# Managing risk for better service delivery

## April 2024

This booklet is to help you understand how the council manages risk. It is a tool for anyone who works in the council, as well as a guide for those who receive our services.

Mae'r ddogfen hon ar gael yn Gymraeg. This document is available in Welsh.

# A guide to risk management

## For more information on anything in this booklet

Please contact the Strategic Planning and Performance Team. We would be happy to provide any additional guidance and materials to help you.

**Email:** strategicplanningteam@denbighshire.gov.uk

**Phone:** 01824 70 6291 (Monday to Friday, 8:30am to 5pm). Rydym yn croesawu galwadau ffôn yn Gymraeg / We welcome telephone calls in Welsh.

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# A guide to risk management

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## Introduction

This document describes what is known as Risk Management within Denbighshire County Council.

The aim of the council's risk management policy is to:

- Develop a consistent approach to risk management across the council.
- Encourage a proactive risk aware culture across all parts of the council.
- Maintain and improve customer confidence in our ability to deliver on our commitments.
- Reduce the possibility of unplanned activity or financial costs, and their effect on the council's reputation.
- Develop activity to prevent / reduce the impact and / or likelihood of their risk.
- Manage risk in accordance with best practice and statutory obligations.

**Risk management should be all encompassing but not burdensome or bureaucratic, nor add unreasonably to the cost of running the council.**

There is a chapter in this guide for every role, and it is hoped that by doing this, it will help you to understand what you need to know about risk management. But don't feel restricted by that – it is sometimes interesting to know what other people are doing too, whether you are:

- **A member of the public**

- **An elected member:**
  - A Cabinet Member
  - A Scrutiny Member
  - A Governance and Audit Committee Member

- **A member of staff:**
  - The Chief Executive / a Corporate Director
  - A Head of Service

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- A Middle-Manager
- A Performance Officer within a service
- Strategic Planning and Performance Officer

Across all these roles there are some common things that it is useful to know:

- What is a risk?
- What is risk management?
- What is risk appetite?
- When do I need to consider risks?
- What risks should I consider?
- How do I describe risks?
- How do I score risks?
- What action do I take once I know the score?
- Where do I record risks?
- How do I report and escalate risk?
- What does the Wellbeing of Future Generations Act mean for managing risk?

It's also recommended that you take a look at the [Expectations section](#) in this document. The [Glossary](#) too is full of helpful information!

Finally, there are parallels between roles and responsibilities within both risk and performance management. For more information of our approach to performance management, please see our guide to Improving Services for our Communities, available on our performance page – [www.denbighshire.gov.uk/performance](http://www.denbighshire.gov.uk/performance).

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## What is risk?

Our definition for risk is 'an event that, should it occur, would impact our ability to successfully achieve our priorities'.

Often issues that have arisen are confused with risks.

'An issue is a consequence of a risk. It is already with us and management mitigation actions may be underway'.

We recognise that there are risks involved in all our activities and that we have a duty to manage these risks in a balanced, structured and cost effective way. Therefore, the process for identifying, assessing, controlling and monitoring risk is considered an integral part of our management process. As a result, we are able to enhance service delivery capabilities and better achieve our priorities and value for money.

## What is risk management?

Risk Management is a planned approach to **Identify, Assess, Control and Monitor** risks and opportunities facing the council. By managing our risk process effectively, we will be in a better position to safeguard against potential threats and exploit potential opportunities to improve services and provide better value for money.

## What is risk appetite?

Risk appetite is the level of risk we are prepared to tolerate or accept as a council in pursuit of our long term, strategic objectives. Determining and articulating our risk appetite allows us to consider all options to respond to risk and make informed decisions that are most likely to result in successful delivery whilst also providing an acceptable level of value for money. Risk appetite is useful for sense checking our appetite to take risks (are we risk averse or risk hungry?) with our corporate priorities, projects, corporate or service risks and so on.  Our Risk Appetite Statement and Framework can be found in Appendix 1 of this document.

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## Summary of Denbighshire's Risk appetite statement (reviewed April 2024)

Denbighshire County Council's risk appetite in relation to different aspects of council business is summarised below (the full statement can be found at Appendix 1):

- **Reputation and Credibility (risks about the trust / confidence people have in the council)**– **Open** risk appetite, willing to consider all options and choose one that is most likely to result in successful delivery with an acceptable level of reward (and value for money). This means we will tolerate minor, moderate or major risks.

- **Operational and Policy Delivery (risks which focus on long term goals and the service which our customers receive)** – **Open** risk appetite, willing to consider all options and choose one that is most likely to result in successful delivery with an acceptable level of reward (and value for money). Again, this means we will tolerate minor, moderate or major risks.

- **Financial Projects (risks about financial loss and value for money)** - **Cautious** risk appetite, preference for safe options that have a medium degree of inherent risk and may have some potential for rewards. Within this risk appetite, we will only tolerate minor or moderate risks.

- **Financial Treasury Management (risks about financial loss and value for money)** – **Cautious** risk appetite, preference for safe options that have a medium degree of inherent risk and may have some potential for rewards. Within this risk appetite, we will only tolerate minor or moderate risks.

- **Compliance and Regulation - Safeguarding (risks about adherence to law, regulations and guidelines)** – **Minimalist** risk appetite, preference for ultra-safe options where the well-being of individuals is concerned, with a low degree of inherent risk and have a potential for only limited (safe) reward. This means we will only accept minor risks in this area.

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- **Compliance and Regulation - Other (risks about adherence to law, regulations and statutory guidelines)** – **Cautious** risk appetite, preference for safe options that have a medium degree of inherent risk and may have some potential for rewards. Again, we will only tolerate minor or moderate risks in this area.

- **People (Workforce) Learning and Development** – **Cautious** risk appetite, preference for safe options that have a medium degree of inherent risk and may have some potential for rewards. As above, minor or moderate risks only will be tolerated.

- **People (Workforce)** – **Cautious** risk appetite, preference for safe options that have a medium degree of inherent risk and may have some potential for rewards. Again, we will only tolerate minor or moderate risks in this area.

## When do I need to consider risks?

Continuous identification and assessment of risk and appropriate mitigating actions is key to the successful delivery of our priorities. The changing external environment and the decisions made in the course of running the council will continuously alter the status of risks identified and risks emerging.

When identifying and assessing risk, the following should be considered:

- Scope of the activities to be assessed (e.g. corporate, service, collaboration or project) and the associated priorities or goals (e.g. corporate plan, project objectives and terms of reference).

- Impact of the changing environment, both external and internal:

  i) Externally this may include political, regulatory, economic, legislative and community changes.

  ii) Internally it may include changing a process, service expectations, capabilities or partners.

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- The level of risk the council is prepared to take in relation to the activities in question (including consideration of [Denbighshire's Risk Appetite Statement](#)).

## Annual planning and business as usual

Risk management should be applied in day-to-day decision making and is a line-management responsibility. However, there still needs to be specific times when progress against priorities and the outcome of operational decisions are reviewed. It is at these points that formal discussions should happen and risk registers updated to reflect this. Discussions, review and reporting of risk should take place at regular management and team meetings.

Annual Service Planning also presents an opportunity to be forward looking and pro-active in our risk management.

## Information risk and assurance

Every member of staff in the council has a role to play in the effective management of information. Information risks are vulnerabilities and threats to the information resources used by an organisation to achieve its priorities. Risks may include inappropriate disclosure or non-disclosure of information; loss, theft or fraud; information being wrongly destroyed; staff acting in error and failure to use information for the public good. The identification, assessment, monitoring and reporting of risks relating to our information assets will be carried out in the same way as other risks to service delivery.

## Projects

Projects have clearly defined priorities, including scope, timeline and budget and it is therefore an obvious step to identify, assess and manage risk as part of project management.

Considering risk in the early stages of a project is time well invested. Risk incurred during the project have to be acted on and fixed, and will add to costs. It is better to identify and where necessary reduce risks at the start-up phase of the project than to allow a contingency on a basis that things will go wrong, but we don't know what.

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This risk assessment process for projects is essentially the same as risk management processes described in this document, only that the financial risk assessment criteria are changed to reflect projects.

## Alternative Service Delivery Models (ASDMs)

Risk management should be considered during the development of all options for the creation of an Alternative Service Delivery Model (which includes partnerships, collaborations, arm's length companies and outsourcing arrangements).

It is important to identify and consider all potential risks as early as possible, and risk management should form a fundamental part of the development of, and subsequently the management of all alternative service delivery models.

The risk assessment process for the establishment and management of alternative service delivery models is essentially the same as the risk management processes described in this document. The Strategic Planning Team have developed an Alternative Service Delivery Model Toolkit to signpost you to information you require in terms of consideration for delivering services within the Council.

# Project risk assessment criteria

## Grading the likelihood of an event

Please note that this grading is only to be used for scoring project risk. Scoring of organisational risks is in the 'How do I score risks' section.

| Grade | % chance | Description |
|---|---|---|
| **A:** Almost Certain | Over 70% | Event is almost certain to occur in most circumstances |
| **B:** Likely | 30% to 70% | Event likely to occur in most circumstances |

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| Grade | % chance | Description |
|-------|----------|-------------|
| **C:** Possible | 10% to 30% | Event will possibly occur at some time |
| **D:** Unlikely | 1% to 10% | Event unlikely and may occur at some time |
| **E:** Rare | Under 1% | Event rare and may occur only in exceptional circumstances |

## Rating the impact of an event

| Rating | Time / cost / objectives | Service performance | Reputation | Financial cost |
|--------|--------------------------|---------------------|------------|----------------|
| **1:** Very High | More than 50% increase to project time or cost. Project fails to meet objectives or scope. | Unable to deliver core activities. Strategic aims compromised. | Trust severely damaged and full recovery questionable and costly. | Over £5million |
| **2:** High | 20% to 50% increase to project time or cost. Impact on project scope or objectives unacceptable to sponsor. | Significant disruption to core activities. Key targets missed. | Trust recoverable at considerable cost and management attention. | £1million to £5million |

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| Rating | Time / cost / objectives | Service performance | Reputation | Financial cost |
|---|---|---|---|---|
| **3:** Medium | 5% to 20% increase to project time or cost. Major impact on project scope or objectives requiring sponsor approval. | Disruption to core activities / customers | Trust recovery demands cost authorisation beyond existing budgets. | £350,000 to £1million |
| **4:** Low | Less than 5% increase to project time or cost. Minor impact on project scope or objectives. | Some disruption to core activities / customers | Trust recoverable at modest cost with resource allocation within budgets | £50,000 to £350,000 |
| **5:** Very Low | Insignificant increase to project time or cost. Barely noticeable impact on project scope or objectives. | Minor errors or disruption. | Trust recoverable with little effort or cost. | Less than £50,000 |

## What risks should I consider?

Risks should be captured whether they are under the council's direct control or not. It should be noted that there is a positive side to risk (opportunity) that should not be overlooked and can often be captured as a potential missed opportunity.

To ensure a consistent approach is taken across the council, we use the following framework of risk categories. These categories focus on the source of risk, and are intended to be used as a set of prompts to consider scenarios that will give rise to consequences that will impact on specific outcomes.

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## Political

Arising from the political situation

- Change of Government policy

- Political make-up

- Election cycles

- Decision-making structure

- Abuse (e.g. fraud, corruption)

- Reputation management

## Economic and financial

Arising from the economic situation, and the financial planning framework

- Treasury – investment, reforms

- Demand predictions

- Competition and the effect on price

- General / regional economic situation

- Value / cost of capital assets

## Community

Demographics, social trends, and meeting customer needs or expectations

- Residential patterns and profile

- Social care

- Regeneration

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- Customer care

- Quality of community consultation

## Technological

Arising from the ability to deal with pace of change, and the technological situation

- Capacity to deal with change or advance

- State of architecture

- Obsolescence of technology

- Current performance and reliability

- Security and standards

- Failure of key system or project

## Legislative regulatory

Arising from current and potential legal changes and / or possible breaches, and the organisation's regulatory information

- New legislation and regulations

- Exposure to regulators

- Legal challenges or judicial review

- Adequacy of legal support

## Environmental

Concerned with the physical environment

- Type of environment (urban, rural, mixed)

- Land use – green belt, brown field sites

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- Waste disposal and recycling issues

- Impact of civil emergency (i.e. flood)

- Traffic problems, planning, and transport

- Pollution, emissions, noise

- Climate change and energy efficiency

## Professional or managerial

The need to be managerially and professionally competent

- Peer reviews

- Stability of officer structure

- Competency and capacity

- Management frameworks and processes

- Turnover, recruitment, and retention

- Profession-specific issues

## Physical hazards and health and safety

Physical hazards associated with people, land, buildings, vehicles and equipment

- Health, safety and wellbeing of staff, partners and the community

- Accident and incident record keeping

- Maintenance practices

- Security of staff, assets, buildings, equipment

- Nature and state of asset base

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## Partnership or contractual

Partnerships, contracts and collaboration

- Key partners – public, private and voluntary

- Accountability frameworks and partnership boundaries

- Large-scale projects with joint ventures

- Outsourced services

- Relationship management

- Change control / exit strategies

- Business continuity

- Partnerships – contractual liabilities

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## How do I describe risks?

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

### Description

- risk of …
- failure to …
- failure of …
- lack of …
- loss of …
- uncertainty of…
- delay in …
- inability to …
- inadequate …
- partnership with…
- development of…
- opportunity to…
- damage to…

### Cause

- … due to …
- because ...

### Effect

- …leads to…
- results in…

Having identified and described a risk, it is important to assess the causes, the potential consequences / impact and how effectively it is being managed.

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## How do I score risks?

Risk is measured in terms of impact and likelihood against agreed risk assessment criteria. The risk assessment criteria we use in Denbighshire are 'semi-quantitative', which means they are more than a simple high, medium and low approach. These criteria help us to be more objective in our assessment and enable risks to be both prioritised and escalated consistently. This prioritisation helps us decide where we should focus our risk management efforts.

The impact of a risk is measured in five broad bands, from very low to very high and the likelihood from rare to almost certain. When assessing likelihood, it should be based on an appropriate time frame, generally over the Service Plan but extending in line with longer term plans if necessary.

## Grading the likelihood of an event

| Grade | % chance | Description |
|---|---|---|
| **A:** Almost Certain | Over 70% | Event is almost certain to occur in most circumstances |
| **B:** Likely | 30% to 70% | Event likely to occur in most circumstances |
| **C:** Possible | 10% to 30% | Event will possibly occur at some time |
| **D:** Unlikely | 1% to 10% | Event unlikely and may occur at some time |
| **E:** Rare | Under 1% | Event rare and may occur only in exceptional circumstances |

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## Rating the impact of an event

| Rating | Service performance | Reputation | Financial cost |
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| **1:** Very High | Unable to deliver core activities. Strategic aims compromised. | Trust severely damaged and full recovery questionable and costly. | Over £5million |
| **2:** High | Significant disruption to core activities. Key targets missed. | Trust recoverable at considerable cost and management attention. | £1million to £5million |
| **3:** Medium | Disruption to core activities / customers | Trust recovery demands cost authorisation beyond existing budgets. | £250,000 to £1million |
| **4:** Low | Some disruption to core activities / customers | Trust recoverable at modest cost with resource allocation within budgets | £50,000 to £250,000 |
| **5:** Very Low | Minor errors or disruption. | Trust recoverable with little effort or cost. | Less than £50,000 |

A number of different descriptors are provided to help estimate the risk impact – service performance, reputation and financial cost. The purpose of multiple descriptors is that whilst it is not always easy to estimate the cost impact of a risk, it is sometimes easier to compare to a qualitative statement (e.g. "disruption to core activities / customers").

In addition to qualitative statements, some guidance probabilities are given. These can also be considered as frequency of occurrence where 1% is equivalent to the likelihood of a 1 in a 100-year event occurring, 10% is a 1 in 10-year event, and 50% is a 1 in 2-year event, etc.

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**Remember these are to be used as a guide and to provide consistency – they are not meant to be exact descriptors.**

The likelihood and impact of risks need to be considered after existing controls have been evaluated as to their effectiveness. Existing controls refers to controls actually in place not those we plan to put in place. For each control identified it is important to review its effectiveness in managing the risk and that the residual risk assessment accurately reflects this.

**Inherent Risk:** The risk that an activity would pose if **no controls** or other mitigating actions were in place.

**Residual Risk:** The risk that remains **after controls** are taken into account.

## What action do I take once I know the score?

Once you identify the risk and have considered existing controls and given your risk a score, you need to determine if any additional actions are required.

- Generally, where the risk is **Major** or **Critical**, then further action is necessary.
- Where the risk is **Moderate**, careful consideration should be given to the need for further action.
- Where the risk is **Minor**, generally no action is required.

There are normally options for improving the management of risk and they fall into the following categories:

- **Tolerate**: Involves accepting the risk and its impacts. This could include deciding to cover any losses if it were to happen, or where the costs to control exceed the benefits.
- **Treat**: Reduce the risk by making it less likely to happen or reducing the impact if it does. This can include training, improved procedures, new equipment / systems or changing policies etc.

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- **Transfer**: Involves passing the risk or costs of the impact outside of the organisation. This could include outsourcing or taking out insurance to cover the costs.
- **Terminate**: Eliminate the risk by ceasing the activity that presents the risk.

It is also important to compare the risk evaluation to the agreed risk appetite for each risk category.

The risk appetite sets out the level of risk that the council is prepared to accept, tolerate or be exposed to at any point in time. This will vary depending on the category of risk. In some areas, the council will take more risk in order to support innovative thinking. In other areas the council may take less risk to ensure legal compliance for example.

While the council deems any critical risk intolerable, it is envisaged that all other risks will be managed in accordance with the risk appetite framework.

However, risk appetite does not replace the reporting and escalation process outlined below. Risks continue to be managed at the lowest and most appropriate level in the organisation and only escalated when action is required outside the control of the current risk owner.

## How do I report and escalate risks?

The monitoring of risks is a normal management activity and as such should be integrated as part of normal line management responsibilities.

It is important to ensure that risks themselves are subject to review with appropriate frequency through Cabinet, Senior Leadership Team, Service Performance Challenges and team meetings within individual services.

It is then expected that regular reports (at least six-monthly) are presented to elected members at the Performance Scrutiny Committee, highlighting key risks facing the council and their management through the presentation of the Corporate Risk Register.

The Governance and Audit Committee also has an important role to play in terms of monitoring the effectiveness and consistency of the application of our risk management

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processes. They will formally receive the Corporate Risk Register at least once annually, but may interrogate council risks at any time, including at service, programme and project level.

All service risks will have been agreed and endorsed by the Head of Service and relevant lead Cabinet Member(s). This is done through 1-2-1 meetings between the Head of Service and Lead Members. If a risk is considered to then be a 'Corporate' risk this would need to be a discussion between the Head of Service and the relevant Director to escalate it to a 'Corporate' level via the Council's Senior Leadership Team.  All corporate risks subsequently will be agreed and endorsed by Cabinet and the Senior Leadership Team and will be scrutinised by the Performance Scrutiny Committee.

The combination of impact and likelihood scores results in a risk exposure rating and escalation criteria below, allowing us to manage intervention based on severity. These criteria are set at corporate level and are not intended to suggest that a moderate risk (at corporate level) is not important to a particular service (at service level) and might require further actions or monitoring at that service level:

| Risk Score | Risk Severity | Escalation Criteria |
|---|---|---|
| C5, D4, D5, E4, E5 | Minor | Risk easily managed locally – no need to involve management |
| A5, B4, B5, C3, C4, D3, E2, E3 | Moderate | Risk containable at service level – senior management and SLT may need to be kept informed |
| A3, A4, B3, C2, D1, D2, E1 | Major | Intervention by SLT with Cabinet involvement |
| A1, A2, B1, B2, C1 | Critical | Significant SLT and Cabinet intervention |

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## Where do I record risks?

In Denbighshire we use a cloud storage system called Verto to help record and monitor all service and project risks.

Services are advised to monitor their Risk Register every 3 months with officers in services to help collect and input risk information into Verto.

## What does the Wellbeing of Future Generations Act mean for managing risk?

The Act requires the council to think more about the long-term, how we work better with people, communities and each other, look to prevent problems, and take a more joined up approach with partners.

All decisions made by the council must be understood in the context of the Sustainable Development Principle; i.e. are the needs of the present being met without compromising the ability of future generations to meet their own needs?

There are five ways of working we need to consider to be able to demonstrate that we have applied the Sustainable Development Principle (Long-term, Prevention, Integration, Collaboration and Involvement).

There will be long-term risks that will affect both the delivery of services, but also the communities you are enabling to improve. Therefore, it is important that you use these five ways of working and the well-being goals identified in the Act in order to frame what risks you may be subject to in the short, medium and long term. This will then allow you to take the necessary steps to ensure they are well managed now and in the future.

For more information, take a look at the Essentials Guide online at [Future Generations Wales](#).

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## Expectations

### We all expect:

- Council services delivered to a high standard, ensuring risks are managed effectively.
- Legislative duties to be met.
- Access to up-to-date information and data that tells us how the council is managing risk.
- To be listened to and our concerns acted upon.

### We all have a responsibility to promote:

- Communication and engagement.
- The Welsh language.
- Access to services and respect to others, keeping in mind the nine protected characteristics and those in poverty.
- The Sustainable Development principle and the five governance approaches.

### How do we do this?

Collectively we all have a role to play to make sure that these expectations are met. We do this naturally through our interaction with one another and the council. To understand the contribution that you can make as an individual, read through the following roles.

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## Members of the public

### As a member of the public I expect:

- High quality services that are well planned and meet my needs.
- Access to up-to-date information and data that is easy to understand.

### I am responsible for:

- Challenging the council's management of risk, and letting them know where things can be done better. Tell us your thoughts through [our website](#).

### How do I do this?

- You can view the council's current progress with regards to performance and risk management through our [Performance Update Reports](#), which make up our Annual Self-Assessment.
- Council meetings, Cabinet and Scrutiny are public and you are welcome to attend. You can also view some meetings through the [Denbighshire County Council webcasts](#).

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## Elected members

### As an elected member I expect:

- Reliable information, advice and support from council officers to help me make decisions and carry out my role.
- To be kept informed of issues and risks affecting my ward.

### I am responsible for:

- Challenging the council's risk management, seeking improvement where possible.
- Understanding the corporate risks facing the council, and being aware of how these risks are being managed.
- Ensuring that any associated risks have been taken into consideration when scrutinising decisions.
- Raising risks not already identified.

### How do I do this?

- Participate in meetings, representing the voice of the citizen.
- Raise issues and concerns with relevant managers.
- Engage with and scrutinise the information available to help inform decisions and identify ways to make improvements.

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## Cabinet Members

### As a Cabinet Member I expect:

- Accurate and timely information regarding risks to help inform decisions and identify areas for improvement.

### I am responsible for:

- Monitoring the delivery of service plans and the management of service risk registers with Heads of Service on a regular basis.
- Monitoring and driving forward the delivery of our corporate priorities.
- Monitoring and managing risks on the Corporate Risk Register.

### Have I:

- Met with the relevant Head of Service in my portfolio to give input and agree the content of the Service Plan and Risk Register?
- Reviewed performance and risk information for the council and the services I represent on a regular basis?
- Reviewed the council's risk appetite on an annual basis?

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## Scrutiny Members

### As a Scrutiny Member I expect:

- Accurate and timely information regarding risks to help inform decisions and identify areas for improvement.

### I am responsible for:

- Scrutinising the delivery of service plans and the management of Service and project risk registers.
- Scrutinising the delivery of the council's priorities.
- Scrutinising the management of our Corporate Risk Register.

### Have I:

- Reviewed Service and Corporate Risk Registers on a regular basis?
- Attended Service Performance Challenge meetings?

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## Governance and Audit Committee Members

### As a member of the Governance and Audit Committee I expect:

- Assurance that our risk management processes are robust and being consistently applied across the council.

### I am responsible for:

- Reviewing and giving endorsement to the Risk Management Policy and Guidance (including risk appetite).
- Monitoring the application of our risk management processes.
- Identifying governance and audit related risks that warrant further scrutiny.

### Have I:

- Reviewed the council's risk information on a regular basis? This includes the Corporate Risk Register, but may also include when necessary, service risk registers, programme or project risk registers.
- Given input to the council's risk appetite statement.
- Identified any further risks that warrant further scrutiny (either by the committee or Scrutiny) to be assured that the council's risk processes work as they should at all levels. The committee will have a particular interest in risk pertaining to governance.

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## Members of Staff

### As a member of staff I expect:

- To understand the council's priorities and the contribution my work makes towards them.
- Tools and systems in place that support the development, communication, and monitoring of our risk information, helping me to understand how the council and its services are managing risk.

### I am responsible for:

- Supporting the delivery of the Service Plan.
- Improving services.
- Mitigating potential risks where appropriate.

### How do I do this?

- Ask questions, contribute ideas and challenge the way we do things.
- Raise any risks or concerns with managers.
- Get involved in the service planning process and give your input to the Service Plan.
- Stay up-to-date with the council's risk management processes.
- Provide honest and easy to understand updates on the progress of work and any issues being experienced.

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## Chief Executive / Corporate Directors

### As the Chief Executive / Corporate Director I expect:

- Staff to be engaged with our Risk Management process and understand their contribution.

### I am responsible for:

- Ensuring the risk management processes remain fit for purpose and effectively implemented.
- Championing a culture of risk management within the council.
- Monitoring the Corporate Risk Register.
- Keeping elected members informed of issues relevant to them.
- Reviewing service risks with Heads of Service as part of regular one to one meetings.

### Have I:

- Provided input to Service Plan and Risk Registers?
- Reviewed risk data on a regular basis with Heads of Service?
- Engaged in the Service Performance Challenge programme?
- Reviewed the council's risk appetite on an annual basis?
- Provided input to the council's Well-being Assessment, and ongoing Self-Assessment process, using their intelligence to shape service planning, risk management and delivery?

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## Heads of Service

### As a Head of Service I expect:

- Guidance from Corporate Directors, Cabinet Members, and the Strategic Planning and Performance Team on Risk Management.
- Scrutiny members and staff to also be engaged in the development and delivery of the Service including risk management.

### I am responsible for:

- Monitoring the Corporate Risk Register.
- Keeping elected members informed of issues relevant to them.
- The development, communication and delivery of the Service Plan and risks with key stakeholders, which includes keeping elected members informed of issues relevant to them.
- Managing service risk, with input from staff, ensuring that risks are escalated as required.
- Ensuring the risk management processes remains fit for purpose and effectively implemented, championing a culture of risk management within the council.

### Have I:

- Consulted and engaged with key stakeholders, including managers, staff and Lead Cabinet members?
- Taken customer need into account and covered applicable legislative duties?
- Considered the implications of plans and potential risks?
- Reviewed risk data on a regular basis with Cabinet Member(s) and management team and identified opportunities to improve?
- Engaged in the Service Performance Challenge programme?
- Reviewed the council's risk appetite on an annual basis?
- Communicated key messages to staff (good and bad)?

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- Provided input to the council's Well-being Assessment, and ongoing Self-Assessment process, using their intelligence to shape service planning, risk management and delivery?

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## Middle Managers

### As a Middle Manager I expect:

- Clear direction from the council and senior leaders.
- Staff to be engaged in the delivery of the Service Plan, aware of the Service Risk Register, and understand their contribution towards successful service delivery.

### I am responsible for:

- Helping Heads of Service communicate the strategic vision of the council and involving staff in the development and delivery of the Service Plan and risks, which includes keeping elected members informed of issues relevant to them.
- Ensuring staff engage and commit to activity within the Service Plan.
- Supporting the Head of Service with the monitoring of the Service Risk Register, also engaging with team members.
- Identifying potential risks in service delivery and discussing with the Head of Service.

### Have I:

- Consulted and engaged with key stakeholders during the development of the Service Plan and Risk Register?
- Addressed any new legislative duties?
- Evaluated the implications of the plan and potential risks?
- Set realistic expectations for projects / activities?
- Reviewed risk data on a regular basis to inform the Service's own improvement?
- Communicated key messages to staff, good and bad?
- Provided input to the council's Well-being Assessment, and ongoing Self-Assessment process, using their intelligence to shape service planning, risk management and delivery?

# A guide to risk management

## Performance Officers within a service

### As a Lead Performance Officer I expect:

- To have a clear understanding of the council's risk management processes.
- Service Plans and Risk Registers to have input and ongoing challenge from stakeholders, including Corporate Directors(s), Lead Cabinet Members(s), staff and the public.

### I am responsible for:

- Supporting the Head of Service in the completion and communication of a clear and easy to follow Service Plan (by March 31st) and Service Risk Register, ensuring the involvement of the right people, and making sure that staff understand their commitments.
- Keeping the Service Plan and Service Risk Register up-to-date, which are live documents and should be updated with any new activity / developments during the year.
- Ensuring that accurate and easy to understand risk updates have been provided in the Verto system within one month of the end of the quarter. Any comments provided should be in plain English and avoid acronyms.

### Have I:

- Consulted with and involved the relevant Strategic Planning and Performance Officer to ensure that there is consistency in the approach you take and no conflict with work elsewhere?
- Ensured that customer needs are taken into account, as well as any legislative duties that apply?
- Analysed the implications of the service plan and potential risks?
- Used the Verto system to help collate the detail of the Service Plan and maintain the Service Risk Register?

# A guide to risk management

## Strategic Planning and Performance Officers

### As a Strategic Planning and Performance Officer I expect:

- Service risk registers to be maintained and up-to-date.
- Accurate quarterly updates to be submitted within one month of the end of a quarter, with clear and understandable comments where applicable.
- Issues to be challenged by stakeholders, in particular by Cabinet, Performance Scrutiny and the public.

### I am responsible for:

- Maintaining the integrity of the data collection, monitoring and reporting process within the council.
- Supporting services in their service planning and risk management, ensuring consistency of approach, and giving due regard to important considerations such as the Equality Act, the Wellbeing of Future Generations Act, the Social Services and Well-being Act, and other council and partnership commitments.
- Producing accurate information and reports as required by Senior Leaders, the Council, Cabinet, Scrutiny, and the Governance and Audit Committee.

### Have I:

- Regularly monitored risk updates from services?
- Supported services in the ongoing monitoring of risk as required?
- Engaged in the Service Performance Challenge programme?
- Liaised with services and senior management to ensure risks are properly recorded and escalated as required?

# A guide to risk management

## Appendix 1: Our Approach to Risk Appetite

Denbighshire's risk appetite statement, reviewed April 2024, sets out Denbighshire County Council's approach to risk taking by defining its risk appetite thresholds. It is a statement that will be reviewed and modified annually, so that any changes to the organisation's strategies, objectives or its capacity to manage risk, are properly reflected. It will be communicated throughout the organisation in order to drive robust risk management and to ensure risks are properly identified and actively managed.

Risk Appetite is the level of risk we are prepared to tolerate or accept in the pursuit of our long term, strategic objectives. Our aim is to consider all options to respond to risk appropriately, and make informed decisions that are most likely to result in successful delivery, whilst also providing an acceptable level of value for money.

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 decisions are made. We recognise that the appetite for risk will vary according to the activity undertaken and hence different appetites and tolerances to risk apply.

Risk appetite does not replace the escalation process defined within the risk management policy. Risks continue to be managed at the lowest and most appropriate level in the organisation and only escalated when action is required outside the control of the current risk owner.

The council's appetite for risk across its activities is classified against the following scale, which is derived from the UK Government's Orange Book on Risk Management.

### Classification and Description:

- **Averse** is the avoidance of risk and uncertainty. We are therefore not willing to tolerate any risk within this appetite classification.
- **Minimalist** is the preference for ultra-safe options that have a low degree of inherent risk and have a potential for only limited reward. Within this classification, we are willing to accept only **minor** risks.

# A guide to risk management

- **Cautious** is the preference for safe options that have a medium degree of inherent risk and may have some potential for rewards. In terms of our risk exposure rating, we would therefore accept a **minor** or **moderate** risk.

- **Open** is the willingness to consider all delivery options and choose one that is most likely to result in successful delivery with an acceptable level of reward (and value for money). Within this, we will accept **minor, moderate** and **major** risks.

- **Hungry** is the eagerness to be innovative and to choose options offering potentially higher business rewards despite greater inherent risk. All risk exposure is accepted within this classification – **minor, moderate, major** and **critical**.

## Denbighshire County Council's Risk Appetite Statement

- **Reputation and Credibility (risks about the trust / confidence people have in the council)** – It is considered essential that the council preserves its reputation. However, the council is willing to accept an **open risk appetite** in the conduct of any of its activities that could put its reputation at risk but only where there is confidence that the likely outcome is anticipated to be successful.

- **Operational and Policy Delivery (risks which focus on long term goals and the service which our customers receive)** – The environment the council works in is continually changing through both its internal operations, the services it provides and the external environment. The council aims to be a leading local authority in North Wales and aims to be progressive and innovative. Therefore, the council is willing to accept an **open risk appetite.**

- **Financial (risks about financial loss and value for money)** – The council aims to maintain its long-term financial viability and its overall financial strength whilst aiming to achieve its strategic and financial objectives. Although the approach to risk is detailed in a number of key documents, such as the Medium Term Financial and the Treasury Management Strategy that are approved on an annual basis, the following key points are important:
  - o The council is required to set a balanced overall revenue budget by early March every year and Heads of Service must then contain net expenditure within approved service totals. In practice the council aims to have a

# A guide to risk management

balanced budget approved by Cabinet and Council in January, and Council Tax set in February, well before the statutory deadline

- o In accordance with its reserves strategy, a minimum General Fund unallocated reserves balance of £5million will be retained.
- o The council's Treasury Management Strategy sets out in detail the council's approach to risk around borrowing and investment, the approach is summarised below:
  - a. Both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code and the Welsh Government Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
  - b. The council monitors its cash position and interest rate levels on a daily basis to ensure that further long term borrowing is undertaken from the Public Works Loan Board at the optimal time to ensure that ongoing capital commitments are fully funded.

Therefore, the council is willing to accept a **Cautious Risk Appetite** in relation to treasury management. Historically the council was willing to accept a more open risk appetite for projects, reflecting the risk and reward that can be inherent to large-scale projects. However, in response to worsening public finances, in April 2024 the council amended its statement for projects to a **Cautious Risk Appetite**.

**Compliance and Regulation (risks about adherence to law, regulations and statutory guidelines)**: The council places high importance on safeguarding the well-being of individuals and will only accept a **Minimalist Risk Appetite** in this area. For other important areas of compliance, regulation and public protection the council adopts a **Cautious Risk Appetite** for breaches in statute, regulation, professional standards, ethics, bribery or fraud.

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**People (Workforce):** The council recognises that its employees are critical to the achievement of its objectives and that staff support and developments are key to making the council a place of work that inspires good performance. It places importance on equality and diversity, dignity and respect, and the well-being and safety of staff. In recent times, to support wider efforts to tackle challenges in recruiting staff, we are making some recruitment processes more flexible – in a safe way – to alleviate difficulties in filling roles. Therefore, the council has a **Cautious Risk Appetite** in relation to standards in terms and conditions and learning and development, where - particularly in the pursuit of the latter - riskier approaches may be considered.

## Risk Appetite Framework

Using the Risk Appetite Classification outlined earlier in the document, the consequences of risk and example behaviours when taking key decisions are as follows:

- Reputation and credibility:
  - **Averse** – no tolerance for taking risks where there is a chance of any negative repercussion for the council (locally or further afield).
  - **Minimalist** – Tolerance for risk taking limited to those events where significant repercussion for the council is extremely unlikely.
  - **Cautious** – Consider activities which could result in minor scrutiny and reputational repercussions but only where steps can be taken to minimise any exposure to an acceptable level.
  - **Open** – Comfortable to take risks that could expose the council but only where appropriate steps have been taken to proactively manage community relations and media and coverage.
  - **Hungry** – Keen to take decisions that are likely to result in significant or national scrutiny of the council, with reputational repercussions, where the benefits are considered to be great.

- Operational and policy delivery:

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- **Averse** – Aim to maintain or protect, rather than to create or innovate. Priority for tight management controls and oversight. General avoidance of systems / technological developments.

- **Minimalist** – Innovations avoided unless essential. Decision making authority held by senior management. Only essential systems / technology developments are considered.

- **Cautious** – Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Systems / technological developments limited to improvements to protect current operations.

- **Open** – Innovation supported, where measurable improvements anticipated. New systems / technological developments considered. Responsibility for non-critical decisions may be devolved.

- **Hungry** – Innovation pursued. Desire to 'break the mould' and challenge current working practices. New technologies viewed as a key enabler of operational delivery. High levels of devolved authority – management by trust rather than tight control.

- Financial / Value for money (VfM):
  - **Averse** – Avoidance of financial loss is a key objective. Only willing to accept the low cost / most secure option. Resources withdrawn from non-essential activities.
  - **Minimalist** – Only prepared to accept the possibility of very limited financial loss, if absolutely unavoidable. VfM is the primary concern.
  - **Cautious** – Prepared to accept the possibility of some limited financial loss. VfM still the primary concern but also willing to consider wider benefits.
  - **Open** – Prepared to invest where there is a high reward and risks of financial loss can be managed to a tolerable level. Value and benefits considered (not just cheapest price). Resources allocated in order to capitalise on potential opportunities.
  - **Hungry** – Prepared to invest for the best possible reward and accept the possibility of financial loss (although controls may be in place). Resources allocated without firm guarantee of return.

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- Compliance – legal / regulatory:
  - **Averse** – 'Play it safe' with no deviation from legal or regulatory requirements. Avoid anything which could be challenged.
  - **Minimalist** – Consider only activities that could deviate in a very minor way from compliance expectations.
  - **Cautious** – Only willing to 'stick our neck out' when the risk of challenge is very low.
  - **Open** – Some appetite to deviate where challenge is likely, but only if we are likely to win it and where the gain will outweigh the adverse consequences.
  - **Hungry** – Chances of losing are high and consequences serious, but a win could be seen as a great coup.

- People (workforce):
  - **Averse** – No transformational approaches are considered. Maintenance of status quo is considered the priority. Preference for tight management controls and oversight.
  - **Minimalist** – Willing to consider tried and tested approaches that do not threaten staff morale or terms and conditions.
  - **Cautious** – Will weigh up the potential rewards of new / untested approaches but only where the risk is low and can be managed.
  - **Open** – Likely to choose an option that results in changes to staff morale or terms and conditions where that option results in value for money.
  - **Hungry** – Innovative in taking risks in relation to our workforce that will offer benefits to staff and the organisation. Expectation that staff are highly self-motivated and self-supportive.

# A guide to risk management

## Glossary

### Plans

- **Corporate Plan**. The Corporate Plan is the overarching strategic plan for the council, and responds to the Public Services Board's Well-being Plan. It sets out our main priorities for the term of council. This sits above Service Plans.

- **Service Plan**. The Service Plan is really the basis of the Council's Performance Management Framework (see the council's [Guide to Improving Services for our Communities](#)). It contains all indicators / performance measures and improvement activity relating to the key outcomes that services consider important. Service Plans feed up into the council's Corporate Plan and the Public Services Board's Well-being Plan, and are signed off by the relevant Cabinet Lead Member. Some services also have operational plans beneath their service plans, but these are not monitored corporately.

- **Service Planning**. Service Planning is activity that usually takes place between January and March to agree the content of service plans for the following financial year. Strategic Planning and Performance Officers work with Performance Lead Officers and Heads of Service to develop these in Verto by March 31$^{st}$, though they are live documents that should be kept up-to-date throughout the year. The template for Service Plans is in Verto, and is based on the Results Based Accountability (RBA) approach. For further guidance on how to build a service plan, speak to the Strategic Planning and Performance Team.

- **Annual Self-Assessment**. The Local Government and Elections (Wales) Act 2021 established a new legislative framework for local government elections, democracy, governance, and performance. The Act places a duty to publish a report setting out the conclusions of our Self-Assessment once in respect of every financial This is the overall analysis of the council's performance against its Strategic Plans – primarily the Corporate Plan – for the financial year. Our Annual Self-Assessment

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also includes an analysis of our corporate risk management approach during the year.

## Risk Management

- **Control**. An existing process, policy, practice or other action that acts to minimize negative risk or enhance positive opportunities. The word 'control' may also be applied to a process designed to provide reasonable assurance regarding the achievement of outcomes.

- **Corporate Risk Register**. The Corporate Risk Register is owned by Cabinet and Senior Leadership Team. It is monitored by them and Performance Scrutiny on a regular (at least six-monthly) basis. It takes the most severe and common risks from service risk registers and Corporate Director portfolios. Like service risk registers, it is stored on the Verto system.

- **Event**. Occurrence of a particular set of circumstances. An event can be certain or uncertain. An event can be a single occurrence or a series of occurrences.

- **Impact**. Outcome or impact of an event. There can be more than one impact from one event. Impacts can range from positive to negative. Impacts can be expressed qualitatively or quantitatively. Impacts are considered in relation to the achievement of outcomes.

- **Inherent Risk**. Risk before consideration of existing controls and their effectiveness.

- **Issue**. Refers to the consequences of a risk already with us and management mitigation actions are underway or planned. In a project environment an issue is a point or matter in question or in dispute, or a point or matter that is not settled but is under discussion.

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- **Likelihood**. Describes the extent to which an event is likely to occur. Likelihood can be expressed qualitatively or quantitatively. Probability or frequency may be used in describing a risk.

- **Residual Risk.** Risk remaining after consideration of existing critical controls and their effectiveness.

- **Risk**. A risk is an event that, should it occur, would impact our ability to successfully achieve our priorities. Risk is a measure used to describe the uncertainty surrounding an event and its potential impact.

- **Risk Appetite**. The level of risk we are prepared to tolerate or accept in the pursuit of our long term, strategic objectives.

- **Risk Appetite Framework**. The framework describes the behaviours for each of the risk appetite classifications. This helps the council assess its appetite to take risks.

- **Risk Appetite Statement**. The statement sets out the council's approach to risk taking by defining its risk appetite thresholds.

- **Risk Assessment**. The overall process of risk identification, analysis, action planning and reviewing.

- **Service Risk Register**. The Service Risk Register captures risks within a Head of Service's portfolio. Like the Corporate Risk Register, these are monitored through the Verto system.