

Report to Business & Transformation Scrutiny Panel

Agenda Item:
A.3

Meeting Date: Thursday 18th October 2018
 Portfolio: Finance, Governance & Resources
 Key Decision: Not Applicable:
 Within Policy and Budget Framework YES
 Public / Private Public

Title: CORPORATE RISK REGISTER
 Report of: Chief Executive's Office Manager
 Report Number: CS 33 18

Purpose / Summary:

The purpose of this report is to update members of the Business and Transformation Scrutiny Panel on the management of the Council's Corporate Risk Register.

Recommendations:

1. The Panel is asked to scrutinise and comment on the current Corporate Risk Register, as set out in Appendix 1.
2. The Panel is asked to scrutinise and comment on the draft Risk Management Assurance Framework, as set out in Appendix 2.

Tracking

Executive:	Not applicable
Overview and Scrutiny:	Not applicable
Council:	Not applicable

1. BACKGROUND

- 1.1** In accordance with the Council's draft Risk Management Assurance Framework, the Corporate Risk Register (CRR) has been submitted to the Business and Transformation Scrutiny Panel for monitoring on a six-monthly basis. This report contains the revised current CRR, attached at Appendix 1 for consideration and comment.

2. PROPOSALS

2.1 Corporate Risk Register – progress since the last report to Business & Transformation Scrutiny Panel on 22nd March 2018.

Members will be aware that the Corporate Risk Management Group (CRMG) is responsible for delivering and reviewing the Risk Management Assurance Framework, maintaining and improving risk management processes as well as monitoring and advising on the Council's Corporate Risk Register.

The CRMG meets quarterly and most recently met on 19th September 2018. Special meetings will be called by the Chair should risks be escalated and require an intervention from the CRMG or Senior Management Team.

The Senior Management Team are due to receive an update on the CRR at its meeting on 23rd October 2018. Each Departmental Management Team across the Directorates has been asked to consider any emerging new corporate risks which will feed into these discussions.

The CRR was last reviewed by the CRMG at its meeting on 19th September 2018. The control strategy narrative as well as dates have been updated since this meeting and an up to date version is attached at Appendix One. The latest CRR now reflects the most up to date version of the Carlisle Plan.

Members will note that there are no additional corporate risks since the CRR was last reviewed by the Panel at its meeting in March 2018.

A review of the City Council's draft Risk Management Policy is now complete. The Policy has been replaced with the Risk Management Assurance Framework which is attached at Appendix Two for consideration by Members of this Panel. This Framework has been approved by the CRMG and Senior Management Team. It will

be reported to Audit Committee on 17th December 2018 as part of their update on risk management across the authority.

The most significant changes which Members are asked to note are:

- A foreword from the Chief Executive which sets out the culture we expect around risk management. (Page 2)
- Greater detail around roles and responsibilities (Page 11)
- Introduction of a new typology for risks - strategic, operational and project guidance or the assessment and management of these risks is now contained in the framework.
- Inclusion of the Three Lines of Defence Model – the first line comprises the arrangements that operational management have implemented to ensure risks are identified and managed; the second line of defence refers to the strategic or management oversight arrangements in place to provide management with information to confirm that first line controls are operating effectively and the third line of defence comes from independent assurance. Details of each of these levels within Carlisle City Council are set out in the Framework (Page 17)
- New tools to aid managers when assessing and managing risks – PESTLE analysis; Bow Tie Risk Assessment (contained in Appendices)

The Council's Risk Management sub group of the Business Management Board, continues to meet every 4-6 weeks. This sub group is chaired by the Council's Corporate Director of Finance & Resources (this postholder is also our Section 151 Officer). The Sub Group focuses on risks at an operational/directorate level. Issues raised here can be escalated to the CRMG if deemed appropriate.

The CRMG receive the minutes from the Sub Group for information. A review of all operational risk registers throughout the authority is currently being overseen by the Sub Group and this has proven useful.

The sub group has also recognised a number of risks which should be reflected across all operational risk registers. This is helpful in ensuring consistency across the Council when risks are being considered. These generic risks include those associated with General Data Protection Regulation; lone working; retention of key staff; compliance with legislation etc.

Updates of operational risk registers for this period are underway and will have been completed within specified timescales as set out in the City Council's Risk Management Assurance Framework.

Operational risk registers are currently stored, updated and monitored via the City Council's chosen corporate system, which is Project Server. It has been recognised that there is a need to review the use of this system. The aim is to potentially replace this with a system which is user friendly, provides us with greater functionality and ability to manipulate data to feed into our reporting requirements as well as a dashboard which can show at a glance the number of risks with a red RAG rating; those risk registers which have yet to be updated; those risks which have escalated in the last quarter that might require attention. A workshop for the development of this new system is scheduled to take place on 8th October 2018 and Members will be kept informed.

3. CONSULTATION

- 3.1 Corporate Risk Management Group meeting on 19th September 2018
Senior Management Team on 23rd October 2018.

4. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 4.1 The Panel is asked to scrutinise and comment on the Corporate Risk Register as set out in Appendix One.
- 4.2 The Panel is also asked to review and comment on the draft Risk Management Assurance Framework.

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 5.1 The Corporate Risk Register is reviewed quarterly, it is the strategic risk assessment for the Carlisle Plan.

Contact Officer: Tracey Crilley **Ext:** 7114
Appendices **Appendix 1 – Corporate Risk Register**
attached to report: **Appendix 2 Draft Risk Management and Assurance Framework**

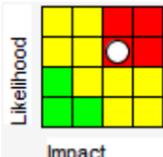
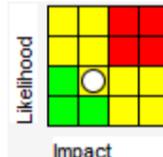
Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

Corporate Risk Register – September 2018

The inclusion of the previous and current risk matrices shows the effect that the control strategies have had on risk ratings since the last update. A target risk matrix shows the risk level that the Council is aiming to achieve from the successful implementation of the control strategies and the date for when this will be achieved.

Preparing for the future funding of local government from 2019

There is a risk that the Government fails to communicate changes to future local government funding from 2019 in a timely manner, meaning that the City Council cannot effectively prepare for these changes.

Present Matrix	Assessment Date	Present Risk Score	Control Strategy/Mitigating Actions	Target Risk Matrix
	September 2018	9	<p>The Senior Management Team and the Finance & Resources Directorate are focussed on monitoring the development of government/local taxation and grant proposals for District Councils. At present we do not yet have a sufficiently clear picture of post 2019 funding, especially in relation to the retention of Business Rates and Funding for Local Government in general. However, what is clear is that the proposed Business Rates retention scheme will be a 75% rather than a 100% retention scheme. The Council, along with the other Cumbrian Districts and the County Council, have analysed the impact, and submitted a bid to be part, of the 2019/20 Business Rates 75% Pilot scheme; the success of which will not be known until the Autumn Budget is announced on 29th October 2018.</p> <p>The outcome of the Fair Funding Review, which will affect how funding is allocated from 2020 onwards, and the impact on the Council's funding streams will not be known until the Spring/Summer of 2019. The Technical Consultation on the Local Government Finance Settlement for 2019/20 has been considered by the Strategic Financial Planning Group (SFPG) in September 2018; this provided details on issues such as multi-year settlements, the distribution of New Homes Bonus funding, the Government's proposals on council tax referendum principles and the Government's preferred approach on negative RSG.</p> <p>The MTFP and Capital Strategy for 2019/20 to 2023/24 has been approved by Council in September 2018 and will continue to be updated as announcements are made, and guidance issued by Central Government.</p>	

Impact Score	3
Likelihood Score	3
Risk Score	9

Target Risk Date	February 2019
Target Risk Score	4

Lead Officer	Alison Taylor
Portfolio Holder	Finance, Governance & Resources
Scrutiny Panel	Business & Transformation

REVENUE/CAPITAL/ASSETS

There is a risk that we fail to fully recognise and manage our operational and investment assets leading to high long-term dilapidation costs and reducing control on future capital decisions

Present Matrix	Assessment Dates	Present Risk Score	Control Strategy/Mitigating Actions	Target Risk Matrix
	September 2018	9	<ul style="list-style-type: none"> The Council has an approved asset management plan in which it sets out its control strategy, including maintenance, of all of its operational and non-operational assets. Further, Council properties are subject to a rolling programme of inspection. The Medium Term Financial Plan will also give consideration to the capital requirements of this programme. Future planned mitigating actions will focus on the refresh of the Council’s Asset Management Business Plan. This will review the Council’s current operational, investment, regeneration and surplus assets before proposing a new cycle of asset management. A report is to be considered by the Strategic Financial Planning Group in October as part of the process. 	

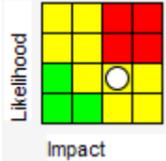
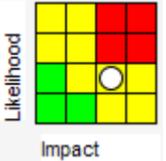
Impact score	3
Likelihood score	3
Risk Score	9

Target Risk Date	December 2018
Target Risk Score	6

Lead Officer	Mark Lambert
Portfolio Holder	Finance, Governance & Resources
Scrutiny Panel	BTSP

ECONOMIC REGENERATION/DEVELOPMENT

There is a risk that we fail to effectively prioritise and resource key city regeneration sites and miss the opportunity to take these forward in a progressive manner that meets the Council's aspirations.

Present Matrix	Assessment Dates	Present Risk Scores	Control Strategy/Mitigating Actions	Target Risk Matrix
	September 2018	6	This period has seen the following activities undertaken: <ul style="list-style-type: none"> Revision of city centre masterplan to include Borderlands growth deal projects. 	

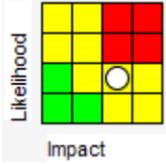
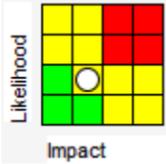
Impact score	3
Likelihood score	2
Risk Score	6

Target Risk Date	December 2018
Target Risk Score	6

Lead Officer	Jane Meek
Portfolio Holder	Economy, Enterprise and Housing
Scrutiny Panel	Economic Growth

CULTURE & SPORT

There is a risk that we fail to deliver the required new leisure facilities at the Sands Centre, on time and within budget and therefore do not meet the saving targets identified in the Medium Term Financial Plan.

Present Matrix	Assessment Dates	Present Risk Score	Control Strategy/ Mitigating Actions	Target Risk Matrix
	Sept 2018	6	<ul style="list-style-type: none"> The new leisure contract 2017 has now been agreed with GLL, following a full tender exercise. This clearly outlines the financial position aligned to the Sands project and provides assurance that MTFP saving targets can be met post completion of the new build. RIBA (Royal Institute of British Architects) Stage Two design has now been completed and considered by Executive; Scrutiny and full Council. The 6th March meeting of the full Council approved the progression of the scheme up to the end of RIBA Stage Four which is due for completion in early 2019 which leaves us on track for the proposed programme at this stage. The Council has now used the Scape Framework to procure the services of Wates construction to work with the design team and prepare the final tender for submission to the Council at the end of RIBA Stage Four, early 2019. 	

Impact score	3
Likelihood score	2
Risk Score	6

Target Risk Date	January 2019
Target Risk Score	4

Lead Officer	Darren Crossley
Portfolio Holder	Culture, Heritage & Leisure
Scrutiny Panel	Health & Wellbeing/ Business Transformation

**CARLISLE
CITY COUNCIL**



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RISK MANAGEMENT AND ASSURANCE FRAMEWORK

FOREWORD

Risk is part of everything we do, as the pace of change increases so does the level of uncertainty which new opportunities can bring. Managing risk has never been more important in helping us to meet our objectives, enhance service delivery, achieve value for money and reduce unwelcome surprises.

Carlisle City Council recognises Risk Management to be an essential part of the organisation's corporate governance arrangements. Risk Management not only ensures that the authority minimises exposure to avoidable risk but also ensures that it maximises opportunities by taking risks in a controlled manner.

If the Council does not take risks then nothing will change; therefore, a managed approach to risk is critical for effective change management. Risk management is part of strong public leadership and a high standard of governance, making a public statement of how the Council manages risk demonstrates openness, integrity and accountability.

Carlisle City Council encourages open discussions around risk and as such has a Corporate Risk Management Group, a Risk Management Sub Group. Risk is discussed frequently at meetings of the Senior Management Team, at Directorate Management Team meetings and risk arrangements are reviewed at regular intervals by Elected Members of the Audit Committee and Business & Transformation Scrutiny Panel.

This Framework is intended to be useful to:

- Senior Management Team
- Managers
- All those involved in risk management
- Members of the Business & Transformation Scrutiny Panel and Audit Committee

Jason Gooding

Chief Executive, Carlisle City Council

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Appendices

Appendix 1 - Risk Assessment – Threat Impact Assessment

Appendix 2 – Potential Mitigating Actions

Appendix 3 – Bow Tie Risk Assessment Technique

Appendix 4 – PESTLE Approach to Risk Management

Appendix 5 – Building Risk Maturity

1.0 INTRODUCTION – the purpose of this Framework and Assurance Model

- 1.1 The key purpose of this Framework and Assurance Model is to clearly set out how the City Council manages operational, strategic and major project risks. The document is intended to act as a defined approach to risk management and as a useful guidance note to employees and Councillors at all levels. The document builds on and updates the previous work undertaken by the Council and reflects the changing circumstances of work in our sector.

2.0 DEFINITION OF RISK AND RISK MANAGEMENT

2.1 ISO 31000 defines risk as the “effect of uncertainty on objectives” where uncertainty can be either positive or negative. Risk is often described by an event, a change in circumstances or a consequence.

Risk management describes the process which aims to help organisations understand, evaluate and take action on all their risks with a view to increasing the probability of success and reducing likelihood of failure.

3.0 THE RISK MANAGEMENT FRAMEWORK

3.1 STRATEGIC AIM

In order to support the delivery of the priorities within the City Council's Corporate Plan; to support corporate needs and expectations and to support the principles of delivering Good Governance, our strategic aim is:

'To establish sustainable and effective risk management arrangements to effectively identify, assess, control and manage the major risks* to the Council's objectives'.

*A major risk is one which would affect the medium to long term objectives of the Council.

3.2 STRATEGIC OBJECTIVES

In order to achieve the strategic aim, we will:

- Ensure appropriate risk taking is encouraged, particularly to respond to emerging opportunities
- Anticipate and respond to changing social, environmental and legislative needs, pressures or constraints, as well as changes in the internal environment
- Manage risk in accordance with best practice including integration with performance and financial management including partnership arrangements
- Improve performance and efficiency and in particular minimise injury, damage and losses and make effective use of resources
- Protect the Council's assets, reputation and operational capacity
- Maintain existing control over harm and loss risks
- Establish arrangements to ensure that the Council's leaders (officers and elected members) know what major risks the Council faces and what mitigating actions are being undertaken to address them

- Embed risk management into the Council's culture and management processes
- Ensure that all managers and officers in the organisation understand their responsibilities for risk management and how to meet them

3.3 KEY BENEFITS OF RISK MANGEMENT:

It is recognised that effectively managing risk helps to:

- Support effective use of resources
- Promote continual improvement
- Ensure fewer shocks and unwelcome surprises
- Offers reassurance to stakeholders
- Supports strategic and business planning
- Elevate communication
- To make escalations clearer and easier
- Aid higher organisational performance

3.4 TYPES OF RISK

3.4.1 Carlisle City Council recognises three types of risk:

- **Strategic risk** – risks affecting the medium to long term objectives of the Council. These can be internal where the Council has some direct control or external events that may impact on infrastructure, finance, people, operations and reputation. They may also have an immediate impact e.g. flood risk or loss of customer data or be slow burning e.g. loss of key staff or under investment in building maintenance. The City Council's Emergency Planning Community Risk Register is a key source of information on strategic risks.
- **Operational risk** – risks encountered in the course of the day to day operational and administrative procedures we use to deliver effective services. Examples include health and safety, fraud, compliance with legislation, budget management.

- **Project risk** is defined as “an uncertain event or condition that, if it occurs, has a positive or negative effect on a project’s objectives”. Major projects form an increasingly important part of the Council’s plans. Key areas to consider in this area are linked to time shifting requirements, slippage in delivery frames, budget or project creep and failure to deliver.

3.4.2 MANAGING RISKS - PERIODIC ACTIVITIES & PROCESSES

The table below sets out examples of activities that make up each of these three main elements:

<p>Building Blocks</p>	<p>Essential building blocks include:</p> <ul style="list-style-type: none"> • Creating positive risk management behaviours and culture • Establishing clear roles and responsibilities • Communicating risk information – this happens at Corporate Risk Management Group; Risk Management Sub Group; DMTs; Senior Management Team • Building risk capability – Risk Management training for Members and Officers is offered through the Ethical Governance Framework annually.
<p>Routine processes</p>	<ul style="list-style-type: none"> • Identify risks and those responsible for managing them • Assessing risks and establishing tolerance • Addressing risks, including contingency arrangements • Reviewing and monitoring risks including focussed discussions at the Risk Management Sub Group • Reporting on risks to the Executive, Overview & Scrutiny and the Audit Committee <p>The above processes are carried out at Manager level, recorded in operational risk registers and reported to Departmental Management Team</p>

	<p>meetings as well as the Risk Management Sub Group. The Risk Management Officer role adds assurance to this process by ensuring compliance.</p>
<p>Periodic activities</p>	<ul style="list-style-type: none"> • Assuring the CRMG and SMT that risk is being properly managed – the CRMG receives the minutes from the Risk Management Sub Group. The SMT receive quarterly reports from the CRMG. • Assuring risks from arm’s length - bodies and partners • Learning lessons from key projects, strategic reviews • Building risk maturity • Scanning the local, regional and national horizon • Peer reviews via the LGA • Building and testing continuity plans and resilience framework

3.5 ACCEPTANCE OF RISK

All risks with a probable or reasonably probable likelihood and a critical or high impact (therefore a score of 9 or above) on Council objectives will not, in principle, be tolerated. A control strategy must be developed and must be reported to CRMG.

The impact and likelihood of risks, and appropriate control strategies, will be assessed using the criteria at **Appendix 1**, with further details on potential mitigating control strategies shown at **Appendix 2**.

Policies and procedures relating to health and safety and personal safety will be applied and should be reflected across all operational risk registers.

Every identified risk to Council objectives that is high or critical and reasonably probable or probable, according to the criteria at Appendix 1 will have a named owner. It is the responsibility of the owner to develop a control strategy for that risk and for its reporting to CRMG.

3.6 OWNERSHIP AND REPORTING REQUIREMENTS OF THE FRAMEWORK

This framework is owned by the Corporate Risk Management Group (CRMG) and will be reviewed at least annually by that group. Senior Management Team and the Business & Transformation Scrutiny Panel will be consulted upon following any changes to the framework.

CRMG will monitor the delivery of the Assurance Framework. The group will produce quarterly reports for consideration by the Senior Management Team and six-monthly reports to Business & Transformation Scrutiny Panel and the Audit Committee.

The Council's Risk Management sub group of the Business Management Board, continues to meet every 4-6 weeks. This sub group is chaired by the Council's Section 151 Officer and it focuses on risks at an operational/directorate level. Issues raised here can be escalated to the CRMG when deemed appropriate.

4.0 RISK MANAGEMENT PROCESSES

4.1 Roles & Responsibilities

The Chief Executive, Elected Members, Managers and Officers all have a part to play in creating an environment where effective risk management can flourish. A positive risk culture, one which encourages openness and discusses business issues is crucial to effective management of risk.

The table below highlights the key roles:

ROLE	SPECIFIC RESPONSIBILITY
Members of the Executive (second line of defence)	Set the direction and strategic plans to deliver against Council aims and objectives.
Chief Executive (second line of defence)	Has overall responsibility for risk management arrangements in the Council.
Senior Management Team (third line of defence)	Responsible for the design, implementation and review of the risk arrangements. The CRMG, which is chaired by the Deputy Chief Executive, carries out this work and reports to the Senior Management Team. Members of the Senior Management Team have responsibility for ensuring the overall management of risks to their respective work programmes.
Business & Transformation Scrutiny Panel (second line of defence)	To receive the bi-annual risk management reports. This will appraise members of the Council's performance in relation to risk management and provide an opportunity for challenge and discussion; to review the corporate risk register every six months; may identify new risks for evaluation and management by CRMG.
Elected Members (second line of defence)	The corporate risk register will be made available for inspection by any elected member who wishes to do so.

Corporate Support & Resources Directorate	Has specific responsibility for: <ul style="list-style-type: none"> - Providing CRMG with insurance claims experience - Ensuring that the annual Audit Plan adequately addresses risk issues
Managers (first line of defence)	Have a responsibility for managing the risks in their area of control and escalating risks to the CRMG as appropriate via their Director. There is an expectation that managers will update their operational risk registers quarterly.
Officers (first line of defence)	To carry out operational tasks as defined in service plans that contribute to an identified Control Strategy.
Risk Management Officer (second line of defence)	To co-ordinate and monitor the Council's risk management arrangements, promoting best practice and acting as system administrator for the Council's risk management software.
CRMG (second line of defence)	For delivering and reviewing the Risk Management Assurance Framework, maintaining and improving risk management processes and the Corporate Risk Register, reporting to the Senior Management Team as appropriate
Risk Management Sub Group (second line of defence)	To review and provide advice on the operational risk registers across the Council. The sub-group's remit includes consideration of emerging risks as well as monitoring of Audit, Health & Safety and Insurance risks.
Internal Audit (third of line defence)	To regularly review management arrangements for risk management and apply a risk based approach to all internal reviews.
External Audit	

4.2 Periodic Activities and Processes

4.2.1 Corporate Risk Register Review

The Corporate Risk Register (CRR) is reviewed on an ongoing basis in the light of new and emerging risks to the organisation. The CRR is also reviewed on a quarterly basis at the CRMG meetings.

The Corporate Risk Register must reflect the delivery of the Carlisle Plan. The most important risks to the Council are those which may affect the delivery of key actions. The CRR will identify risks, owners, impact, likelihood and control strategy. The control strategy should recognise any opportunities for improvement that may have arisen from managing the risk – including the sharing of appropriate learning. These opportunities will be clearly identified on the Corporate Risk Register.

CRMG will co-ordinate the update of the Corporate Risk Register. Senior Management Team will quality assure the document by ensuring that all relevant risks are identified, evaluated and have a plan for their management.

Service Managers are responsible for ensuring that relevant risks are addressed in their Service Plans and in the day to day operations of their services. This will ensure that the actions necessary for reducing corporate risks are resourced and planned for in an integrated way. Operational Risk Registers will be reviewed regularly by the RM Sub-group and updated by service managers every 3 months with the CRMG notified of new or escalating risks that are within the red zone on risk heat map.

The impact and likelihood of risks, and appropriate control strategies, will be assessed using the criteria at **Appendix 1** and plotted on a matrix the same format as is illustrated.

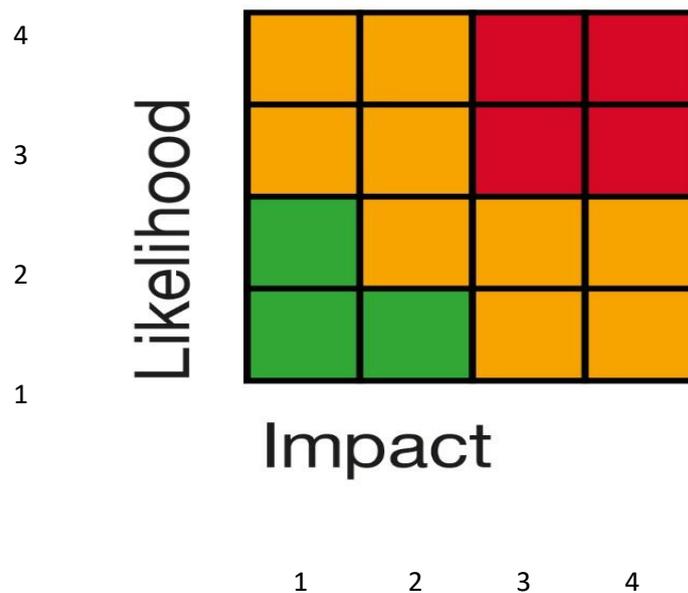
Likelihood Assessment

This element of the risk scoring considers how likely a risk is to come to fruition and within what timescale. This ranges from likely to occur in the short term (this would score a 4) to extremely remote (this would score a 1). Full details of this element are contained in Appendix One.

Impact Assessment

This element of the risk scoring considers the impact a risk might have financially, on the achievement of the Council's objectives and its impact on the resident of Carlisle. A highly significant impact would score a 4 and a low impact would score a 1. Full details of this element are contained in Appendix One.

Risk Scoring:



Significant changes to the Corporate Risk Register (either in the form of new risks or the status of existing risks, a change in colour) will be reported to Members via the bi-annual report to Business and Transformation Scrutiny Panel.

4.2.2 Reports for Business and Transformation Scrutiny Panel and Audit Committee

The performance of the Council in relation to risk management will be reviewed and reported to Business and Transformation Scrutiny Panel.

The report will contain information on the following:

- New corporate risks
- Changes in status to existing corporate risks

- Significant actions (and outcomes) and details of the control strategy to address risk

The chair of CRMG (Deputy Chief Executive) will present the report. The format and content of the report will be developed to meet the needs of the committee on an ongoing basis.

4.3 Procedures for managing and identifying risk

The procedures for identifying and managing risk are shown below as guidance for officers, as follows:

- Operational, strategic and project risks can be identified in a number of ways. A good method is to hold a workshop where stakeholders can identify and discuss risks and agree upon those that need to be analysed. The Bow Tie technique is endorsed by Carlisle City Council as a useful tool which encourages thorough exploration of a risk. (**see Appendix 3**). Categorisation of risks as per the PESTLE analysis technique is helpful in gaining a better understanding of the risks arising from external factors which might impact on the delivery of the Corporate or Service Plan objectives (**see Appendix 4**)
- The analysis of risk will be carried out in accordance with this Risk Management Assurance Framework. The impact and likelihood will be determined;
- The appropriate officers according to the type of risk will carry out risk analysis. For example, a project team for a project risk or CRMG for a crosscutting corporate risk.
- The circumstances under which a risk should be 'escalated' to CRMG are described in the Risk Management Assurance Framework;
- The outcome of risk analysis will determine whether the risk can be tolerated by the Council and what kind of remedial action should be taken if necessary. The appropriate control strategies are described in the Risk Management Assurance Framework;
- The appropriate actions for control of risk must be integrated into service plans and project plans.

- Risks with an impact on service business continuity must be addressed in the Service Recovery Plans (Business Continuity Plans)

5.0 SECTION TWO: THE THREE LINES OF DEFENCE MODEL FOR CORPORATE ASSURANCE

The Three Lines of Defence Model is an effective model to use for risk management. This methodology contributes to and provides assurance on, the City Council's risk management processes.

In this model, the first line of defence is the frontline employees who must understand their roles and responsibilities, follow systematic risk processes and apply internal controls and other risk responses to treat the risks.

The second line of defence is provided by the risk management and compliance functions. These functions provide the oversight and the tools, systems and advice necessary to support the first line in identifying, managing and monitoring risks.

The third line of defence comprises the independent assurances provided by internal and external audit, and other providers of assurance.

5.1 FIRST LINE OF DEFENCE

The first line of defence comprises the arrangements that operational management have implemented to ensure risks are identified and managed. These include the controls put in place by the managers/owners of the systems and processes. Management are responsible for managing these controls to ensure they continue to work effectively and for taking remedial action if the controls are found to be ineffective or are not being applied.

The following first line controls are in place at Carlisle City Council:

Planning & Direction

- The Carlisle Plan - reviewed and approved annually by Members, this sets out the Council's vision and priorities for the next three years;
- Departmental Service Plans are in place that set out the main aims and objectives of all the Council's functions including quarterly updates of operational risk registers

Policies and Procedures

- The Constitution – this sets out how the Council operates and makes decisions and incorporates other key policies (see below). It includes the Leader’s Scheme of Delegation and codes of conduct for both Members and Officers
- Policies – there is a framework of policies in place for all aspects of Council business. These are available on the Council’s Intranet and an overview is included as part of the corporate induction process. Regular training is undertaken during the year through the Council’s Ethical Governance Training programme
- Procedure notes – departmental procedures are in place for some business functions
- Risk Management Controls – there is a framework in place that includes setting of risk appetite, and requirement to update operational risk registers on a quarterly basis
- Project Management – including the Project Manager’s handbook.

Roles and responsibilities

- Scheme of delegation – delegated authority from the Council Leader forms part of the Constitution
- Job descriptions – detailed, descriptive roles in place for all Officer posts (available on the intranet)
- Statutory roles – Head of Paid Service, S151 and Monitoring Officer roles.

Supervision

- Appraisal process and training plans are linked to the achievement of service plans
- Established corporate induction process is in place
- Learning and development - training plans in place for staff (derived from appraisal)

Financial Controls

- Financial and Contract Procedure Rules – these form part of the Constitution
- Procurement Strategy - supports the vision and direction of the Council's financial strategy
- Medium Term Financial Plan – supports the vision and direction of the Council's financial strategy.

Safeguarding Controls

- ICT Controls – access to both network and systems controlled by secure access. This is monitored by the ICT function
- Building security – access is restricted to Officers and Members (fob controlled), including restricted access where required i.e for partners who have a base in the Civic Centre
- Business Continuity Plans – there is a Business Continuity Plan in place, as developed by Service Managers in Service Recovery Plans
- Insurance arrangements
- Employee vetting process – safe recruitment/ DBS checks

5.2 SECOND LINE OF DEFENCE

The second line of defence refers to the strategic or management oversight arrangements that are designed to provide management with information to confirm that the controls in the first line of defence are operating effectively. For example, the risk management policies and strategies that determine how risks within the Council will be identified, assessed and managed and the reporting arrangements to confirm that these policies and strategies are being appropriately implemented and complied with. The following second line controls are in place at Carlisle City Council:

Committee Overview

- Executive Committee – The Executive is responsible for most of day to day decisions. The Executive is made up of the Leader and five other Councillors appointed by the Leader each with responsibility for areas of Council work known as Portfolios.
- Scrutiny Panels – are politically balanced. Their role is to hold the Executive to account for its decisions through the call-in process; Policy Developments; service reviews; Subject Based reviews/Inquiries; Scrutinising internal and external reports as part of consultation processes; performance monitoring, financial monitoring and Task and Finish Group work.
- Regulatory Committees - The Regulatory Panel consists of twelve Councillors and has the following functions: Hackney Carriage and Private Hire Vehicle Licensing; Miscellaneous Licensing; setting of fees. The Licensing Manager has delegated authority to deal with the majority of applications. Decisions that the Licensing Manager has taken are published on a weekly basis as an Officer Decision and can be viewed under Council Decisions.
- Standards Committee – Meetings are arranged as and when required. The Standards Committee will advise the Council on the adoption or revision of its Code of Conduct.
- Audit Committee – The purpose of an Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

Senior Management Oversight

- Senior Management Team – which meets on a fortnightly basis
- Operational Sub Groups – Risk Management, Governance
- Directorate Management Teams

- Carlisle Partnership – Governs various partnership arrangements that are in place

Monitoring

- Annual Governance Statement and Local Code of Corporate Governance supported by the Good Governance Principles
- Service Planning Framework
- Performance Monitoring – regular reporting to review achievement of business objectives
- Risk Management – regular reporting to identify and manage corporate and operational risks
- Financial Monitoring – regular reporting and monitoring arrangement to monitor financial performance
- Health and Safety – ongoing monitoring
- Legal Services – legality of all decisions made within the Council.

5.3 THIRD LINE OF DEFENCE

The third line of defence comprises the independent assurances provided by internal and external audit, and other providers of assurance. The role of Internal Audit is governed by the Public Sector Internal Audit Standards (PSIAS) and is to provide independent assurance to the organisation (senior management and audit committees) that the first and second lines of defence are adequate and operating effectively to manage the risks faced by the organisation.

This includes giving assurance that the managers of the organisation are clear about their responsibilities for the systems they manage and that they are undertaking the appropriate checks to confirm that their systems are working effectively, that information within their systems is valid, accurate, complete and timely, that transactions are properly processed and authorised and that appropriate supervision, segregation of controls, documented procedures etc are in place and are being applied consistently.

The following third line controls are in place at Carlisle City Council:

Internal Audit

- Annual Report – Annual assurance opinion provided by the Head of Internal Audit on internal controls, risk management and governance
- Review of Governance and Monitoring functions – including performance management, risk management and finance
- Risk Based Reviews of discreet business functions – including main financial systems
- Counter Fraud and fraud investigation
- Value for money reviews
- Advice and guidance.

External Audit

- Annual review of and opinion on the accounts;
- Annual value for money review and conclusion/opinion;
- Annual Audit Letter;
- Annual Audit Plan – risk based approach.

Other assurances

- Fraud reports & investigations;
- Reports by Inspectors;
- Lessons learned reports;
- Post implementation reviews;
- Ombudsman reports.

The Council's Risk Management Assurance Framework must be embedded within the second line of defence which enables the control strategy to contribute to the overall assurance opinion through the Annual Governance Statement. Risk Management is not solely concerned with the mitigation of risk but is also a tool to

drive improvement throughout the Council. Effective Risk Management contributes to the effectiveness of the council's internal control environment and to the good governance principles of openness, integrity and accountability.

RISK ASSESSMENT – THREAT IMPACT ASSESSMENT

APPENDIX 1

Potential Impact	Critical 4	High 3	Marginal 2	Negligible 1
Failure to meet a Council objective	Failure to deliver on a priority aim	Failure to deliver on a priority objective	Failure to deliver on a publicly stated performance	Failure to achieve an internally agreed objective
Cost, including legal and insurance costs	Council revenue or capital budget impact of 5%	Council revenue or capital budget impact of 1-5%	Council revenue or capital budget impact of less than 1%	Council revenue or capital budget impact of less than £30k
Death, injury, or illness of staff or a member of the public	Death or serious injury of a service user, member of staff, or member of the public due to Council actions or inaction	Injury of a service user, member of staff, or member of the public due to Council actions or inaction	Death or serious injury of a service user, member of staff, or member of the public despite appropriate Council actions	Injury of a service user, member of staff, or member of the public despite appropriate Council actions
Disruption to service provision	Inability to provide business critical services	Reduced ability to provide business critical services in more than one location	Reduced ability to provide business critical services in one location	Slight reduction in business-critical services in one location

Potential Impact	Critical 4	High 3	Marginal 2	Negligible 1
Damage to public confidence in the Council	Widespread and permanent reduction in public confidence	Limited but permanent reduction in public confidence	Very limited and temporary reduction in public confidence.	
Reduced user satisfaction with services	Widespread and permanent reduction in user satisfaction	Limited but permanent reduction in user satisfaction	Temporary reduction in user satisfaction	Very limited and temporary reduction in user satisfaction
Damage to the Council's reputation	National adverse media coverage Damage to reputation with the government	Countywide adverse media coverage Compulsory redundancies	Localised adverse media coverage	Isolated adverse media coverage
Failure to comply with legislation	Conscious failure to comply with legislation	Unconscious failure to comply with legislation		
Failure to deliver government policy		Failure to deliver on stated government priority	Failure to deliver on multiple other government policies	Failure to deliver on one government policy
Damage to assets	Destruction of building (s)	Damage in excess of £100k	Damage in excess of £30k	Damage less than £30k

Potential Impact	Critical 4	High 3	Marginal 2	Negligible 1
	Inability to maintain information infrastructure	Minor reductions in information infrastructure		
Damage to the environment	Permanent and significant environmental damage	Permanent environmental damage	Temporary environmental damage	

RISK ASSESSMENT – OPPORTUNITY IMPACT ASSESSMENT (favourable impact on achievement of objectives)

	4 Highly Significant	3 Significant	2 Moderate	1 Low
Financial impact	Council revenue or capital budget impact of 5%	Council revenue or capital budget impact of 1-5%	Council revenue or capital budget impact of less than 1%	Council revenue or capital budget impact of less than £30k
Impact on achievement of objectives	Delivery of a priority aim	Delivery of a priority objective	Delivery of a publicly stated performance	Delivery of an internally agreed objective
Impact on people	Widespread benefit to residents of Carlisle	Benefit to more than one ward	Benefit to one ward	Isolated benefit

Likelihood Assessment:

Probable – likely to occur in the short term (for opportunity risk – relied upon with reasonable certainty based on current management processes)

Reasonably probable – probably will occur at some point (for opportunity risk – achievable with careful management)

Remote – may occur in time (for opportunity risk – likelihood low based on current management processes)

Extremely remote – unlikely to occur (for opportunity risk – unlikely with current management processes)

Risk Scoring:

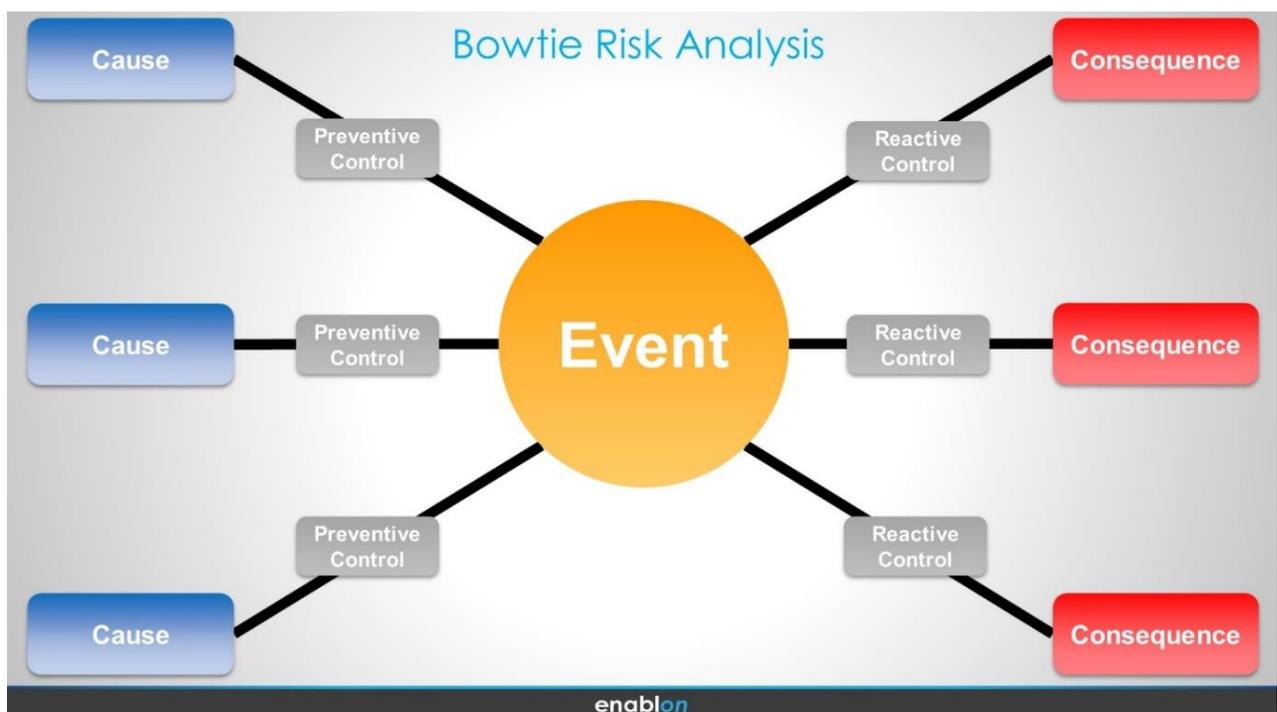
Probable 4	4	8	12	16
Reasonably probable 3	3	6	9	12
Remote 2	2	4	6	8
Extremely Remote 1	1	2	3	4
	Negligible Impact 1	Marginal Impact 2	High Impact 3	Critical Impact 4

Threats	Avoid	Quick, decisive action, fundamental change e.g. revise strategy, revisit objectives or stop the activity	Risk Action Strategies	Quick, decisive action, fundamental change e.g. revise strategy, new or revised objectives to make the opportunity happen	Exploit	Opportunities
	Transfer	Insure against the risk or transfer to a third party e.g. a contractor or partner who is better able to manage the risk		Seek a third party best able to manage the opportunity	Share	
	Reduce	Plan actions that target the cause of the risk and/or reduce the potential impact		Plan actions that increase the probability and/or consequence of the opportunity to maximise the benefit	Enhance	
	Accept	Where costs of action outweigh potential benefits or nothing further can be done to reduce the level of the threat.		Where costs of action outweigh potential benefits.	Ignore	

The Bow Tie risk assessment technique is endorsed by Carlisle City Council for the following reasons:

- Encourages a thorough exploration of the risk
- Can be applied to both operational and strategic risk situations
- Encourages innovative thinking
- Clearly establishes links between control actions and the risk event
- Can be mapped to a traditional risk register/ risk matrix
- Helps to embed risk management into the culture through encouragement of explorative discussions

The **Bowtie** method is a **risk** evaluation method that can be used to analyse and demonstrate causal relationships in high **risk** scenarios. The method takes its name from the shape of the diagram that you create, which replicates the shape of a **bowtie**.



Categorisation of risks as per the PESTLE analysis technique is helpful in gaining a better understanding of the risks arising from external factors which might impact on the delivery of the Corporate or Service Plan objectives.

The term stands for "Political", "Economic", "Social", "Technological", "Legal" and "Environmental". For each one of these dimensions an analysis/assessment should be ran in order to help identify risks/issues and opportunities.

The 6 Variables of PESTLE Analysis

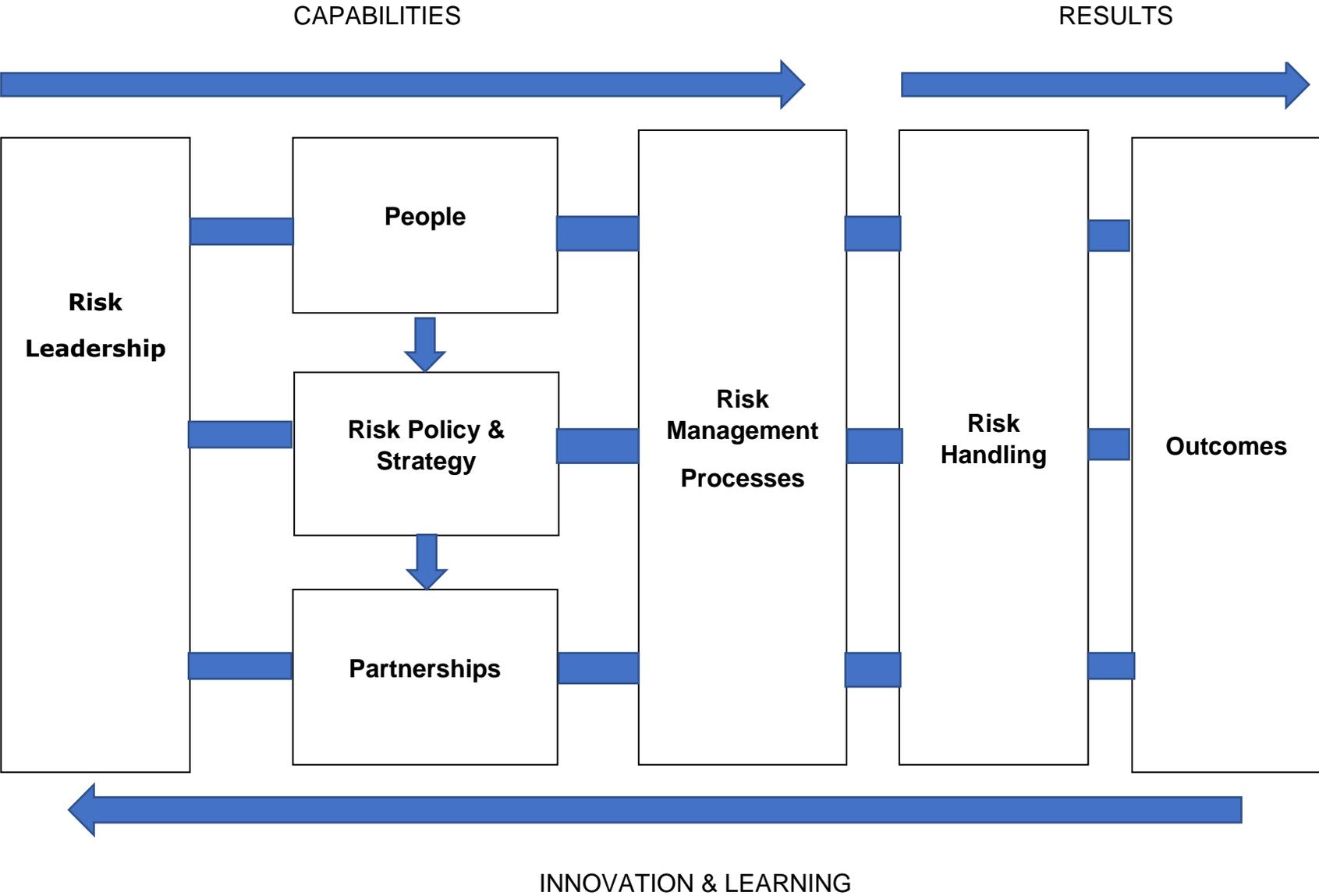


Risk Management Assessment Framework – published by HM Treasury July 2009

There are seven questions to address:

- 1) Do senior management and Ministers support and promote risk management?
- 2) Are people equipped and supported to manage risk well?
- 3) Is there a clear risk strategy and risk policies?
- 4) Are there effective arrangements for managing risks with partners?
- 5) Do the organisation's processes incorporate effective risk management?
- 6) Are risks handled well?
- 7) Does risk management contribute to achieving outcomes?

The Risk Management Assessment Tool is illustrated as below. This Tool is suitable for monitoring and reviewing the effectiveness of internal control processes. By using the seven top level questions, informed by systematically collected evidence it can help to give a more detailed assessment of identifying areas of particularly good or poor performance; establishing priorities for improvement. It can also be used to assist peer-review and benchmarking, both internally and between organisations.



METADATA

Audience	Carlisle City Council
Creator	Corporate Support & Resources
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