

Risk Management Framework

2025/27



SOUTH
KESTEVEN
DISTRICT
COUNCIL

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Risk Management Overview

Risk is the threat or uncertainty associated with an event or action that could adversely affect the Council's ability to successfully achieve its objectives. The uncertainty may lead directly or indirectly to damage or a loss, as well as lost opportunity.

Risk Management is defined as: *Coordinated activities to direct and control an organisation with regards to risk* (as defined within the ISO 31000:2018 Risk Management – Guidelines). This Risk Management Framework provides an outline of the Council's arrangements for risk management and seeks to clarify the various roles, responsibilities, and governance structures.

This framework is based on good enterprise risk management practices as defined in the ISO 31000:2018 Risk Management – Guidelines and the ALARM (Association of Local Authority Risk Managers) Risk Management Guide and Toolkit.

The Council acknowledges its statutory responsibility to manage risks and deliver cost effective and efficient services. The Council has a duty under the Local Government Act to make arrangements to secure continuous improvement in the way in which its functions are exercised. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective delivery of its functions, which include arrangements for the management of risk.

The management of risk is woven throughout the Council's key governance frameworks and there are specific requirements to adopt a formal approach to risk management in the following areas:

- Key decision-making reports
- Corporate, directorate and service area planning
- Programme and project management
- Procurement processes
- Partnership working arrangements
- Change management processes

Risk management is a crucial part of the overall arrangements for securing effective corporate governance. Risk management can make a difference, and enhance performance, by identifying and preventing the bad things from happening and ensuring all the good things the Council wants to do happen.

The effectiveness of the Council's risk management arrangements is assessed annually as part of the Annual Governance Statement (AGS), which includes the Annual Audit Opinion, and is signed off by the Chief Executive and the Leader of the Council. In compiling the AGS, assurances are obtained from a wide range of sources.

The following need to be considered:

| |
|--|
| What are we trying to achieve? |
| <i>Objectives</i> |
| What is the risk here? |
| <i>Risk identification</i> |
| How likely is the event to happen? |
| <i>Risk evaluation – likelihood</i> |
| What will happen to desired outcomes? |
| <i>Risk evaluation – impact</i> |
| Does the benefit outweigh the risk? |
| <i>Risk versus benefit and reward analysis</i> |
| Can we do anything to reduce the risk? |
| <i>Risk reduction</i> |
| Has anything happened that alters the risk? |
| <i>Risk monitoring</i> |
| What plans can we put in place in case the event should happen? |
| <i>Contingency/service continuity planning</i> |
| What can we do to contract out the risk? |
| <i>Risk transfer</i> |
| What provisions should we hold for residual risk? |
| <i>Risk funding</i> |

To assist in the management of risk, the following have been identified which form the basis of the Risk Management Framework:

- Promote awareness of risk and embed the Council's approach to its management throughout the organisation
- Support the role and work of the Governance and Audit Committee
- Seek to identify, measure, control, and report on risk both corporately (and operationally) through appropriate assessment criteria
- Monitor and measure the overall performance of the Risk Management Framework and the way in which it contributes to the business activities of the Council

The Risk Management Policy Statement and the Risk Management Strategy identify how the above will be achieved.

Risk Management Policy Statement

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

The Risk Management Policy Statement underpins the objectives of the Council in connection with the management of risk through the following values which determine how we behave, and deliver services to residents and businesses, and how we interact with each other:

- Trust
- Empowerment
- Accountability
- Making a difference
- Supportive to all
- Kindness

Vision

The Council will seek to identify and measure the risks it faces. Wherever practicable, and in the context of the Council risk appetite, it will seek to manage risks to maximise the quality of service provision and maintain reputation.

Culture

The Council recognises the value of adopting a risk management culture and will:

- Identify a Cabinet Member to champion risk management activity
- Implement and monitor risk management arrangements across the organisation at corporate and operational level
- Use key risk information to inform the Annual Governance Statement and the internal audit plan
- Encourage officers, Members, partners, suppliers, and other stakeholders to develop and maintain a risk management ethic and to report concerns accordingly

Responsibility

All officers and Members have a responsibility to ensure that risk management is effective across the whole of the Council's operations. Specific roles and responsibilities are set out in Appendix C.

Best Practice

The following eight steps of risk management will be followed in the production of the assessment of risk at either corporate and/or operational level:

- identifying the risks which might impact on Council objectives
- identifying and assessing existing controls which contribute to managing the risk
- analysing and ranking the risk in terms of likelihood and impact using a consistent methodology set out in Appendix D
- prioritising the risk

- determining the action required based on the Council's risk appetite, set out in Appendix A, with a view to eliminating the risk (termination), reducing the risk (tackle), accepting the risk (tolerate) or pass on the risk eg insurance or indemnities (transfer)
- identifying risk owners for monitoring and reporting on risks identified ie changes in the nature of the risk, level of exposure, and the ongoing effectiveness of internal controls in place for managing or mitigating the risk
- identifying action owners responsible for acting in connection with the risk identified and the date by which action is required
- monitoring and reporting on progress in connection with action

Process

In managing risk management, processes, records, and procedures should be properly maintained, decisions recorded, and there should be clear audit trails to demonstrate due diligence, openness and accountability. The Council will establish a standard approach to the way in which risk will be assessed and recorded, as set out in Appendix D. This approach will be kept under review to ensure its continued effectiveness and efficiency. The approach, and key components, to strategic risk management is set out in Appendix E.

Training

The Council recognises that the success or otherwise of its Policy Statement will be influenced by the positive responsiveness of those individuals responsible for its implementation on a day-to-day basis. Accordingly, training needs will be identified and provided.

Project Risk

It is recommended practice for a project risk register to be maintained for each significant project undertaken by the Council. This will be consistent with the process adopted by the Council organisation wide. The register will record risks that have been identified as having a realistic possibility of materialising in connection with each project.

Assurance

Assurance is a level of confidence provided, or obtained, that a given outcome will be achieved as expected. Assurance that the risk management processes are working effectively is obtained by following the Risk Management Governance Framework set out in Appendix B.

The Council has various assurance routines including completion of the management Annual Assurance Statements, the cyclical assurance provided over key controls in the Strategic Risk Register and the work of internal audit and other independent reviews. All outcomes of assurance work will be captured, reported, and reviewed via the Corporate Management Team and presented for consideration to the Governance and Audit Committee as appropriate.

Risk Management Strategy

Purpose

The purpose of the Risk Management Strategy is to set out how the Council will manage risk, and to ensure that risks are identified at the right time, to facilitate effective decision making. It will ensure that principles and values are upheld, responsibilities are fulfilled, and risk management best practise is applied.

Aims

The aims of the Risk Management Strategy are to:

- Integrate risk management into the Council's culture
- Ensure Governance and Audit Committee agree a programme of work and reporting arrangements to monitor the effectiveness of risk management
- Raise awareness of the need for risk management by all those involved in service delivery
- Ensure Members, Corporate Management Team, external regulators, and the public can obtain necessary assurance that the Council is managing its risks
- Anticipate and respond to changing social, environmental, and legislative changes
- Minimise the impact and/or likelihood of risks occurring
- Ensure a robust framework is in place to identify, assess, and manage the risks
- Minimise the total cost of risk
- Produce, agree, and approve the Annual Governance Statement regarding the effectiveness of risk management at the Council

Objectives

The objectives of the Risk Management Strategy are to:

- Ensure risk management is part of strategic and operational management decision making, planning, and implementation
- Manage risks in accordance with the Council's Risk Management Framework, recognised best practice, and to enable good governance
- Respond to risk in a balanced way, mindful of the Council's risk appetite (Appendix A), considering risk level, risk reduction potential, cost/benefit, and relationship to resource constraints
- Ensure strategic, service, and project risks are discussed on a regular basis
- Ensure that all risks within projects are fully identified, assessed, and managed in accordance with Council methodologies
- Review and report on the application of the risk assessment process (Appendix D) and compile a register of risks including risks identified at a corporate, operational, and project level. Risk register layout is set out in Appendix F
- Assess the adequacy of action taken to mitigate risks and the effectiveness of existing controls in the management of risk



Appendix A – Risk Appetite Statement

Risk appetite overview

Risk is the exposure to something happening, often negative but sometimes positive, associated with the achievement of objectives. Only in extreme circumstances is the risk unforeseen. Therefore, with information available, analysis and understanding of the circumstances, then the Council can determine when it can take more risk and when it should not. Risk appetite is defined as the level of risk an organisation is prepared to accept or take in the pursuit of its objectives. There is no one size fits all, neither is risk appetite easy to define. The Council's appetite for risk can vary dependent on the nature of the risk and the prevailing operating conditions or circumstances.

The Council has developed a risk appetite. The risk appetite is not absolutely prescriptive but instead provides a number of underlying component parts that encourages structured thinking. The aim of the risk appetite being to allow the Council to reach an informed conclusion as to whether the risk can be accepted, and to what extent, to achieve the desired outcomes.

Risk appetite monitoring and reporting

The Council will continue to keep under review its risk appetite, fully recognising that this may be susceptible to change due to various factors, both internal and external, that could shape the nature and extent the Council is prepared to take risks.

Risk appetite themes

All risks should be considered in the context of the Council's risk appetite. To assist this further the Council has identified a number of risk appetite themes, driven by the Council's strategic objectives, against which they have assigned a risk appetite. Therefore, in the instances where risks are associated with the theme and dependent on the risk score assigned, the Council will be more easily able to determine how they respond and so make best use of mitigation resources.

Risk appetite levels description



Appendix B – Risk Management Governance Framework

| Stage | Strategic | Service | Project | Health & Safety | Business Continuity |
|-----------|---|--|--|--|--|
| Identify | Biannual review Corporate Management Team Governance & Risk Officer | Annual review Heads of Service Governance & Risk Officer | Established as part of the Project Initiation Document | Heads of Service IOSH Managing Safely trained officers | Continuous review Heads of Service |
| Evaluate | Biannual review Corporate Management Team | Annual review Heads of Service | Project Manager Senior Responsible Officer | Heads of Service IOSH Managing Safely trained officers | Heads of Service Emergency Planning Officer |
| Report | Biannually Governance and Audit Committee | Service Plans Risk Management Group | Project Team and Boards Corporate Management Team Performance Review | H&S Group Annual Report to Governance and Audit Committee | Risk Management Group Annual Report to Governance and Audit Committee |
| Assurance | Review by internal and external audit Annual Governance Statement | Annual Assurance Statement Internal audit review | Corporate Management Team Performance Review | External reviews | Desk top exercises to determine robustness External reviews |

Appendix C – Roles and Responsibilities

All Officers and Members have a responsibility to ensure that risk management is effective across the whole of the Council's operations. Specific roles and responsibilities are set out below:

The Council

- Overall responsibility for risk management
- Provide a corporate perspective on the risk appetite of the Council
- Ensure risk management is embedded into all processes and activities
- Consider risk management implications when making decisions

Cabinet Member for Corporate Governance and Licensing

- Strategic endorsement of the overall approach and attitude to risk management
- Champion risk management
- Consider risk management implications when making decisions

Governance and Audit Committee

- Approve and monitor the implementation of the Risk Management Framework
- Review and approve Annual Governance Statement including effectiveness of risk management
- Oversee the work of Internal Audit. Planning for audits will be a risk-based approach and the programme will include a rolling review of risk management framework (such as the adequacy of the control framework and Health and Safety)
- Provide assurance to members that risks are being identified and managed, which includes oversight of the Strategic Risk Register, and scrutinise the system of internal control

Chief Executive

- Strategic leadership that endorses the implementation of the Risk Management Framework across the Council

Chief Finance Officer

- Overall responsibility for maintenance and delivery of risk management across the Council
- Disseminate and promote the framework
- Champion risk management

Corporate Management Team

- Take ownership of the identified strategic risks, consider their importance against strategic objectives and action further controls as required
- Monitor the Strategic Risk Register
- Create an environment and culture where risk management is promoted, facilitated and appropriately undertaken
- Raise awareness of risk with Members and officers as appropriate
- Monitor project risk registers

Directors Assistant Directors Heads of Service

- Understand the Risk Management Framework and their accountabilities
- Communicate risk management approach and framework throughout the Council
- Identify, assess and communicate risks within their area of responsibility
- Provide support/assistance to employees in fulfilling their risk management duties
- Undertake assessment of risk for their service in relation to service planning and budget setting process
- Identify partnership and contractual arrangements where there are shared risks, ensuring these are recorded and properly managed
- Review risk on a regular basis and discuss the management of risk with relevant team members

Risk Management Group

- Provide a forum for the discussion of risk management issues
- Review and monitor the Service Risk Register
- Promote and embed risk management throughout service areas
- Help ensure commitment of key stakeholders is obtained
- Share best practice across the risk champion network

Chief Finance Officer Governance & Risk Officer

- Operational responsibility for supporting and guiding risk management across the Council
- Facilitate discussion of risk at local and corporate level, including risk identification and practical techniques for identifying, assessing and mitigating risks
- Provide the link between risk management and the other related disciplines eg insurance, business continuity, emergency planning and health and safety
- Ensure appropriate staff and Members are adequately trained in the management of risk

Risk Owner

- Ensure the integrity of information recorded on the risk register
- Oversee control measures and reviews proposed mitigating actions
- Ensure effective action is taken to manage risk

All staff

- Understand, accept and implement risk management processes
- Report inefficient, unnecessary or unworkable controls
- Report loss events, near miss incidents and co-operate with management on investigations
- Manage risk effectively in their job and report opportunities and risks to their service managers
- Attend training and development sessions as appropriate

Internal Audit

- Act in accordance with the Accounts & Audit (England) Regulations 2015 and Public Sector Internal Audit Standards
- Compile the internal audit annual plan to meet the Council's overall strategic direction and provide assurance on risk management, governance and internal control arrangements
- Take a risk-based approach to audit planning and consider the content of the risk registers when preparing the annual audit plan
- Undertake annual programme of audits, to test and validate existing controls, and presents progress reports against the plan
- Review the progress of planned actions
- Provide an informed opinion on the effectiveness of the risk management framework

Appendix D – Risk Management Process

Risk management is an important element of the system of internal control and is based on a process designed to identify, and prioritise, the risks to the Council achieving its objectives. A risk is an uncertainty that could have adverse or beneficial effects on the achievements of objectives.

Step 1 – Risk identification

The initial stage of risk management sets out to identify the exposure to uncertainties. The starting point should be the corporate vision as detailed in the Corporate Plan 2024-2027 and the supporting priorities. The delivery of the priority actions is then supported by priority plans, and the application of risk management, to ensure actions can be delivered to ensure delivery of the corporate vision. There will also be some cross cutting corporate objectives that impact on the service areas, as well as objectives that the service has for key projects. Key project risks are captured within project risk registers.

Risk identification can occur in several different ways:

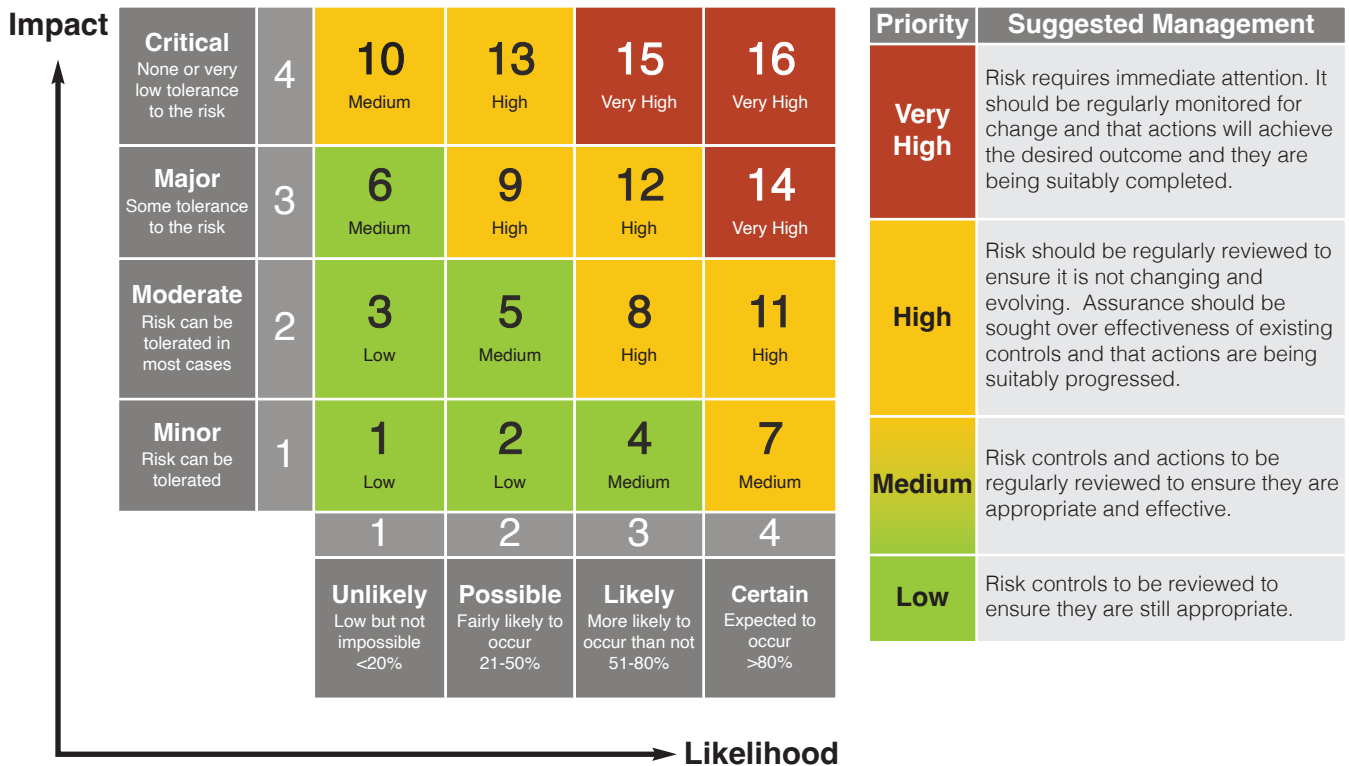
- Risk register refresh (cyclical)
- Service planning (annual)
- Risk assessment process (ad hoc)



Step 2 – Risk analysis

Once the risk has been identified and defined, the details need to be entered onto the appropriate risk register - see Appendix F for risk register layout.

Risk is assessed by the combination of two factors – the likelihood of something happening and the impact if it does happen. This is represented on a 4x4 risk matrix:



Step 3 – Risk response

Consider the controls in place to mitigate or reduce the risk and assess what further controls are required and record as actions until complete. When actions have been identified to further mitigate a risk, they are recorded on the risk register and assigned an action owner and implementation date to ensure monitoring and review is effective.

Risk management response to the risk:

Treat – implement risk control measures to reduce the likelihood and/or impact of the risk to acceptable levels

Tolerate – accept the risk as it is while continuing to monitor and review

Transfer – transfer the risk to a third party eg insurance, contract, outsourcing

Terminate – remove the uncertainty by making it impossible for the risk to occur or implement a different approach to remove or stop the risk

Step 4 – Record, monitor and report

Risk management is a dynamic process, and risk registers must be kept up to date. New risks will be identified, and some will be managed and removed.

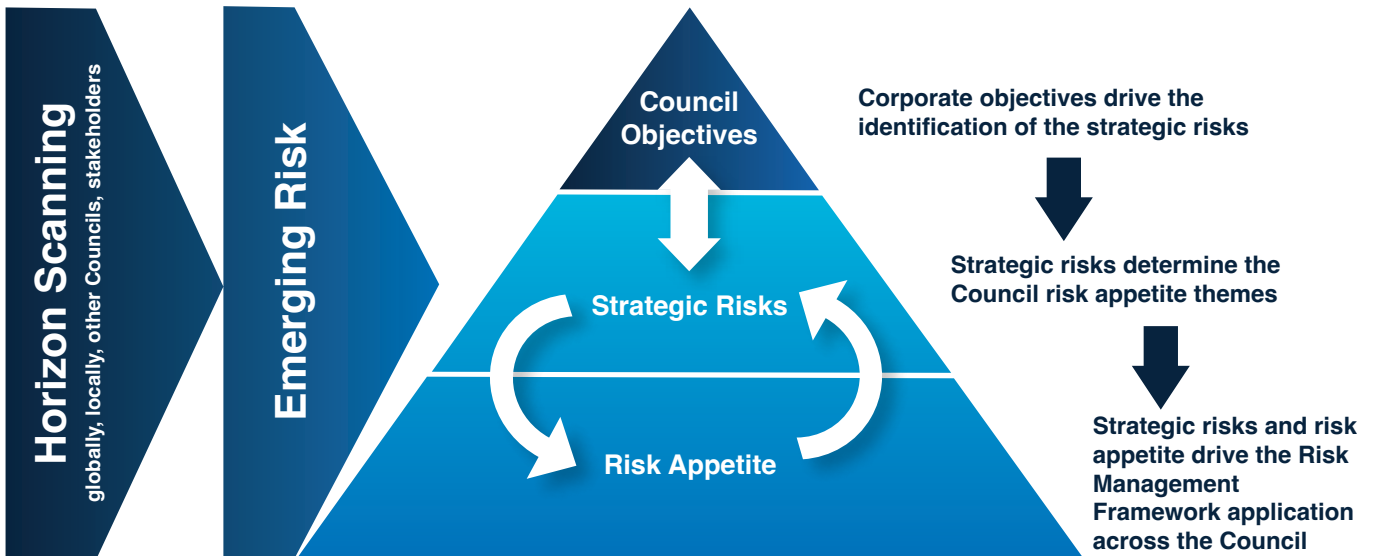
Risks need to be reviewed and reported upon to identify if risks are changing, and their impact on the Council's objectives, and to gain assurance that risk management is effective. The assessment of likelihood and impact levels for existing risks will need to be updated to consider the actions undertaken.

Regular review of risk registers to be undertaken to consider if the:

- current risk score reflects the risk's likelihood and impact at this point in time
- control environment is still sufficient
- identified controls are effective
- assurance validates the controls effectiveness levels
- actions are amended and refined in light of any changes

Appendix E - Strategic Risk Management Approach

Key Components



Appendix F - Council Risk Register Layout

| Risk Description & Corporate Priority | Cause and Effects | Existing Key Controls & Enablers | Effectiveness of Key Controls & Enablers | Residual Risk Score | Actions |
|---|--|--|---|--|---|
| <p>Risk Headline Brief description</p> <p>Corporate Priority Select from list below:</p> <p>1 Connecting Communities</p> <p>2 Sustainable South Kesteven</p> <p>3 Enabling Economic Opportunity</p> <p>4 Housing</p> <p>5 Effective Council</p> | <p>How the risk could occur (Cause) and what the consequences (Effects) could be if the risk materialised</p> <p>Cause: 1) XX 2) XX</p> <p>Effect: a) XX b) XX</p> | <p>What the key controls/enablers are that manage the risk</p> <p>Control 1</p> <p>Control 2</p> <p>Control 3</p> | <p>Choose effectiveness from list below:</p> <p>Fully</p> <p>Partially</p> <p>Not</p> <p>Don't know</p> | <p>Current ie after application of controls</p> <p>Likelihood x Impact = Risk Score</p> | <p>Further action needed to better manage risk to an acceptable level</p> <p>Action 1 – what, who and when</p> <p>Action 2 – what, who and when</p> |

Contact Details

**Alternative formats are available on request:
audio, large print and Braille**

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