CORPORATE RISK MANAGEMENT STRATEGY

CORPORATE SERVICES

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INTRODUCTION

The Corporate Management Team and Councillors of Dover District Council are committed to effective risk and opportunity management as part of everyday service delivery and decision-making. Risk management is an integral and vital part of good governance and corporate management. This includes fostering a culture where integrity, objectivity, accountability, and transparency is embraced by Members and Officers alike in the identification, assessment and management of risks and where constructive challenge, collaboration and consultation are championed.

The Council's risk management framework harnesses the activities that identify and manage uncertainty. It allows the Council to identify, evaluate and manage risks, not simply avoid them, and provides a framework to anticipate and prepare for successful outcomes. It is a key element of the framework of governance.

Accordingly, the Council is not averse to taking a degree of calculated risk, but it will always exercise a prudent approach to risk taking and decisions will be made within the parameters of the Council's internal control arrangements. The Financial and Contract Procedure Rules are particularly important in ensuring that the Council does not expose itself to financial risks above an acceptable level.

"In successful organisations, risk management enhances strategic planning and prioritisation, assists in achieving objectives and strengthens the ability to be agile to respond to the challenges faced. If we are serious about meeting objectives successfully, improving service delivery and achieving value for money, risk management must be an essential and integral part of planning and decision-making."

The Orange Book - Management of Risk – Principles and Concepts, HM Government, 2020

DEFINITIONS

What is Risk?

Risk is commonly held to mean a ‘danger’ or ‘threat’ and is something to be avoided. While there is an element of this in every ‘risk’ there is equally a potential ‘opportunity’ to be seized if successfully managed.

Maintaining and improving public services requires innovation and a willingness to seize new opportunities and manage the risks involved. In this context risk is more appropriately considered as an uncertainty of outcome, whether positive opportunity or negative threat of actions and events. It is the combination of likelihood and impact.

What is Risk Management?

Risk Management is the culture, processes and structures that are directed towards effective management of potential threats, and potential opportunities, to the Council achieving its objectives.

This strategy is intended to reaffirm and improve effective Risk Management within the Council by building on the existing foundation of good practice, ensuring comply with best practice and, in doing so, effectively managing potential opportunities and threats to the Council and its corporate priorities.

What is the Corporate Plan?

The Corporate Plan is a document that sets out the Council's future priorities and objectives. It provides a focus for the Council to work to and a framework for evaluating the Council’s performance. Elements of the priorities in the Corporate Plan are likely to feature in the Corporate Risk Register.

What are Business Plans?

The individual sections of the Council will have business plans that set out how that section will deliver on its key corporate priorities, the risks that may prevent it from doing so, and the performance indicators that will measure success. The priorities in the business plan will reflect those in the Council’s Corporate Plan.

What is the Risk Register?

This risk register records the risks and opportunities that may affect the delivery of the Corporate Plan. It will contain details such as the risk category, a brief description of the risk, the likelihood of its occurrence and the impact it may have.

Types of Risk?

Risk is defined as anything that may have an impact on the Council’s ability to achieve its objectives. The risks can be internal, external, corporate (also known as strategic) or those arising from major projects. Risk can be categorised for recording purposes under the following headings:

- Strategic (corporate)
- Operational (departmental)
- Partnership
- Project

What are Corporate (Strategic) Risks?

Strategic risks affect or are created by the Council's business strategy and strategic objectives. They can be defined as the uncertainties and untapped opportunities embedded in strategic intent and how well they are executed. As such, they are key matters for the Council's Corporate Management Team (CMT) and impinge on the whole organisation, rather than just an isolated department. Inclusion of a risk in the Strategic Risk Register indicates that it is one of a number of risks that the Council, both corporate and elected leadership, need to be aware of and ensure appropriate management arrangements are in place to manage and mitigate them.

What are Operational Risks?

Operational risk is defined as the risk of loss resulting from inadequate or failed processes, people, and systems or from external events. Operational risks are usually departmental based and should link to each area's service planning.

What is Partnership & Project Risks?

Dover District Council works with a range of partners to deliver services. It is important that those partners are brought into the risk management framework to ensure that risks to the Council are not overlooked. Risks are identified and addressed in formal partnership agreements and contracts as appropriate. The primary risks are:

- Financial – failure to understand the potential financial liabilities associated with partnership arrangements.
- Reputation – loss of public confidence.
- Contractual – contract requirements not delivered.
- Legal – failure to understand the potential legal liabilities associated with partnership arrangements.
- Service failure – the associated risk of increased costs.

Dover District Council will also have a number of major projects that require risk management. These projects will have inherent risks and opportunities. Where the project poses a significant risk or is of strategic importance to the delivery of the Corporate Plan an overall risk should be identified within the corporate risk register. The project itself should have a project risk register that is managed by the Project lead/ Project Sponsor. The project risk register will typically be compiled by holding workshops with the key stakeholders. The initial risk register will be signed off by the appropriate Project Board and then reported to them on an exceptional basis via the normal project highlight reports. These risks will also be considered by the Cabinet when making decisions related to the project.

Who are the Corporate Management Team?

The Council's Corporate Management Team consists of the Chief Executive and the Strategic Directors. These are the Strategic Director (Corporate and Regulatory), the Strategic Director (Environment and Place) and the Strategic Director (Finance and Housing).

What is Risk Appetite?

Risk Appetite is the amount of risk that the Council is willing to accept in pursuit of its objectives. It is in effect an organisation's willingness to engage in 'risk taking' and is closely linked to Risk Tolerance.

What is Risk Tolerance?

Risk Tolerance in essence sets the limits of risk taking that the Council will not exceed in pursuit of its objectives. It is about 'controlling risk' and is closely linked to Risk Appetite.

What are Categories of Risk?

The categories of risk, also known as the Risk Taxonomy, are a comprehensive, common and stable set of risk categories that are used within an organisation.

What is Risk Treatment?

The process of deciding how to manage a risk once it has been identified (transfer, tolerate, terminate, treat, or take).

What is the Corporate (Strategic) Risk Register?

The Corporate Risk Register will comprise the identified corporate and key project risks of the Council.

What is meant by the Risk Owner?

The risk owner is the officer responsible for recording, manging, mitigating, and monitoring the risk.

RISK MANAGEMENT OBJECTIVES

Dover District Council acknowledges that it is exposed to a very wide range of risks and opportunities in its service delivery. The Council recognises that it has a responsibility to identify, evaluate and manage risk whilst still creating a positive climate for innovation.

The Council therefore supports a structured approach to negative risk (threats) and positive risk (opportunities) management through its Corporate Risk Management Strategy, the aims, and objectives of which are described below.

1. Adopt a strategic approach to risk management to enable Members and Officers to make well informed decisions and ensure that the Council's key corporate priorities are delivered.
2. Embed risk (and opportunity) management as an integral part of strategic, service, financial planning, project planning and policy making. It is a key and effective element of our corporate governance.
3. Establish a standard systematic approach to risk identification, analysis, control, monitoring and reviewing.
4. Provide a robust and transparent framework for managing risk and supporting decision-making.
5. Manage and mitigate project risks.
6. Support a culture of well measured risk taking throughout the Council including setting risk ownership and accountabilities but accept that even with good risk management and our best endeavours, things can go wrong. We will learn lessons where this happens.
7. Anticipate and prevent injury, damage and losses through effective risk management and reduce the cost of risk.
8. Ensure that the Council continues to meet all statutory requirements in relation to risk management.
9. Anticipate and respond to changing social, economic, political, environmental, legislative, and technological requirements.

BENEFITS OF GOOD RISK MANAGEMENT

The integration of risk, and opportunity, management into the corporate culture and working practices of the Council and its partnerships has numerous benefits, which include:

Improved Strategic Management

- Protecting and adding value to the Council and its stakeholders by supporting the achievement of the Council's vision and corporate priorities
- Improved delivery against the Council's corporate objectives and targets
- Improved decision making, planning and prioritisation through a comprehensive and structured understanding of activity and volatility.
- Mitigation of key threats and taking advantage of key opportunities.
- Protecting and enhancing assets and reputation.
- Promotion of innovation and change.
- Ensures the Council's approach is aligned to best practice.

Improved Operational Management

- Contributing to more efficient use of resources within the Council and its partners.
- Greater operational resilience by having plans in place to mitigate and respond to risks when they occur.
- Satisfying Corporate, Member and partner organisations expectations on the Council's internal controls.

Improved Financial Management

- Optimising operational efficiency and therefore delivering efficiency gains and value for money
- Reducing the chance of unexpected financial risks arising.

Improved Customer Service

- Improved customer service delivery.
- Reduced chance of service disruption to our residents.

Enhanced Corporate Governance

- Risk Management is essential to effective corporate governance. Key risks are included in the Annual Governance Assurance Statement which is published alongside the Statement of Accounts.

RISK MANAGEMENT APPROACH

The Council continues to embed the process and raise awareness of the importance of good risk management. The Council's Risk Management objectives will be achieved by:

- Assigning ownership and responsibility for each identified risk in the Council's Risk Register.
- Regularly reviewing and updating risks identified in the Council's Risk Register.
- Incorporating risk management considerations into all levels of business planning.
- Providing opportunities for shared learning on risk management across the Council.
- Integrate risk management into the culture of the Council as part of the everyday work.
- Monitoring of arrangements, at all levels, on an on-going basis by management.
- Provide training as necessary.

Risk management is an important part of the service planning process. This will enable strategic, operational, and cross cutting risks and opportunities, as well as the accumulation of risks and opportunities from a number of areas to be properly considered.

FRAMEWORK

The Council maintains the Strategic Risk Register of significant risks that impact the aims and objectives of the Council. These are risks, which can be both internal and external, will potentially hinder or stop successful achievement of corporate priorities and aims. These are generally but not exclusively of a medium to long-term nature.

Operational Risk are recorded by services in their Business Plans. These are risks affecting the day-to-day operation of a specific service or project.

Both registers detail the following:

- The nature of the risk and the potential consequences of the risk identified, both negative (risks and threats) and positive (opportunities).
- The potential impact and likelihood of the risk identified.
- The controls in place to mitigate the risks.

Daily operational risks will only become Strategic risks if there is a major failure in the internal control systems and processes are in place that will then escalate a problem organisation wide.

Risk ownership can be broadly broken down as follows:

- The Strategic Risk Register is owned by the Corporate Management Team.
- Business Plans (effectively operational risk registers) are maintained by the relevant Head of Service and Service Manager, reporting to their Strategic Director.
- Project Risk Registers are owned by the Project Manager and the Project Sponsor.

ROLES AND RESPONSIBILITIES

The Council will establish clear roles, responsibilities, and reporting lines within the Council for risk management. This will include:

- Corporate Management Team will review the Strategic Risk Register on a quarterly basis.
- Strategic Directors and Heads of Service will identify risks arising from and within partnerships and other joint working arrangements.
- Project managers will identify risks linked to their project's objectives and delivery.
- Members will be kept informed of Strategic and Project Risks.

Members

- The Governance Committee has specific responsibility included in its terms of reference for providing independent assurance on the adequacy of the control and risk management framework and the associated control environment.
- The Governance Committee also has responsibility for the independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment.
- The quarterly Strategic Performance Dashboard will inform the Cabinet and the Overview and Scrutiny Committee of the key strategic risks. The Overview and Scrutiny Committee has responsibility for the independent scrutiny of the Council's financial and non-financial performance.

Corporate Management Team

- The Corporate Management Team is responsible for identifying key risks as part of their strategic responsibilities.
- The Head of Corporate Services and Democracy, in consultation with the Strategic Director (Corporate and Regulatory), will undertake an annual strategic risk review to be reported to the Governance Committee.
- The Strategic Director (Corporate and Regulatory), supported by the Head of Corporate Services and Democracy, has overall responsibility for ensuring the agreed level of risk management is undertaken.

Head of Service and Managers

- Heads of Service and Managers in conjunction with members of their teams and other parties/partners (where applicable), will review and monitor operational, project and strategic risks relating to their services.

All Staff

- Staff will be expected in the first instance, to refer risk management concerns to their line managers. Should such concerns remain outstanding, then employees can refer their concerns elsewhere as prescribed in the Council's Whistleblowing Policy.

Insurance

The Head of Corporate Services and Democracy will:

- Ensure that a regular review of the Council's insurance requirements and arrangements is conducted and arrange insurance cover as necessary.
- Annually review the adequacy of the Council's internal insurance provisions and advise the Strategic Director (Corporate and Regulatory) on action to be taken.
- The Corporate Services Team will advise Officers and Members on insurance cover available and/or in place and advise Officers on claims procedures, and process claims arising.
- The Corporate Services Team will assist in the development and provision of claims data to aid future risk control.

RISK MANAGEMENT PROCESS

Overview

Risk should not be considered solely as a threat but also as an opportunity. An effective approach to risk and opportunity management should assist the Council in achieving the best outcomes and meeting its corporate objectives.

The approach adopted to risk management by the Council has been developed with the following points in mind:

- Where possible risk management should complement the Council's existing corporate and governance management processes rather than creating parallel processes.
- Risk management needs to be flexible while adhering to key principles.
- The process should provide for a proportionate rigour in identifying and analysing risk but avoid becoming overly burdensome. It should minimise the use of jargon where possible or clearly define terms where it is not possible.
- Risks must be continually monitored and managed as they will change with time, as the situation changes and as we take measures to manage the risk.

Risk Management Process

The Council's Risk Management Process is a six-stage approach as follows:

1. ESTABLISH OBJECTIVES

The risk owner will need to consider the following points to establish the objectives:

- What are you seeking to achieve?
- When are you seeking to achieve it?
- Who is responsible for achieving it?

This includes understanding what the Council wants to achieve and the resources it has available – in both capacity and capability – to deliver. The Council has set out its corporate objectives in the Corporate Plan.

The aim is to ensure that risk management supports the objectives of the Council. This link between Council objectives, through departmental or service objectives supported by risk management practices is called the 'Golden Thread'. When everyone at the Council is pulling in the same direction, the Council will have a much greater chance of being able to achieve its objectives.

Clarifying objectives will allow a greater understanding of what will stop the achievement of those objectives and what opportunities need to be grasped to meet the objective. Setting objectives clearly will also reveal links to internal and external stakeholders that will need to be relied upon as well as other external factors that will impact objectives.

The starting point for the management of risks and opportunities should be the Corporate Plan, Business Plans, Project Plans and the objectives and strategies that underpin them.

Depending on the area under consideration, the relevant objectives and outcomes may already be detailed in existing documents.

2. IDENTIFY RISKS

The first step in identifying risks is to establish the context by looking at what it is the Council is trying to achieve and the proposed outcomes.

The risks identified must be described in clear terms that can easily be understood and must specify what the tangible risk is. The description of the risk should help determine how the risk will be managed and treated.

To identify potential risks, the risk owner may need to:

- Undertake a risk assessment exercise.
- Research and consider the risks that have affected others. This can also involve keeping up to date with new local, national, and international policies, legislation, and events.
- Measuring current and historical performance and identifying weaknesses.
- Review relevant reports about Council services including those issued by internal and external auditors.

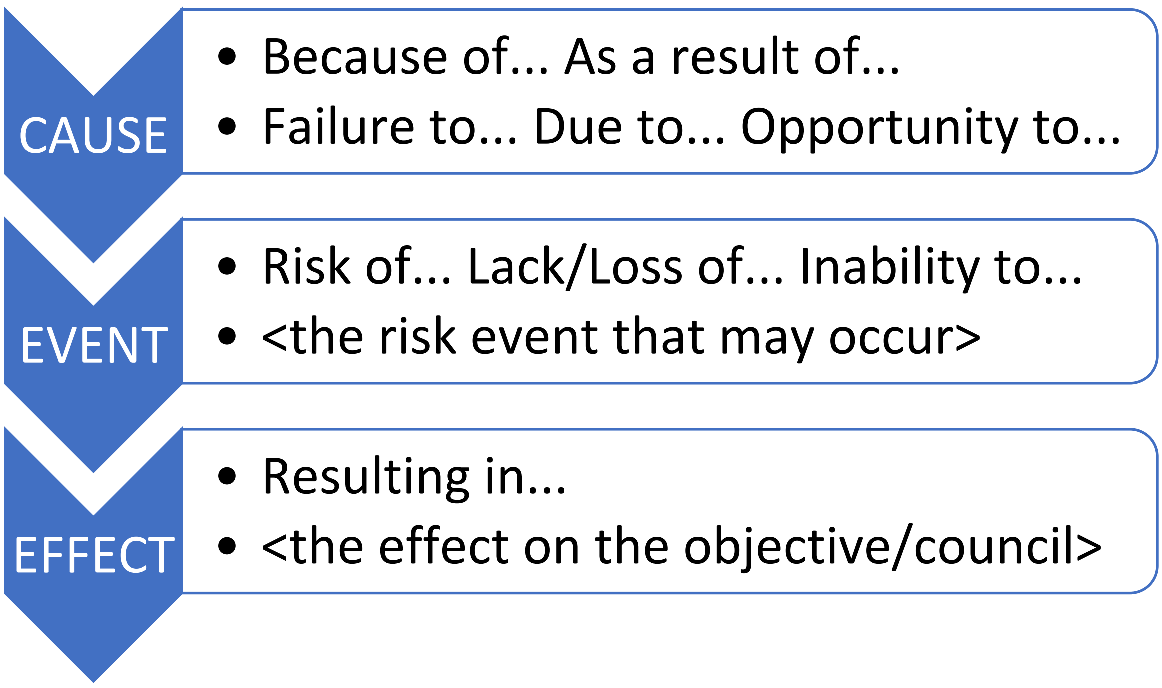
In identifying risks, consideration needs to be given to both internal and external risks.

- Internal risks are those faced by the Council from within the organisation. They arise from routine day-to-day activities such as managing staff, safeguarding, health and safety, financial challenges, legal risks, operating IT systems, etc.
- External risks are those that arise from outside the Council but may still have an adverse impact on its activities. For example, the failure of a partner organisation, a major cyber-attack, extreme weather conditions or adverse national economic conditions. External risks are harder to manage as the Council has less control over whether they occur.

Examples of Potential Categories of Risk/Opportunity

- Business continuity
- Climate change
- Contractual
- Economic
- Environmental
- Finance
- Fraud
- Health & Safety
- Information Management
- Legal & Regulatory
- Operational
- Partnerships
- Physical assets
- Political
- Projects
- Reputational
- Safeguarding
- Security
- Service delivery
- Social/Community
- Staffing
- Technology
- Transformational

Risks should generally be described in a couple of sentences, explaining the risk through Cause, Event and Effect. In instances where there are multiple risks attached to an objective, they should be described individually.



Two examples of this being applied to risks are as follows:

The **FAILURE TO** maintain effective Corporate Governance arrangements for complaints due to management issues, (e.g., poor record keeping; failure to resolve issues or meet procedural deadlines) could lead to a **RISK OF** findings of maladministration from the Ombudsman **RESULTING IN** reputational damage and increased costs through awards of compensation from the Ombudsman.

The **OPPORTUNITY TO** increase the levels of inward investment as part of the growth agenda could be missed due to a **RISK OF** pressures on officer resourcing leading to being unable meet the deadlines for decisions **RESULTING IN** a failure to maintain the growth agenda along with the Council's financial base.

The risk description may include additional information if it is considered necessary to accurately describe the risk.

The intention is that this approach will generate a structured, comprehensive, and easy to understand list that is relevant to Corporate Management Team, Heads of Service, Managers and Members and all staff alike. These risks will reflect corporate objectives, business plans and associated projects.

3. ANALYSE AND EVALUATE

The aim of risk analysis is to build an understanding of the nature of risk and its characteristics including, wherever possible, the level of risk. It involves consideration of uncertainties, risk sources, consequences, likelihood, events, scenarios, controls, and their effectiveness.

Risk Analysis considers factors such as:

- the likelihood of events and consequences occurring
- the type and scale of consequences
- time-related factors
- the effectiveness of existing controls
- sensitivity and confidence levels

As part of the risk analysis, an assessment will be undertaken of the (a) likelihood of the risk occurring and (b) the impact of the risk should it occur.

The assessment will look at eight areas of risk and score each of them based on the likelihood and impact of each. **The assessment should only take into consideration any actions or measures which are already in place when the risk or opportunity is identified but not new mitigation measures specifically taken following the identification of the risk. Any new mitigation measures will be addressed with at the next stage of the process.**

The eight areas of risk to be considered and scored (the risk categories also known as the risk taxonomy) are as follows:

- Environmental
- Financial
- Health & Safety
- Legal & Regulatory (including information management and security)
- Partner Relationship
- Reputational
- Service Delivery
- Community Impact

The probability of the risk occurring is considered as one of five levels:

- Rare (least likely)
- Unlikely
- Possible
- Likely
- Very Likely (most likely)

The impact of the risk should it occur is considered as one of five levels:

- Minimal (lowest impact)
- Minor
- Moderate
- Major
- Critical (highest impact)

A guide to assessing each of these criteria is set out in the next three pages.

The result of the assessment will be a score between 1 (lowest risk) and 25 (highest risk) for each of the eight areas, with the highest individual score from the eight areas of risk being the score assigned to the overall risk. A higher numerical score indicates a higher level of risk. This will give the '**Inherent Risk Score**' – the current level of risk faced by the Council. The individual scores for the eight areas of risk and the Inherent Risk Score are recorded on the risk template as per the attached risk toolkit.

	SCORE	RISK LEVEL	ENVIRONMENTAL	FINANCIAL	HEALTH & SAFETY	LEGAL & REGULATORY
IMPACT	1	**MINIMAL**	Localised incident - would be dealt with immediately with no lasting detrimental effects	Financial impact manageable (and less than £10,000)	Minor Incident – no lost time First aid level injuries	Legal or Regulator action unlikely – breaches of procedures or non-reportable matter
	2	**MINOR**	Minor impact with short-term contamination or effect	Financial impact of between £10,000 - £49,999	Medical treatment required, potential short-term injury or sickness	Corporate complaint likely but Legal or Regulator action unlikely – may need self-reporting to a Regulator
	3	**MODERATE**	Short term public health or environmental incident (weeks)	Financial impact of between £50,000 - £249,999	Medical treatment required, long-term injuries or sickness	Legal or Regulator action possible - breaches of law punishable by fines
	4	**MAJOR**	Long term major public health or environmental incident (1 year or more)	Financial impact of between £250,000 - £500,000	Medical treatment required, significant permanent or long-term injury	Breaches of law punishable by imprisonment or significant fines
	5	**CRITICAL**	Permanent, major environmental or public health damage	Financial impact of over £500,000	Threat to Life	Potentially significant prosecution or fines

	SCORE	RISK LEVEL	PARTNER RELATIONSHIP	REPUTATIONAL	SERVICE DELIVERY	COMMUNITY IMPACT
IMPACT	1	**MINIMAL**	No impact to partnership relationships	Unlikely to cause adverse publicity	Service disruption up to 1 day	Minimal or no impact
	2	**MINOR**	Difficulty in aligning strategies with a partner to support objective	Local interest – minor adverse local or industry publicity	Marginal reduction in performance. Service disrupted or stopped for 1-2 days	Minor community impact or specific vulnerable group(s)
	3	**MODERATE**	Difficulty in aligning strategies with a partner to support collaborative working	Adverse national publicity or significant adverse local publicity	Unsatisfactory performance. Service disrupted or stopped for 2 - 3 days	Moderate impact on community or specific vulnerable group(s)
	4	**MAJOR**	Unable to reach an agreement with a partner leading to termination of a project and/or deterioration of working relationship	Significant adverse national publicity	Failure to deliver Council priorities. Disruption for 5 Days or more	Major impact on community or specific vulnerable group(s)
	5	**CRITICAL**	Unable to reach an agreement with a key partner leading to non-delivery of a key objective and/or relationship with a key partner severely damaged	Sustained negative national publicity	An on-going failure to provide an adequate service	A significant and on-going impact on community or specific vulnerable group(s)

	SCORE	RISK LEVEL	PROBABILITY	DESCRIPTION
PROBABILITY	1	**Rare**	0 – 10%	It may not apply or is highly unlikely to occur under normal circumstances but may in exceptional circumstances. For example, a 1 in 100 years event has a 1% chance of occurring each year.
	2	**Unlikely**	10 – 25%	Not expected to happen but there is a low possibility it may occur.
	3	**Possible**	25 – 50%	The event could occur in certain circumstances. It may have occurred elsewhere in similar organisations or previously at the Council.
	4	**Likely**	50 – 80%	The event will probably occur in most circumstances. However, it may not be a persistent issue.
	5	**Very Likely**	80 – 100%	This is very likely to occur in most circumstances, probably imminently and/or frequently. This includes frequent/Imminent near misses. There may be a history of very frequent occurrences (annually or more frequently) at the council or at similar or partner organisations.

RISK TABLE

Having identified the probability and impact of risk in a category, a 5 x 5 scoring matrix is used to carry out the overall assessment to ensure that the risks are rated in a consistent way.

PROBABILITY x IMPACT = RISK SCORE

PROBABILITY						
	Very Likely (5)	**5**	**10**	**15**	**20**	**25**
	Likely (4)	**4**	**8**	**12**	**16**	**20**
	Possible (3)	**3**	**6**	**9**	**12**	**15**
	Unlikely (2)	**2**	**4**	**6**	**8**	**10**
	Rare (1)	**1**	**2**	**3**	**4**	**5**
		Minimal (1)	**Minor (2)**	**Moderate (3)**	**Major (4)**	**Critical (5)**
	IMPACT					

4. MITIGATE AND MANAGE

Having identified the level of 'Inherent Risk' involved, the risk owner must next consider what mitigation measures can be taken to reduce the risk to a level that the Council is willing to accept in pursuit of its goals. This does not necessarily mean that the risk in each area will be managed and mitigated down to zero risk. The level of tolerable risk will depend on the Council's level of risk appetite.

Colour	Inherent Risk Score	Action	Risk Control (See below)
RED	**15 - 25**	Usually considered to be an unacceptable risk. An Immediate decision must be taken – in most circumstances this should be to mitigate and manage the risk and several control measures may be required. However, for some risks a decision to Tolerate the risk may be agreed by the Corporate Management Team.	All options should be considered. Treat, Transfer or Terminate. Tolerate (if agreed by the Corporate Management Team)
AMBER	**10 - 14**	Not normally an acceptable risk. Efforts must be made to reduce or remove the risk within a specified timescale. Determine the need for improved control measures.	Treat or Transfer.
YELLOW	**5 - 9**	A risk at this level may be acceptable. Efforts should still be made to reduce the risk, provided this is not disproportionate. If not acceptable depending on the Council's level of risk appetite. Existing controls should be monitored or adjusted.	Tolerate/Accept or Treat and Control
GREEN	**2 - 4**	An acceptable risk in most situations. If opportunities arise to mitigate the risk further, they should be considered. However, further action or additional controls may not be required. Risk at this level should be monitored and reassessed at appropriate intervals.	Tolerate/Accept or Treat and Control.
PALE GREEN	**1**	An acceptable risk. No further action or additional controls are normally required. Risk at this level should be monitored and reassessed at appropriate intervals.	Tolerate/Accept

Identifying and ranking risks is important, but the key element thereafter is to determine the strategy for managing them. The table provides guidance on the level of management intervention that is likely to be necessary or appropriate.

In re-assessing the risks, the risk owner should consider which of the eight risk factors drove the original assessment that resulted in the Inherent Risk Score. Was the impact most severe in financial terms? Or reputational terms? Consideration should be given to where action can be most efficiently taken to reduce the score of the risk, not forgetting that it is often preventative measures that limit the probability of a risk becoming an event that are the most effective.

In determining the potential management and mitigation measures consideration should be given to the level of risk appetite and the options for risk control.

Risk Appetite

The level of acceptable risk is known as 'risk appetite'. It is strategic and reflects the organisation's risk management philosophy, and in turn influences the organisation's culture and operating style. Risk appetite guides resource allocation and provides the governance framework necessary to effectively respond to and monitor risks.

The appetite for risk can be:

- **Averse** - Preference for safe business delivery options that have a low degree of inherent risk and only a potential for limited reward.

  Risks affecting health and safety and legal and regulatory issues would normally be considered areas where the Council's appetite for risk is to be risk adverse.

- **Cautious** - Preference for safe delivery options that have a medium degree of residual risk and may only have limited potential for reward.

  Risks affecting environmental and financial issues would normally be considered areas where the Council's appetite for risk is to be risk cautious.

- **Aware** - Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing a good level of reward.

- **Hungry** - Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk.

The acceptance of risk is subject to ensuring that all potential benefits and risks are fully understood and that appropriate measures to mitigate risk are established before final decisions are made. The Council recognises that the appetite for risk will vary according to the activity undertaken and hence different appetites and tolerances to each risk will apply.

The Council should always seek to minimise exposure to compliance, regulation/governance, safeguarding, and reputational risk, whilst accepting and encouraging a calculated degree of risk in other areas in pursuit of the Council's strategic objectives.

Risk Control

The Council has several options available to it in considering the controls that can be applied. Not all of these will be suitable actions depending on the level of risk and the category of risk involved.

TOLERATE This means accepting the likelihood and consequences of a risk occurring. This should only be considered as an option if the risk is within the risk appetite of the organisation, which is to say if it is rated PALE GREEN, GREEN, YELLOW.

AMBER risks would not normally be considered an acceptable risk to be tolerated. However, there may be specific circumstances where the Corporate Management Team deem it acceptable to do so on a case-by-case basis.

RED risks are beyond the risk tolerance of the organisation. All options should be considered to mitigate the risk. However, there may be exceptional circumstances, which must be agreed by the Corporate Management Team, where the risk will be tolerated.

For clarity, "tolerate" does not mean that no action should be taken. A tolerated risks must still be monitored, and contingency plans should be put in place, in case the risks occur. If opportunities to mitigate the risk further are available, they should always be considered.

The Council may decide to tolerate a risk/opportunity where for example:

- The risk opens up greater benefits.
- The risk is already effectively mitigated by controls, even if it is high risk.
- The risk cannot be mitigated cost-effectively (i.e., the cost of mitigating it would be greater than the cost of the risk materialising)

TREAT This is the most widely used approach. The purpose of treating a risk is to continue with the activity which gives rise to the risk, but to bring the risk to an acceptable level by taking action to control it through either containment actions (which lessen the likelihood or consequences of a risk and are applied before the risk materialises) or contingency actions (these are put into action after the risk has happened, reducing the impact, and must be pre-planned). Taking management action is the main difference between 'treat' and 'tolerate'.

TRANSFER This means shifting the risk, in whole or part, to a third party. This option is particularly good for mitigating financial risks, or risks to assets. This could be achieved, by example, by seeking insurance to cap financial losses at a certain level or by seeking partners for a project and so sharing the risk.

TERMINATE Doing things differently and therefore removing the risk. This means stopping the activity which gives rise to the risk. This will not always be possible as the Council must deliver some specific services by law but will often be an option when considering a new project or opportunity.

RESIDUAL RISK SCORE

Once you have determined your appetite for risk and the controls that can be applied, you should again assess the eight areas of risk as you did at Stage 3 (Analyse and Evaluate) but this time considering the mitigations you have put in place. The resulting highest individual score from the eight areas of risk is the score assigned as the overall ‘**Residual Risk Score**’. The scores for the reassessment of the eight areas of risk and the Residual Risk Score are recorded on the risk template as per the attached risk toolkit.

5. RECORD AND REPORT

The risk culture of the Council must embrace openness and clear communication, support transparency, welcome constructive challenge and promote collaboration, consultation, and co-operation.

An important part of this is to ensure that there are processes in place to enable the recording and reporting of risks as well as having a process to escalate a risk to the appropriate management level.

The Council’s risk management framework should anticipate, recognise, and respond to changes and events in an appropriate and timely manner to ensure that the right information is given to the right people, at the right level, and at the right time.

The regular reporting of risk enhances the quality of organisational decision-making, informs prioritisation of activity, and strengthens organisational oversight.

The Good Practice Guide to Risk Reporting identifies the following benefits of regular risk reporting:

- Embedding a consistent understanding of principal and emerging risks, thereby reducing the uncertainty of outcomes within an organisation.
- Monitoring progress in achieving or maintaining tolerable or optimal risk appetite positions across an organisation.
- Enabling an organisation to understand the effectiveness of internal controls and take direct, timely and informed interventions as required.
- Integrating risk, planning, performance, and prioritisation discussions to enable informed consequence-based decisions.
- Providing assurance to stakeholders, including oversight bodies, that risks are understood and being effectively managed.
- Providing oversight of business activities, enabling a dynamic response to unplanned events threatening delivery of priorities and strategic objectives.

Recording the Risk – The Risk Toolkit

The Risk Toolkit accompanying the Corporate Risk Management Strategy contains a summary of the key points of this strategy and a form that needs to be completed to record the details of the Risk, the Inherent and Residual Risk Scores and mitigating/management measures. The completed form will summarise the risk in a common, easy to understand format.

The completed form must be submitted to Corporate Services for collation in the Corporate Risk Register.

Reporting the Risk - Projects

The risk management arrangements for projects will need to be considered on a case-by-case basis when each project is developed. This will be dependent upon the nature of the project, its scale, objectives and most importantly the risk it represents to the Council. It is likely that for many projects the risks will change frequently and require the Council to respond accordingly through regular reporting to the appropriate management level.

The reporting arrangements for projects will be recommended by the relevant Head of Service and Strategic Director and agreed by the Corporate Management Team. This should not be any less frequent than quarterly.

Reporting to Corporate Management Team

The Corporate Risk Register will be reviewed and reported quarterly to the Corporate Management Team.

Where there is a residual risk of 15 or greater (usually considered an unacceptable level of risk) the risk should be reported monthly to Corporate Management Team or at intervals as determined by the Corporate Management Team.

Dover District Council has always promoted a culture of accessibility to its Corporate Management Team. If a risk owner feels that they need to escalate the reporting of their risk, they should speak to their Head of Service and/or Strategic Director about adding the matter to the Corporate Management Team agenda.

Reporting to Councillors

Those risks with a Residual Risk Score of 10 or greater will be reported in summary form in the quarterly Strategic Dashboard considered by Cabinet and the Overview and Scrutiny Committee.

The Governance Committee will consider the complete Corporate Risk Register on an annual basis and will receive quarterly updates on changes to the Corporate Risk Register in that quarter.

6. MONITOR AND UPDATE

The Corporate Risk Register is a living document and therefore must be regularly reviewed and amended as required. The Corporate Risk Management Strategy requires that risks recorded on the Corporate Risk Register are reviewed a minimum of every quarter by the risk owner.

Risk Owners should consider the following matters when reviewing their risks:

- Is the risk still relevant?
- Is there any movement in the risk score?
- Are the controls still in place and operating effectively?
- Has anything occurred which might change its impact and/or likelihood?

- Have any significant control failures or weaknesses occurred since the last monitoring exercise? If so, does this indicate whether the risk is increasing or decreasing?
- If the risk is increasing, do I need to devise more controls or think of other ways of mitigating the risk?
- If the risk is decreasing, can I relax some existing controls?
- Are controls / actions built into appropriate documented action plans?
- Are there any new or emerging risks?
- Have any of the existing risks ceased to be an issue? (and can therefore be removed)
- Have potential opportunities been considered and maximised?

Where a new risk arises or changes between the quarterly updates, Corporate Services should be notified, and a new or updated entry submitted. If the residual risk score is 15 or greater of the new or amended risk, then the risk should be reported to the next meeting of the Corporate Management Team regardless of where it falls within the quarterly reporting cycle.