibilities of the CRMG are to:
 - Ensure there is consistent reporting and management of risks across the Council by monitoring and enforcing compliance against the Risk Management Policy and agreed risk management arrangements.
 - Raise awareness and promote the Council's risk management arrangements, including monitoring the delivery of risk management training, guidance and communications to ensure they are embedded effectively.
 - Review the Strategic and Red rated risks recorded in the Corporate and Strategic Risk Registers to ensure they reflect the actual risks facing the organisation, including risks identified or presented by external agencies, significant partnerships and advisors.
 - Review the Amber rated risks recorded in the Directorate Risk Registers and note any potentially increasing risks that should be considered for escalation to a red rating and included on the Corporate Risk Register.
 - The CRMG will ensure all risks presented to them have been comprehensively reviewed and consider if appropriate actions have been identified and implemented in line with the expected implementation timeline.

3. Members of the Corporate Risk Management Group

- 3.1 The Group will be chaired by the Corporate Director of Finance or in his absence the Head of Internal Audit and Risk Assurance.
- 3.2 Other members of the Group will include representatives from each of the Directorates. Relevant Group members are responsible for making arrangements for another officer to attend and deputise on their behalf if they are unable to attend a CRMG meeting. They may also request other officers to attend if they would aid the discussion of key risks.
- 3.4 Other Cabinet and Council Members may also be invited to attend based on the risks under discussion, subject to consultation with the Cabinet Member for Risk Management.

4. Frequency of Meetings

- 4.1 CRMG meetings will be held quarterly.

5. Review of Terms of Reference

- 5.1 Membership of CRMG and the Terms of Reference will be reviewed annually.