

Risk Management Framework

2024-2025

DRAFT – FOR REVIEW

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1. Introduction

Peterborough City Council is committed to effective risk management arrangements as a means of supporting the achievement of the Council's strategic objectives.

The risk management vision is to consolidate and improve our risk management arrangements to bring the following benefits:

- Better **communication** vertically about key issues, early and often, and horizontally, learning lessons and reducing duplication of effort;
- **Consensus** about the main risks in different parts of the organisation;
- **Confidence** that the key risks are recognised and are being managed, both by the Council and its partners;
- **Clarity** and focus: directing resources to risks that matter away from risks that don't, and fewer surprises; and
- **Taking more risks and exploiting opportunities because** they are understood and managed.

Peterborough City Council has adopted the Institute of Risk Management's definition of a risk ***"A risk is something uncertain - it might happen, or it might not. A risk matters because if it happens, it will have an impact on objectives"***.

Risk management is defined as: ***"Co-ordinated activities to direct and control an organisation with regard to risk"***.

The purpose of this strategy is to explain our approach and outline the principles of risk management, identify the people responsible for it, and promote a culture of risk management throughout the Council. This document forms one part of our risk management framework

Effective Risk Management is a key part of our approach to assuring the Council's performance. Risks on the Council's Risk Registers and our Key Performance Indicators are regularly cross-referenced to ensure our performance improvement actions address any emerging risks. This document has been developed alongside the emerging Performance & Improvement Framework.

2. Roles & Responsibilities / Expectations

Risk Management is everyone's business. Whilst there is a dedicated Risk Manager role within PCC, this does not mean that responsibility for managing risks rests solely on this function – everyone must play their role, be aware of the Framework and understand expectations from the under the framework.

Cabinet	<ul style="list-style-type: none">• Consider risk in its strategic planning decisions• Set the overall risk appetite for the organisation• Monitor performance of management in mitigating strategic risks
Lead Member for Risk Management	<ul style="list-style-type: none">• Champion the operation of effective risk management operations
Audit Committee / Scrutiny Committees	<ul style="list-style-type: none">• Hold Members and Officers to account for effectiveness of risk management in decision making and achievement of objectives.

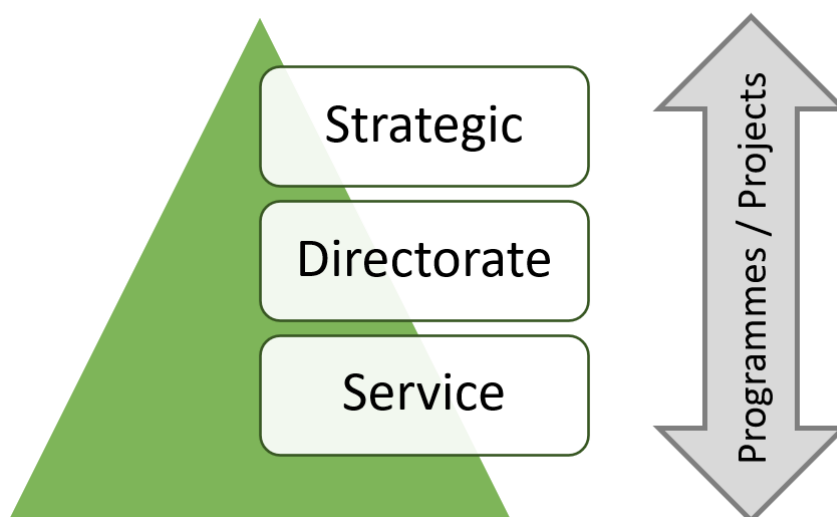
	<ul style="list-style-type: none"> To consider the Council's arrangement for corporate governance and risk management and advise on any action necessary to ensure compliance with best practice
Corporate Leadership Team (CLT)	<ul style="list-style-type: none"> Set the tone from the top and promote the benefits of risk management. Regularly discuss and review the Strategic Risk Register and associated reports. Work with the Corporate Risk Manager and management teams to identify new or emerging risks. Own and lead the corporate risk management process Review and challenge the Corporate Risk Register following referral from the Risk Management Board
Executive Director with responsibility for risk	<ul style="list-style-type: none"> Overall accountability for the effective delivery of the organisation's risk management function including the Strategic Risk Register and the Risk Management Strategy
Departmental Management Teams (DMT's)	<ul style="list-style-type: none"> Escalate risks up to strategic level when required Take ownership for risks within their directorate and ensure Risk Register is regularly discussed, reviewed and updated
Heads of Service / Managers	<ul style="list-style-type: none"> Alert to risks arising from BAU Service Delivery and manage and escalate these as necessary
Risk Management Board (Made up of Departmental Risk Co-ordinators)	<ul style="list-style-type: none"> Undertake a regular review of the Risk Register Engage in bi-monthly monitoring and discussion of BAU risk, new operational risk and issues within departments Consider the success of mitigating strategies Establish trends for risks and any financial implications Discuss the overall level of threat, and items for escalation Coordinate risks in relation to cross-departmental dependencies / cross-overs Identify key items for escalation to CMT
Departmental Risk Co-ordinators (Risk Management Board Members)	<ul style="list-style-type: none"> Support and facilitate risk management across their specified area Act as a champion / coordinator for risk management within their department by providing support to Directors, Heads of Service and other managers on the management of their risks Regularly table departmental register at DMT's for discussion / refresh Attend Risk Management Risk Board to report on the key risk items Maintain the departmental risk register
Programme / Project SRO's (Supported by Corporate Delivery Unit)	<ul style="list-style-type: none"> Recording of all Portfolio Project / Programme risks Accountable for determining and implementing the action required to manage risks and opportunities
Officers / Employees	<ul style="list-style-type: none"> Manage risk as part of their role and report risks to their managers. Develop understanding of risk management at the Council through completion of e-learning and attendance at any training required
Internal Audit	<ul style="list-style-type: none"> Routine overview of risk management arrangements through all audit activities

3. Risk Management Levels

Individual members of the Corporate Leadership Team (CLT) are responsible for the Council’s strategic risks, and these are reviewed and updated regularly in consultation with the Corporate Risk Manager. In exceptional circumstances, issues are also recorded on the strategic risk register.

Directorate level risks are owned by Executive Directors, Directors or Heads of Service and are discussed and reviewed at Directorate Management Team meetings.

Most of our risks are service level risks which are owned by an appropriate person, usually a manager or Head of Service, with specialist knowledge of the subject.



Programme or Project risks can exist at any level and within any service and should be managed using the same risk management process as other risks.

It should be noted that some risks are outside of the authority’s control; this is especially true in a Local Government setting where statutory requirements need to be fulfilled. Whilst it is accepted that it may not be possible to prevent such risks occurring, it is expected that contingency plans/strategies are put in place to minimize / plan for any impact.

4. Risk Appetite Statement

Risk appetite is defined as ***“the amount and type of risk that an organisation is willing to take in order to meet their strategic objectives”***. (Institute of Risk Management, IRM).

There are numerous definitions of organisational ‘risk appetite’, but they all break down to how much, and of what sort of risk an organisation is willing to take.

Risks need to be considered in terms of both opportunities and threats and are not usually confined to money - they will invariably also impact on the capability of your organisation, its performance, and its reputation.

Our risk appetite guides how much risk we are willing to seek or accept to achieve our objectives. We recognise we will need to take risks, both in our ordinary business and to achieve the priorities set out in our Strategic Plan.

Good risk management ensures we make well informed decisions and we understand the associated risks. By ensuring that we properly respond to risks we will be more likely to achieve our priorities. It also provides control and a high level of due diligence consistent with our responsibilities in managing public money.

We recognise effective risk management considers not just threats but also opportunities. So, our approach to risk is to seek the right opportunities and, where possible, minimise threats. By encouraging managed risk taking and considering all of the available options we seek a balance between caution and innovation.

Our risk appetite reflects our current position; encouraging managed risk taking for minor to moderate level risks, but controlling more closely those risks that come further up the scale. Our appetite for risk will vary over time depending on our ambitions and priorities and the environment we work in and we recognise that the council provides a wide range of services and therefore, a degree of considered flexibility may need to be applied where appropriate.

Beyond our risk appetite is our risk tolerance. This sets the level of risk that is unacceptable, whatever opportunities might follow. In such instances we will aim to reduce the risk to a level that is within our appetite.

A descriptive example for the classification of Risk Appetite can be seen in **Appendix A**.

5. Risk Matrix

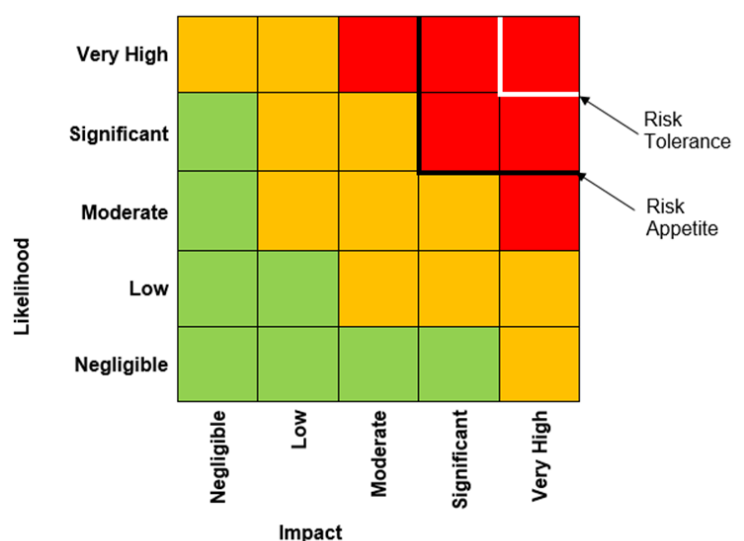
A risk matrix is a key tool used to analyse the probability and impact of a risk.

The Council uses a 5 x 5 risk matrix, with the score determined by multiplying the 'likelihood' score with the 'impact' score. We have adopted this approach as it encourages a decision to be made about whether a likelihood or impact is high or low. A descriptive guide to Likelihood and Impact can be seen in **Appendix B**.

The thick black line represents the agreed PCC **risk appetite** and any risk below this line are deemed acceptable – but will still be regularly reviewed in case their position worsens.

The thick white line represents the **risk tolerance**. Any risk above this line will not be tolerated.

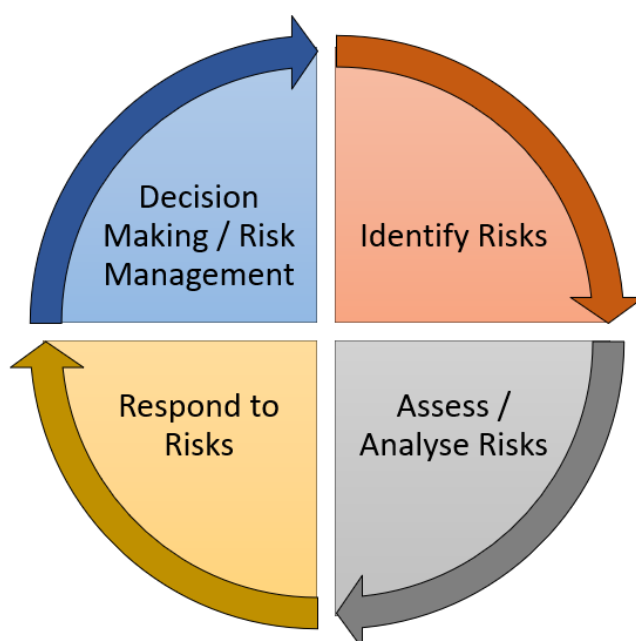
A framework for how we respond to risks can be seen in **Appendix C**.



6. Our Process

The Risk management process adopted at the Council is based on the International Standard in Risk Management - 'ISO 31000'.

The four-step process adopted within PCC should take place regularly to identify new risks. The whole process along with the activities of communicating, consulting, embedding and reviewing should take place continuously to encourage the risk management process into the culture at the Council.



An especially relevant time for considering new risks is at the business planning phase, as risks should be identified which could impact on the ability to meet the objectives set out in the plan. A detailed visualisation of the process flow can be seen in **Appendix D**.

7. Risk Management Toolkit

This Risk Management Framework will be supported by a separate document - The '**Risk Management Toolkit**' which will assist the Council with every stage of the risk management process, enabling risk-based decisions to be made, and keep track of existing or emerging risks which may threaten the achievement of objectives may these be at strategic, function or service level.

The Risk Management Toolkit will be developed with officers, will evolve over time and will include a series of training modules and aids and will mean that we can provide more insightful risk updates to Member, which will include the effectiveness of risk actions and key risk themes.

Although a separate document, the Risk Management Toolkit and this Framework will be continuously developed alongside our performance & Improvement Framework.

Appendix A - A descriptive example for the classification of Risk Appetite

Classifications of Risk Appetite	1 Averse	2 Minimalist	3 Curious	4 Open	5 Hungry
	<i>Avoidance of risk and uncertainty is a key Organisational objective</i>	<i>Preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward</i>	<i>Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward</i>	<i>Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money, etc.)</i>	<i>Eager to be innovative and to choose options offering higher business rewards (despite greater inherent risk).</i>

Appendix B - A descriptive guide to Likelihood and Impact

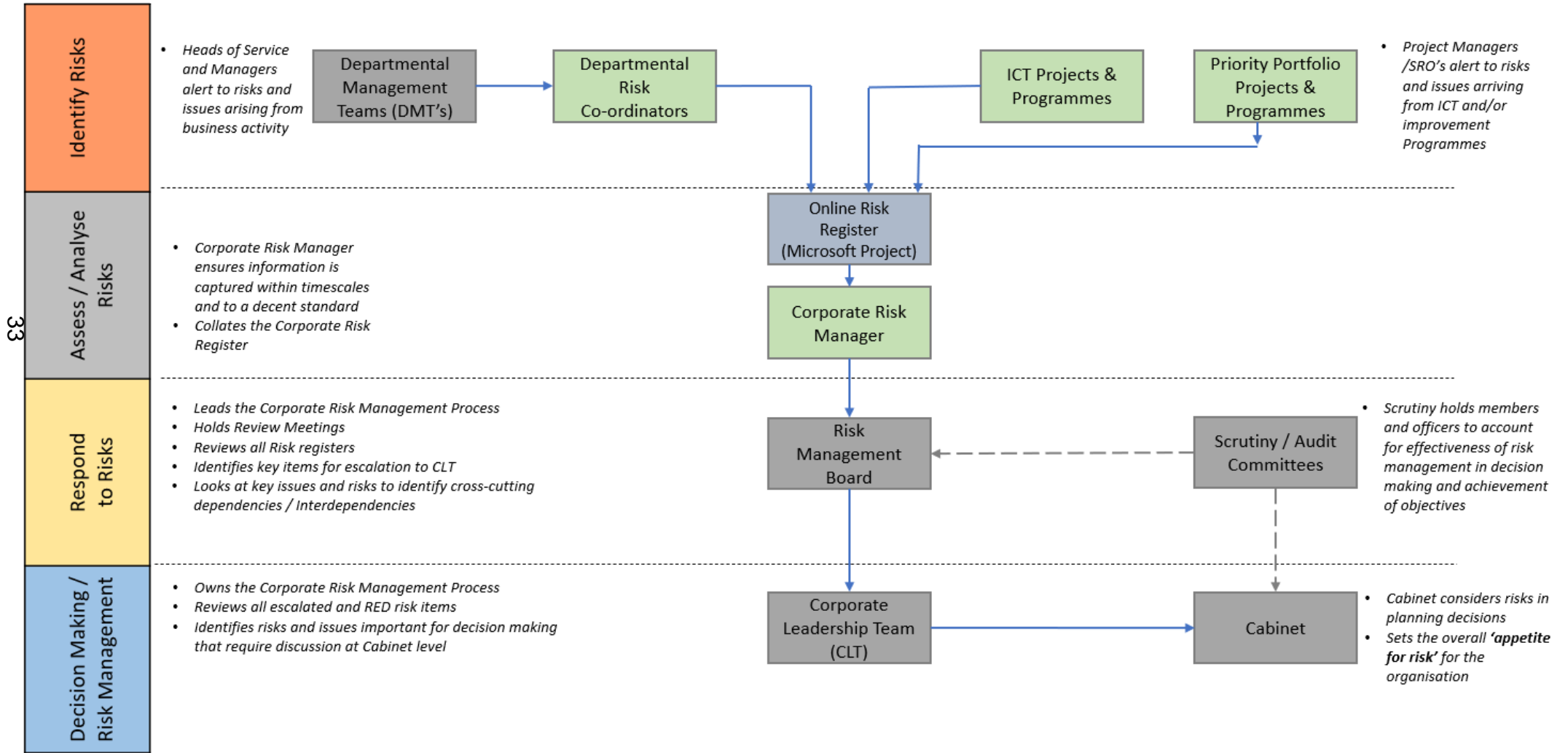
IMPACT	Negligible (1)	Low (2)	Moderate (3)	Significant (4)	Very High (5)
Service interruption	Non-noticeable	Minor disruption	Some operations compromised	Failure to deliver Council Priorities	Sustained or permanent loss of core service
Objectives / Projects	Insignificant slippage	Minor slippage	Reduction in scope or quality	Failure to meet secondary objectives	Failure to meet primary objectives
Financial	Up to £10k	£10k - £25k	£25k - £100k	£100k - £500k	£500k +
Compliance	Minor non-compliance	Low level non-compliance	Non-compliance with core standards	Major non-compliance	Serious breach of compliance/ potential prosecution
Reputational	Internal PCC only	Local media – short term coverage	Local media – long term coverage	Extensive local, short term national coverage	Long term national coverage – Perceived as a failing
Environmental	No noticeable impact	Minor short-term impact	Short-term, medium impact	Significant impact with long-term effects	Long-term impact
Health & Safety	First aid level injuries	Medical treatment required	Fails to prevent extensive or Long-Term sickness	Fails to prevent death / causes extensive injuries	Responsible for death

LIKELIHOOD	Negligible (1)	Low (2)	Moderate (3)	Significant (4)	Very High (5)
Percentage	0 – 20% Unlikely to occur	20 – 40% Unlikely but not unforeseeable	40 – 60% Fairly likely to occur	60-80% More likely to occur than not	>80% Almost certain to occur

Appendix C – Risk Response

Risk Rating		Guidance to Risk Owners
25	<p>Risks at this level sit above the tolerance of the Council and are of such magnitude that they form the Council’s biggest risks.</p> <p>The Council is not willing to take risks at this level and action should be taken immediately to manage the risk.</p>	<ul style="list-style-type: none"> Identify the actions and controls necessary to manage the risk down to an acceptable level. If still scored above 20, report the risk to the Audit Team / CDU and your Director. Steps will be taken to collectively review the risk and identify any other possible mitigation (such as controls). Risks that remain at this level will be escalated to CLT, who will actively monitor and provide guidance on the ongoing management of risks at this level.
16-20	<p>These risks are within the upper limit of risk appetite.</p> <p>While these risks can be tolerated, controls should be identified to bring the risk down to a more manageable level where possible</p>	<ul style="list-style-type: none"> Identify controls to treat the risk impact /likelihood and seek to bring the risk down to a more acceptable level. These risks should be monitored and reviewed monthly. If unsure about ways to manage the risk, consult with the Internal Audit team / CDU. Risks at this level will feature in a quarterly risk update to CLT who will provide oversight and support if needed.
5-15	<p>These risks sit on the borders of the Council’s risk appetite and so while they do not pose an immediate threat, they are still risks that should remain under review.</p> <p>If the impact or likelihood increases then risk owners should seek to manage the increase.</p>	<ul style="list-style-type: none"> Keep these risks on the radar and update as and when changes are made, or if controls are implemented. Movement in risks should be monitored, for instance featuring as part of a standing management meeting agenda. Responsibility for monitoring and managing these risks sits within the service.
3-4	<p>These are low level risks that could impede or hinder achievement of objectives.</p> <p>Due to the relative low level it is unlikely that additional controls will be identified to respond to the risk.</p>	<ul style="list-style-type: none"> Keep these risks on your register and formally review at least once a year to make sure that the impact and likelihood continues to pose a low level.
1-2	<p>Negligible risks with little consequence but not to be overlooked completely. They are enough of a risk to have been assessed through the process, but unlikely to prevent the achievement of objectives.</p>	<ul style="list-style-type: none"> No actions required but keep the risk on your risk register and review annually as part of the service planning process.

Appendix D - Visualisation of the process flow



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