



Risk Management Policy

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Document Control Sheet

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Validity Statement

This document is due for review by the date shown above, after which it may become invalid. Users of the policy should ensure that they are consulting the currently valid version of the document

Risk Management Policy Statement

Context

The purpose of this policy is to define risk management, state the Council's risk management objectives, approach, responsibilities and procedures.

What is the Council's risk appetite?

The Council's overriding attitude to risk is to operate in a culture of creativity and innovation, in which all key risks are identified in all areas of the business, are understood and proactively managed, rather than avoided.

What are the Council's risk management objectives?

- Adopt a strategic approach to risk management to make better informed decisions
- Acknowledge that even with good risk management and our best endeavours, things can go wrong. Where this happens, we use the lessons learnt to try to prevent it from happening again;
- Develop organisational capacity and skills in identifying, understanding and managing the risks facing the Council;
- Provide the tools to ensure good risk management (e.g. E-learning, PMO templates)
- Promote corporate governance and integrate risk management into how we run Council business/services. Sound risk management processes help us to achieve our corporate vision, priorities and objectives as outlined in the Corporate Plan;
- Support a culture of well-measured risk throughout the Council's business, including strategic, programme, partnership, project and operational. This includes setting risk ownership and accountabilities and responding to risk in a balanced way, considering the level of risk, impact and cost of control measures;
- Anticipate and respond to changing social, environmental and legislative requirements and ensure that the Council continues to meet all statutory and best practice requirements in relation to risk management;

How will our objectives be met?

- Commitment from the Corporate Leadership Team (CLT) and senior managers to managing risk effectively;
- Maintaining a robust and consistent risk management approach that will:
 - Identify and effectively manage strategic, operational and project risks
 - Ensure mechanisms for officers of all levels to report risk in a consistent way.
 - Focus on those key risks that, because of their likelihood and impact, make them priorities;
- Ensure accountabilities, roles and responsibilities for managing risks are clearly defined and communicated;
- Consider risk as an integral part of business planning, service delivery, key decision-making processes, and project and partnership governance;
- Communicate risk information effectively through a clear visible reporting framework; and
- Increase understanding and expertise in risk management through training and the sharing of good practice

Risk Management Approach

Introduction

The purpose of the risk management approach outlined in this document is to:

1. Provide standard definitions and language to underpin the risk management process
2. Ensure risks are identified and assessed consistently throughout the organisation
3. Clarify roles and responsibilities for managing risk
4. Meet current legislative requirements and best practice and with our approach.

1. Definitions

Risk can be defined as “an uncertain event that, should it occur, will have an effect on the Council’s objectives and/or reputation.” It is the combination of the probability of an event (likelihood) and its effect (impact).

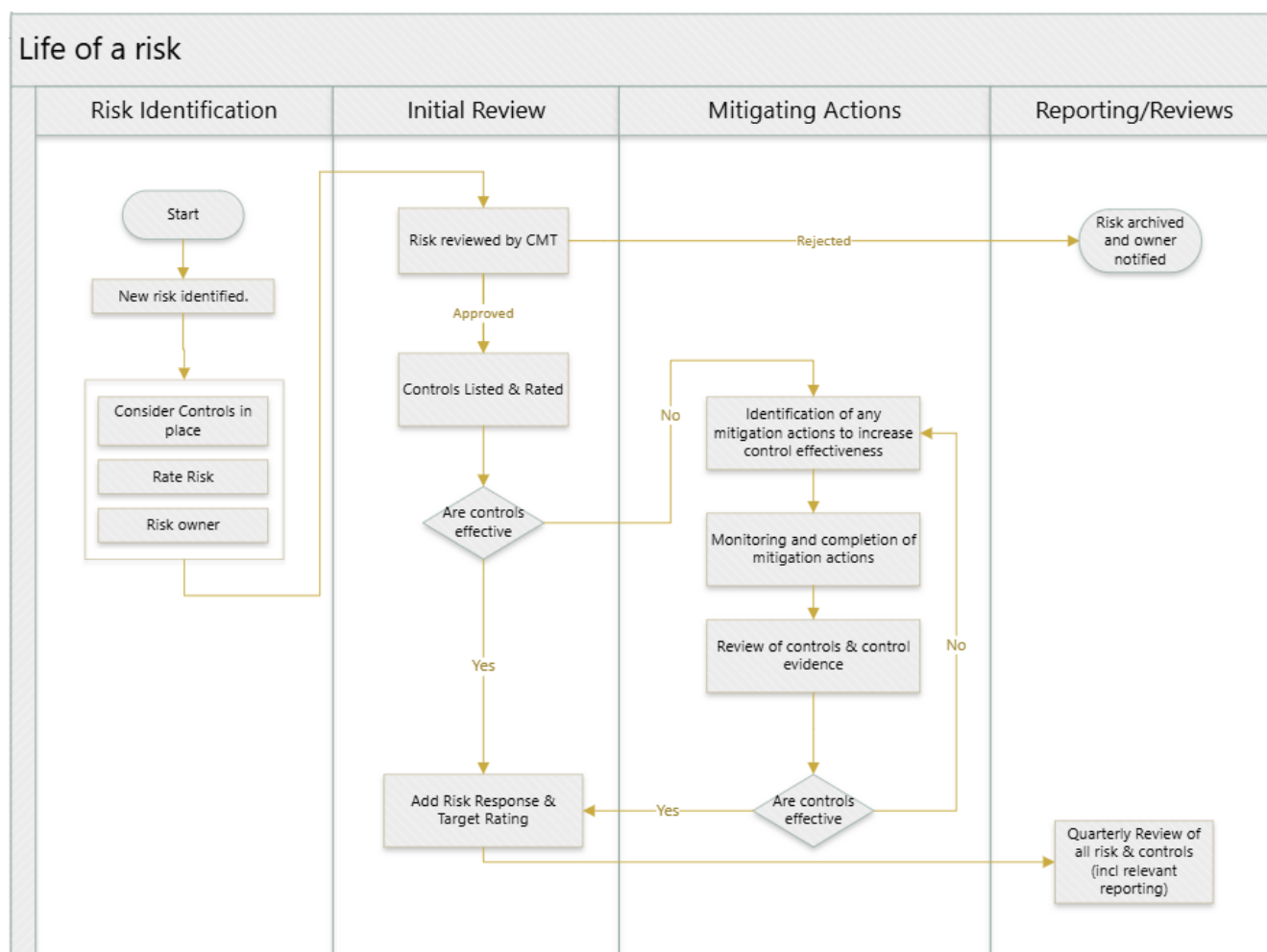
Opportunities can come from effective risk management for example additional grant funding or improved working practices.

Risk management is the “systematic application of principles, approach and processes to the identification, assessment and monitoring of risks.” By managing our risk process effectively, we will be in a better position to safeguard against potential threats and exploit potential opportunities to improve services and provide better value for money.

Risk management is applied at all levels of service delivery and include:

Risk Areas	Description	Reported
Corporate Strategic Risks	Risks that could influence the successful achievement of our long-term corporate goals, priorities and objectives. These are risks that could potentially have a council-wide impact and/or risks that cannot be managed solely at a service level because higher level support/intervention is needed.	Corporate Risk Register
Service Risks	Risks at a service level that could influence the successful achievement of the Directorate or service outcomes/objectives. Potentially these risks could have a significant financial, reputational and/or service delivery impact on the service.	Service Plans
Contract Risks	Risks that could influence the successful achievement of the contract’s outcomes/objectives in terms of delivery, outcomes and value for money. Contract risks are managed throughout the contracting process including contract management/business as usual.	Procurement process
Project Risks	Risks that could influence the successful achievement of the project’s outcomes/objectives in terms of service delivery, benefits realisation and engagement with key stakeholders (service users, third parties, partners etc.).	Project Management Office (PMO)
Partnership Risks	Partnerships bring risks as well as opportunities; how the partnerships are governed can be problematic and as a result the objectives of the partnership may not be achieved; they may not deliver good value for public money or the Council could find itself having to pay more money into a partnership or pick up other partners’ contributions should one or more partners leave. Alternatively, the Council could just find that it is not reaping the benefits that it thought it would by participating in the partnership	Service Plans

2a Lifecycle of a risk



How to assess and identify a risk

2b) Identify area of delivery at risk

Before we can identify our risks, we need to establish the context by looking at what we are trying to achieve and what our proposed objectives are. This will usually be detailed in existing documents, including the following:

- Maldon District Council Corporate Plan (Corporate)
- Service Plans (Service)
- Project Brief or Project Initiation Document (Project)
- Partnership agreement (Partnership)
- Contract or Service Level Agreement. (Contract)

2c) Identify Risks

At its simplest, risk management consists of asking and answering, “what are we trying to achieve?” and “what can stop this/these being achieved?”.

There are several different types of risk that the Council may face including:

Type	Description
Strategic	What could prevent corporate goals and objectives being achieved? An example would be a failure to ensure that all services are working effectively to the corporate agenda or not having the capacity and resources to deliver the agreed key activities.
Financial	What could affect the council's financial position? Examples include the risks

Type	Description
	associated with investment and borrowing, lack of sound financial management or the existence of fraud or corruption.
Economic	The impact of an economic downturn would affect prosperity of local businesses and communities.
Regulatory	What would happen if the Council was not compliant with legislation such as the Health and Safety at Work Act, Data Protection, Freedom on Information Employment Law, Human Rights, Equalities Act or Environmental legislation? What about legal challenges?
Reputation	Negative publicity (local and national) or an increase in complaints would affect the Council's reputation
Management	Where could be risks relating to loss of key staff, recruitment or retention issues; capacity issues – availability, sickness absence, emergency preparedness or business continuity
Operational/ Departmental	What could potentially affect the delivery of the service? Examples could be a loss of key staff, or a failure of IT systems.
Health and Safety	What are the potential risks to staff, customers, and users of the service? Examples of this are risk of slips, trips and falls.
Partnerships	What would the implications for the Council be if the partnership failed? For example, would the Council be responsible for any of the partnership's financial liabilities or would services be affected if the partnership was no longer in existence?
Projects	What could cause the project to fail? Examples could include unrealistic initial assumptions about time, cost or feasibility

Describing the risk is equally important to ensure that risks are fully understood, and to assist with the identification of mitigating actions, the cause and consequences of each risk must also be detailed. Typical phrases used to do this include:

Description	Cause	Consequences
Failure to ... Failure of ... Lack of ... Loss of ... Uncertainty of ... Delay in ... Inability to ... Inadequate ... Partnership with ... Development of ... Damage todue to becauseleads toresults in

Once identified, all risks are recorded in the appropriate "Risk Register" – this will be depending on what you have identified at point 1.

A risk owner must be allocated and recorded against each risk on the risk register. Such accountability helps to ensure 'ownership' of the risk is documented and recognised. A risk owner is defined as a person with the accountability and authority to effectively manage the risk.

At this stage there may well be a long list of possible risks. The next step will help to prioritise these in order of importance.

2d) Assess Risk Level

To ensure resources are focused on the most significant risks, the Council's approach to risk management is to assess the risks identified in terms of both the potential likelihood and impact so that actions can be prioritised.

Once you have considered the controls currently in place and how adequately these reduce the likelihood or impact of the risk, the risk is scored using **The Risk Assessment Table** included in **Appendix 1**. An overall risk score is reached by multiplying the likelihood score by the impact score.

Both the likelihood and impact levels of each risk are plotted on the Maldon District Council's Risk Matrix which displays its appetite or tolerance to risk (see below). The position of the risk, either above or below the tolerance, will help to determine what action, if any, will be taken forward.

Colour	Score	Action	Response
Green	Very low (1-3)	Acceptable risk; No further action or additional control are required; Risk at this level should be monitored and reassessed at appropriate intervals	Tolerate or Treat.
Yellow	Moderate (4-6)	A risk at this level may be acceptable; if not acceptable, existing controls should be monitored or adjusted; No further action or additional controls required.	Tolerate or Treat
Amber	High (9-12)	Not normally acceptable; Efforts should be made to reduce the risk, provided this is not disproportionate; Determine the need for improved control measures.	Treat, tolerate or transfer
Red	Extreme (12-25)	Unacceptable; Immediate action must be taken to manage the risk; Several control measures may be required.	All options can and should be considered

2e) Assess adequacy of existing controls

For each risk, identify those actions/controls which are currently helping to minimise the likelihood and/or impact of the risk occurring. These are actions or controls that are completed, in place and embedded.

Assess the adequacy of these controls as follows:

Scale	Definition
Poor	No controls in place or the few that are do not mitigate the risk
Fair	Some controls in place and some reduction in risk but still not adequate
Good	Controls in place are considered adequate and reduce the risk
Excellent	Effective controls are in place which reduce the risk considerably.

2f) Identify risk response and mitigating actions required

There are four basic ways of responding to risks identified and can be summarised as the four 'T's':

- ❖ **Terminate** – deciding not to continue or proceed with the activity in view of the level of risks involved although often this is not possible.
- ❖ **Transfer** – which involves another party bearing or sharing the risk such as obtaining insurance or finding an external partner to undertake the activity in return for a fee (which will reflect the risk taken on). Not all types of risks can be transferred.

- ❖ **Treat** – by ensuring existing controls are effective by periodic review and testing and implementing additional controls through mitigating actions were considered necessary to reduce the risk to a tolerable level. This is likely to be the most common approach, as risks are identified as part of our approach as a transformative council.
- ❖ **Tolerate** – it is not possible to control or considered cost effective to address the risk, so the risk is accepted.

The decision on the appropriate action should take account of the Council's risk appetite, i.e. what level of risk is the Council prepared to tolerate. Any risk that has been assessed as above the tolerance line must be a priority for immediate management action with actions designed to reduce the risk to a target level set within the risk appetite.

Mitigating actions identified should be clearly defined and actioned, with a lead officer and timescales for implementation/completion. The risk owner should monitor the progress of the mitigating actions regularly to ensure that these are being taken forward and that they are reducing the overall risk score

2g) Target Risk Score

In line with best practice, we should also set a risk score to achieve through the controls and mitigating actions of your risk.

Note –Corporate tolerance is an overall score of 12 or lower as a Target Risk Score as a default. It may be that your target risk score is higher than this, due to the lack of control or impact that the Council can have on the risk.

3. Roles and Responsibilities

To be effective risk management must be embedded throughout the Council by CLT, Members and each individual employee. One of the Council's key objectives within this policy is to promote a risk aware culture. Risk management is a cultural issue which will only be effective with understanding and support from all levels of staff and Members; training will be provided periodically to staff and Members to enable them to fulfil their risk management responsibilities.

All employees and Members are responsible for ensuring there are robust and fit-for-purpose systems of internal control and risk management in place; and they are aware of the risks:

- they are empowered to take
- that must be avoided
- that must be reported upwards.

Some individuals and groups have specific leadership roles or responsibilities as follows:

Group / Individuals	Role / Responsibilities
Elected Members – Performance, Governance and Audit Committee <i>Scrutiny and oversight of risk governance and risk profile, and monitor effectiveness of risk management</i>	<ul style="list-style-type: none"> • Approve strategic direction of risk management, including through approval of Council risk management policies and strategies • Review, scrutinise and challenge risk management processes • Monitor development and operation of risk management including progress in addressing risk related issues reported to the Committee • Ensure the Code of Corporate Governance and Annual Governance Statement properly reflects the risk environment and the adequacy and effectiveness of the Council's risk management framework • Review the assessment of risks and potential harm to the Council from fraud and corruption

Group / Individuals	Role / Responsibilities
Elected Members – General	<ul style="list-style-type: none"> Contribute to review, and have an awareness of the Corporate Risk Register Challenge on items for the risk register based on discussions that take place at wider committees etc
Chief Executive and Corporate Leadership Team Champions risk awareness. Leads in identifying, owning and managing strategic risks.	<ul style="list-style-type: none"> Advise on the risk management framework and process Identify, analyse, and prioritise strategic and cross cutting risk and monitor progress against action plans Promote a culture of effective risk management and encourage staff to be open and honest in identifying risks or missed opportunities. Support and promote the embedding of risk management such that it is practiced as part of usual activities, including the sharing of best practice and experience. Develop risk management controls in conjunction with Heads of Service and generally assist the Council to ensure an appropriate internal control environment exists Contribute to the Code of Corporate Governance and Annual Governance Statement for submission to Members, including the adequacy and effectiveness of risk management arrangements
Assistant Directors and their Heads of Service Develop risk management culture, own control, and report on operational risks	<ul style="list-style-type: none"> Identify, analyse, prioritise, and report service operational risks, and identify risks for potential escalation to the Corporate Risk Register. Provide assurance on the effectiveness of controls to mitigate risks Ensure reports and information include meaningful information on risks Maintain business continuity plans, risk registers and action plans Manage processes to ensure established controls are applied and effective, provide evidence of controls and risk mitigation Review controls in the light of change, implement new controls as necessary
Assistant Director: Programmes, Performance and Governance Coordinates risk management activity on behalf of the Council and provides link between risk management and related disciplines	<ul style="list-style-type: none"> Develop, implement, and regularly review risk management policy and processes and provide advice on the same Coordinate risk management process, prepare reports for the Corporate Leadership Team and Members, provide advice and support, and make recommendations to Management Board Collate departmental risk profiles and work with risk owners to provide assurance on these Arrange risk assessment and risk management training for staff
Risk Owners Accountability for ensuring their nominated risks is appropriately managed	<ul style="list-style-type: none"> Ensures risk is assessed, managed, monitored, and reported, including: <ul style="list-style-type: none"> Consider factors affecting risk likelihood or impact Review effectiveness of mitigating controls and impact Update risk narrative to ensure accurate presentation to Management and Members
External Audit and other review bodies Focus on financial risk, review and report on arrangements for managing risk	<ul style="list-style-type: none"> As part of the annual audit of financial statements, reviews and provides assurance on the adequacy of arrangements for managing risk and the control environment risk having due regard to statutory requirements and best practice

Group / Individuals	Role / Responsibilities
Internal Audit Provide assurance to Senior Management and Members on risk management and governance	<ul style="list-style-type: none"> Align the Internal Audit Plan with Corporate risks, test controls for effectiveness, and provide advice on risks and controls Review and challenge the effectiveness of the risk management framework, to provide assurance to Senior Management and the Performance, Governance and Audit Committee
All employees Identify, assess, and help manage risks	<ul style="list-style-type: none"> Maintain awareness of risks, their impact and costs, and take ownership of the need to identify, assess and help manage risks in individual areas of responsibility Bring to management attention at the earliest opportunity details of any emerging risks that may adversely impact service delivery

4a) Review and report

Risk management should be considered as an ongoing process and as such risk needs to be reviewed regularly to ensure that prompt and appropriate action is taken to reduce their likelihood and/or impact.

The Council's Risk Management Framework requires the following review/reporting:

Risk Areas	Review/Reporting mechanisms
Corporate Risks	<p>Risks that are identified as potentially preventing the Council achieving the corporate goals and objectives stated in the Corporate Plan and which are assessed as being above the Council's acceptable tolerance level are recorded on the Corporate Risk Register in SharePoint (the Council's central Risk site).</p> <p>The mitigating actions are also recorded and both the overall risk scores and the progress of the mitigating actions are updated on a quarterly basis by the risk owner or the officer responsible for taking the actions forward.</p> <p>To ensure that risk is being managed effectively, quarterly risk reports are submitted to and reviewed by CLT and reported to the Performance, Governance and Audit Committee outlining the current risk scores, whether there have been any changes to the scores and what progress has been made on the mitigating actions.</p>
Service/operational risks	<p>Risks that are identified at service/operational level as potentially preventing the service from achieving its service objectives and which are assessed as being above the Council's acceptable tolerance level are detailed in the business plans and recorded on SharePoint.</p> <p>These should be subject to regular review and discussion between the manager and their director. It is the responsibility of the appropriate managers to ensure that any actions detailed in the business plan to reduce these service risks are taken forward and progress monitored</p>
Contract Risks	Should be reviewed regularly by the Contract Manager and are recorded as part of the procurement documentation process
Project risks	Should be reviewed regularly by the Project Manager and the Project Sponsor and will be recorded as part of the PMO documentation process.
Partnership risks –	For any partnership which is assessed as being high risk, a risk register will be established and will be subject to annual review. The risks will be included in the relevant service plan and will be subject to regular review by the manager.

4b) Training and Awareness

Having developed a robust approach and established clear roles and responsibilities and reporting lines, it is important to provide Members and Staff with the knowledge and skills necessary to enable them to manage risk effectively.

Risk E-learning is compulsory for all staff and members. Awareness of risk management is also promoted as part of PMO processes, corporate reporting, individual SMART objective setting, Service planning and Contract and Partnership management.

4c) Relevance to other Corporate Functions**Internal Audit**

The Council's appointed internal auditors will periodically undertake an independent evaluation of the risk management framework to provide the Performance, Governance and Audit Committee with assurance on the adequacy of the internal control arrangements including risk management and governance.

Business Continuity Planning

The main objective of business continuity is to provide a means of both recovery for the Council should it be affected by a crisis or a business interruption and of minimising the impact on the Council's employees, customers and reputation. Examples of issues tackled by business continuity include those in relation to loss of premises, equipment, staffing, and telecommunications / IT. Business continuity planning requires that potential impact to be considered and managed and the corporate and individual business continuity plans need to be updated on an on-going basis to reflect changes in the overall risk profile. Put simply, the difference between risk management and business continuity is that the former considers what could go wrong and seeks, where possible, to prevent it, while the latter creates contingency arrangements in the event of a crisis and is largely indifferent to the cause of the problem.

Risk Assessment Table- Appendix 1

Risk Assessment

The identified risks are assessed in terms of their likelihood of occurring and the potential impact should they occur and are scored on a scale of 1 – 5 as follows:

Likelihood	Clarification of Definition
5 - Certain	Regular occurrence. Will happen
4 – Very Likely	Circumstances frequently encountered.
3 - Likely	Circumstances occasionally encountered
2 – Less Likely	Circumstances infrequently encountered
1 – Unlikely	Has rarely/never happened

As guidance, when assessing the impact, the following aspects should be taken into consideration:

Impact	Negligible	Minor	Moderate	Significant	Major
Risk Score	1	2	3	4	5
Financial	£0k - £10k	£10k - £100k	£100k - £250k	£250k-£500k	>£500k
Service Provision	Minor service delay/disruption	Short term service delay/disruption	Medium term delay/	Delays and service suspended	Total service suspended for a significant period/statutory duty not delivered
Project	Minor delay	A few milestones missed	A major milestone missed	Major milestone(s) missed, and risk of impact on others	Project does not achieve objectives and misses majority of milestones
Health & Safety	Minor injury	Broken bones/illnesses	Major illness	Long term illness or life changing injury	Major loss of life/large scale major illness
Objectives	Minor impact on objectives	Failure to achieve service plan objectives	Failure to achieve several Directorate objectives	Failure to achieve most Directorate objectives	Corporate objectives not met
Morale /Resource	Mild impact on morale, rare resourcing issues	Some staff dissatisfaction, increase in staff turnover or resourcing issues	Major staff dissatisfaction, sickness and resource impacts seen	short term industrial action, staff turnover including key personnel, Significant resourcing issues	Major staff dissatisfaction, long term industrial action, significant key staff turnover, Ongoing/ Continuous resourcing issues

APPENDIX A

<u>Impact</u>	Negligible	Minor	Moderate	Significant	Major
Risk Score	1	2	3	4	5
Reputation	No media attention/i solated complaints	Adverse local media coverage	Adverse local media coverage and social/ public complaints on the matter	Adverse national media coverage	Remembered for years
Government relations	Minor local service issues	Poor assessment (s)	Poor assessments and risk of service being taken over	Service taken over temporarily	Ministerial intervention in running service

An overall risk score is reached by multiplying the likelihood score by the impact score.