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Risk Management Policy

Draft

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1. PURPOSE

A successful and systematic risk management process underpins and supports the efficient and effective delivery of the council's strategic outcomes and the high-level strategic framework.

Risk Management is the systematic identification, analysis and mitigation of risks which may impact on the delivery of the objectives, efficiency and effectiveness, and reputation of the Council

A **Risk** is the positive or negative effect of uncertainty on objectives.

This policy outlines a framework for identifying, evaluating, and controlling risks faced by North East Lincolnshire Council (NELC). By managing risks, we improve our ability to achieve objectives, seize opportunities, and minimise failures. Effective risk management supports informed decisions, ensures accountability, and enhances service quality.

The policy provides a pragmatic and efficient approach to risk management that meets NELC's demands, expectations, and capacity while offering a fresh perspective on managing risk.

2. SCOPE

This policy applies to all council operations, staff, elected members, and third parties working on behalf of NELC. It encompasses strategic, operational, financial, compliance, environmental, and reputational risks.

3. AIMS AND OBJECTIVES

The aim of risk management is to ensure that the Council has an effective process to support better decision making through good understanding of risk and their likely impact.

The objectives of this document are to:

- **Embed a Culture of Risk Awareness:** Foster a culture where risk management is integrated into all levels of decision-making.
- **Protect Public Resources:** Safeguard the Council's assets, resources, and reputation.
- **Support Strategic Objectives:** Align risk management with the Council's corporate priorities and outcomes.
- **Promote Resilience:** Enhance the Council's ability to respond to uncertainty, crises, and changing circumstances.
- **Ensure Accountability:** Clearly define roles and responsibilities for managing risks.
- **Ensure Transparency:** Integrate risk management and control into assurance and reporting processes.
- **Embed Dynamic Risk Management:** Capture and anticipate new risks and balance these with opportunities.
- **Ensure Awareness of Overall Risk Exposure:** Setting and promoting the council's risk maturity and risk appetite.

4. PRINCIPLES OF RISK MANAGEMENT

NELC's approach to risk management will be guided by the following principles:

1. **Proportionality:** Risk management activities will be proportionate to the scale and complexity of risks.
2. **Transparency:** All risks and their management strategies will be documented and communicated effectively.
3. **Integration:** Risk management will be embedded into strategic planning, decision-making, and operational processes.

4. **Continuous Improvement:** Regular reviews will ensure that the risk management framework evolves in response to changing circumstances and operates in line with best practice.

5. CONTRIBUTIONS TO THE DELIVERY OF THE COUNCIL PLAN

The council's key outcomes as defined in the Council plan are as follows. Effective risk management is an enabler to the delivery of these outcomes by identifying and mitigating the risks relating to the delivery of projects and programmes that underpin them.



6. DEFINITIONS AND GLOSSARY

A glossary of definitions and terms are shown in Appendix 1. This includes the definitions of strategic risk, operational and corporate risk and project risks.

7. RISK MATURITY

Risk maturity is the effectiveness of an overall organisation's arrangements to identify and manage its risks. The categories of risk maturity are as follows:

1. **Ad hoc.** Risk management is undocumented and largely depends on individual heroics.
2. **Preliminary.** Risk is inconsistently defined and managed in silos with lax process disciplines.
3. **Defined.** A common risk assessment/response framework is in place. An organisation-wide view of risk is provided to leadership, often in the form of a list of top risks. Action plans are implemented in response to high-priority risks.
4. **Integrated.** Risk management activities are coordinated across business areas. Risk management techniques and tools are used where appropriate, with organisational-wide risk monitoring, measuring, and reporting. Process metrics are in place – but the emphasis remains on managing a list of risks. Discussions about risk are separate from discussions about strategy and performance.
5. **Optimised.** The focus is on managing risk within the context of organisational objectives instead of managing a list. Strategic planning and capital allocations, as well as daily strategic and tactical decision-making, all consider what might happen. Decision-makers have a reasonable level of assurance that they are taking the right risks and at the right level to achieve success, not just avoid failure. Early-warning systems are in place to notify leadership of specific risks that exceed the organisation's established risk appetite or risk-capacity thresholds – and when organisational objectives are in danger. Discussion of risk at top management levels is fully integrated with the discussion of strategy and performance.

After a self-assessment process carried out in May 2025 the Council's risk maturity level has been defined as 'Defined' and it aspires to be "Integrated" by May 2027.

8. RISK APPETITE

Risk appetite can be defined as the risk an organisation is prepared to accept in the pursuit of its objectives. The industry recognised categories are as follows:

- **Averse:** Avoidance of risk and uncertainty in achievement of key objectives. Activities undertaken will only be those considered to carry virtually no inherent risk.
- **Minimal:** Preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver. Activities will only be undertaken where they have a low degree of inherent risk.
- **Cautious:** Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.
- **Open:** Willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.

- **Hungry** Eager to be innovative and to choose options based on maximising opportunities and potential higher benefit even if those activities carry a very high residual risk.

Regardless of the stated level of risk appetite above, the Council will always act prudently, lawfully, and as a reasonable local authority.

After discussions with senior management carried out in June 2025 the Council's risk appetite for each of the council plan themes have been defined as below:

Theme	Risk Appetite
Stronger Economy	Open
Stronger Communities	Hungry
Greener Future	Open
Engaging and Effective Council	Open

In relation to stronger communities, although the safeguarding of adults and children will always be paramount, the Council is willing to consider innovative delivery models to support the wellbeing of our communities. This will not dilute the comprehensive assurance framework in place that reviews and evaluate the quality of practice in relation to safeguarding.

The risk appetites above, are for general guidance only. How they are applied in practice for each risk will vary, depending on the potential impact a risk could have on the organisation or service users. For each risk assessed the risk owner will need to consider factors such as:

- Financial impact
- Service delivery impact
- Reputational impact
- Potential for death or serious injury

9. RISK MANAGEMENT FRAMEWORK

The risk management process is detailed in a risk management tool kit. The process provides a systematic, effective and efficient way by which risks can be managed at different levels throughout the organisation.

9.1 Risk Identification

- Use systematic processes to identify risks, including workshops, horizon scanning, planning, and reviewing reports about council services, such as those issued by internal and external auditors and inspection results
- Use risk descriptions that are brief but fully communicate the risk in question, and do not just report on the symptoms of risk but identify and manage the risk cause
- Categorise risks into relevant areas: strategic, operational or project-specific

9.2 Risk Assessment

- Assess risks based on their likelihood and impact using the council's scoring methodology (Appendix 2)

- Prioritise risks into categories: very high, high, medium, or low

9.3 Risk Mitigation

- Taking account of risk appetite, determine the target risk score
- Develop and implement action plans to mitigate risks, including:
 - Avoidance – stop doing the activity altogether
 - Act – to reduce the likelihood, reduce the impact or both so it aligns with risk appetite
 - Transfer (in some case financial risk can be reduced by transferring some of the risk to an insurance provider, or risk may be mitigated by outsourcing activity to another provider)
 - Acceptance – the risk may occur and instead focus on dealing with the impact) (if justified by cost-benefit analysis or the risk is within the risk appetite)

Once the required actions have been implemented to reduce the residual risk to the target risk, then the risk should be periodically reviewed to ensure that there are no new triggers which could impact on the inherent risk and that the identified controls continue to operate effectively.

9.4 Risk Monitoring and Reporting

- Risks and risk registers are regularly monitored and updated to reflect current conditions at service level. The Strategic Risk Register is reviewed and updated on a quarterly basis and is overseen by the Corporate Governance Group. Operational Risks are expected to be reviewed at least every six months.
- Managers will be expected regularly assesses whether there any emerging issues arising within their service, which could have a significant organisational service, financial or reputational impact
- An annual report goes to the Audit and Governance Committee and Assurance Board on the effectiveness of the risk management arrangements
- Strategic risks and high-risk corporate risks are reported to the Audit and Governance Committee twice yearly, Assurance Board quarterly and Cabinet & Portfolio Holder on request
- Risks management features as a standard agenda item at management team meetings

9.5 Risk Escalation

- Should individual Directors be of the view that risk(s) identified in their area should be classed as a strategic or corporate risk this is escalated to the Corporate Governance Group who will consider the request and make, if appropriate, recommendations to the Assurance Board to be classified as such
- The Strategic Lead for Risk and Governance regularly reviews the risk register. Where risks have not been reviewed in line with expected timescales this will be reported to the Corporate Governance Group, who (if felt appropriate) escalate it to the relevant Director.

10. ROLES AND RESPONSIBILITIES

10.1 Cabinet Members and Council

- Provide strategic oversight and ensure alignment of risk management with Council objectives.
- Consider risk management implications when making decisions
- Ensure that a consideration of risks and opportunities is presented in reports on which they are asked to make a decision
- Informal Cabinet receives the Strategic Risk Register twice a year

10.2 Audit and Governance Committee

- Champion risk management throughout the Council
- Consider, approve and oversee Risk Management Policy
- Ensure the effective management of risk through officers
- Receive and consider risk management progress reports
- Reviews the Strategic Risk Register and seek sufficient assurance that strategic risks which may affect the Council's outcomes are being properly managed
- Obtain assurance on the effectiveness of risk management arrangements

10.3 Senior Management Team (Acting as the "Assurance Board")

- Set the tone for effective risk management across the council
- Review and approve the Strategic Risk Register
- Review the Risk Management Policy
- Determine the level of risk maturity
- Advise the Council on its risk appetite

10.4 Corporate Governance Group

- Drives the implementation of the Council's Risk Management Policy
- Reviews the Strategic Risk Register and ensures that any required adjustments are identified and implemented prior to being reviewed by the Assurance Board and Audit and Governance Committee
- Ensure council wide implementation of the risk management framework
- Review the Risk Frameworks and its implementation of arrangements
- Advise on the Council's risk appetite

10.5 Directors, Assistant Directors and Heads of Service

- Risks management should feature as a standard agenda item at management team meetings
- Incorporate risk management into daily operations
- Maintain and update the risk register for risks identified related to the service

10.6 Strategic Lead Risk and Governance

- Spread the ethos of effective risk management throughout the Council
- Provide advice and support to the Corporate Governance Group and Assurance Board
- Support Directors and Assistant Directors in identifying, analysing and controlling the risks that they encounter
- Provide guidance and support to Directors and Assistant Directors in relation to risk management generally
- Organise and promote risk management awareness and development
- Co-ordinate the production of the Council's Risk Management Policy

- Promote continual improvement and update of risk management arrangements based on current best practice
- Support the maintenance of the risk registers
- Regularly report to the Audit and Governance Committee on the strategic risk register and the operation of the Council's risk management framework
- Ensure that managing risk is integrated with other corporate processes

10.7 Risk Champions

The Council has established a network of officers representing each Assistant Director, the role of a Risk Champion is to:

- Attend Risk Champion meetings and any required training and contribute to and support risk management development
- Work with managers within the Assistant Director area to identify, assess and maintain an accurate risk register
- Raise the profile of risk management and promote its benefits, within the Assistant Director area
- Keep up to date with risk management requirements, in order to support the delivery of consistent, accurate and timely risk identification, assessment and reporting

10.8 Employees

- Understand and comply with this policy
- Identify and report potential risks within their area of responsibility

10.9 Internal Audit

- Conduct independent reviews of the Council's risk management processes and provide an annual opinion on the effectiveness of risk management arrangements.

10.10 Project/Programme/Partnership Managers

- Have a responsibility to ensure that the risks associated with their project, programme or partnership are identified, managed and reported appropriately.

11. TRAINING AND AWARENESS

- All staff and elected members will receive risk management training appropriate to their roles.
- The Strategic Lead Risk and Governance will organise workshops and provide materials to raise awareness of this policy.

12. POLICY REVIEW

- This policy will be reviewed as a minimum bi-annually to ensure its relevance and effectiveness.
- Updates will be recommended by Corporate Governance Group and be approved by Assurance Board on behalf of the Council

13. POLICY APPROVAL

Approved By: [Insert Name, Title]

Date Approved: [Insert Date]

Next Review Date: October 2027

By embedding this Corporate Risk Management Policy into its culture, North East Lincolnshire Council ensures the resilience, efficiency, and accountability needed to achieve its objectives and serve its community effectively.

APPENDIX 1- DEFINITIONS

Controls any action taken by management and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved

Control measures the policies, procedures, and activities designed and operated to manage risks to be within the level of an organisation's risk tolerance

Corporate risks are day-to-day operational risk that could impact the wider organisation

Impact the result or effect of an event. The event may have a positive or negative effect on the entity's strategy or business objectives

Inherent risk is the level of risk before treatment measures have been considered

An **Issue** is an unplanned event that has already occurred and needs action to manage it. It is not a risk

Likelihood – The possibility that a given event will occur

Maturity level helps define the level of sophistication of the organisations risk management activities. The higher the level of sophistication, the greater the benefits

Operational risks are our everyday risks, such managing day to day activities, health and safety, IT, estates, staffing, finance etc. These risks will be typically managed at a service level and will be escalated to different levels depending on risk score

Project risks are the risks specifically associated to the delivery of a programme/project or a temporary activity. They have a life expectancy

Residual risk is the level of risk after mitigation and control measures have been considered

Risk actions refer to additional/further work that is required to mitigate the risk

Risk attitude is the manner of the organisation's approach to assess and eventually pursue, retain, take or turn away from risk

Risk appetite refers to the types and amount of risk that an organisation is willing to accept in the pursuit of its strategies and objectives

A **Risk owner** is a person with the accountability and authority to manage a risk

Strategic risks are the risks that could stop the organisation achieving its strategic objectives. Strategic risks should be linked to the Council Plan outcomes. These risks are captured and reported through the Council's senior management structures and Audit and Governance Committee

Target risk is the desired score to be achieved after mitigation procedures have taken place

APPENDIX 2 – RISK EVALUATION MATRIX

Likelihood	4 Likely	Medium	High	Very High	Very High	Description of occurrence	It has happened before and very likely to happen again
	3 Possible	Low	Medium	High	Very High		It has happened before and could happen again
	2 Unlikely	Low	Medium	Medium	High		It may happen but it would be unusual
	1 Very Unlikely	Low	Low	Low	Medium		It may happen in very rare circumstances
		1 Minor	2 Moderate	3 Major	4 Catastrophic		
Impact							

	Service Delivery			
	Handled within normal day-to-day routines	Management action required to overcome short-term difficulties	Key targets missed. Some services compromised	Prolonged interruption to service. Failure of key strategic project
	Finance			
	Little loss anticipated	Some costs incurred. Minor impact on budgets. Handled within management responsibilities	Significant costs incurred. Re-jig of budgets required. Service level budget exceeded	Severe costs incurred. Budgetary impact on whole Council
	Reputation			
	No significant comment or media coverage	Adverse local media coverage for 1-7 days	Adverse local media coverage with moderate change in stakeholder confidence for 1-6 months	Adverse national coverage with significant change in stakeholder confidence lasting more than 6 months
	People & Safeguarding			
	People unaffected	Minor injuries or discomfort. Feeling of unease	Serious injuries. Exposure to dangerous conditions	Fatality, disability or serious long term health problem

Rating	Description
Very High	Unacceptable risk. Action to be taken unless within set risk appetite for that activity
High	Action to be taken unless the risk appetite has been set for this particular activity
Medium	If the residual risk exceeds the defined risk appetite for that activity, consider taking action if the cost of reduction exceeds the improvement gained
Low	Review risk periodically