Corporate
Risk Framework
& Strategy
Uttlesford District Council 2009

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Contents

Version History

Date:	Version:	Amendment Details
04.01.10	0.1	Initial Draft for comment – HoD
07.01.10	0.2	Various minor amendments to text – Draft for comment to various key officers
20.01.10	0.3	Additional amendments following review by external training resource (Zurich Municipal). Summary process flow added (Appendix 1)
04.02.10	0.4	Inclusion of references to both Health & Safety and Fire policy statements. Inclusion of high level statement regarding H&S related risk management.
05.02.10	0.5	Inclusion of high level statement regarding Business Continuity and risk management.

Foreword by the Chief Executive and Risk Management Champion

In the latest Use of Resources inspection Uttlesford District Council was scored poorly for its management of risks. Although risks had been identified and were being managed both at a strategic and operational level, the process was not clearly defined and there was evidence that it had not been truly embedded into the authority's performance management framework.

As a result of this scoring, the authority is currently undertaking a comprehensive review of its risk management procedures which includes not only reviewing all of the current risk registers but also all support documentation and systems.

The key objectives of this review are to raise the profile of risk management by embedding the process into both strategic and operational management processes. It is also to ensure that the council understands and address the key risks associated with managing and delivering the services it provides and making sure that these activities are delivered in the most cost effective way possible.

This document supports the above by providing an outline of the Risk Management Framework (RMF) that is to be adopted by the authority. It should be read and referred to in conjunction with all other documents identified within it.

Finally, risk management is about managing our threats and opportunities. By managing our threats effectively we will be best placed to deliver our key objectives. In addition, if we manage our opportunities well, by gauging not only risks but rewards as well, we will be best placed to provide improved services, value for money and optimise partnership arrangements. For these reasons all officers should take some responsibility for the successful identification and management of risk management within the authority.

John Mitchell **Chief Executive**	. . . .
Councillor Yarwood **Risk Management Champion**	. . . .

Background and Information

Purpose

The purpose of this document is to outline and formalise the council's updated approach to risk management. By applying the governance and associated controls detailed in the strategy, the authority will ensure it is striving to adopt best practice in the identification, evaluation and cost effective control of risks. In addition, a robust risk management process will support the authority's vision to:

sustain a high quality of life in which the benefits of the unique character of the district are equally available to all residents, workers or visitors.

This strategy will be reviewed on an annual basis to ensure it reflects current practice for all risk management activities within the authority.

Controls

A key component of risk management is the controlling of risks. It should be noted that not all risks can be eliminated completely however, risk control can be adopted to minimise the likelihood of the risk/event occurring and/or reducing the severity of the consequences if it were to occur. There are generally three options for controlling risks:

Avoidance	Risk avoidance is where the authority may opt to not undertake a proposed or current action as it believes the risks associated with it are too high
Reduction	Risk reduction is where mitigating projects or procedures are applied that will not necessarily put an end to a risk/event but will contain the risk to an acceptable level by minimising the likelihood of it occurring or the severity of the consequences should it happen
Transfer	Risk transfer is where the liability for the consequences of a risk/event is transferred to another body. This may be applied in two different ways; legal liability may be transferred to an alternative provider under contractual arrangements for service delivery or financial risk may be transferred to external insurance companies which may ultimately reduce the costs related to a damaging event

The processes contained within this document support the management of risk control by ensuring the appropriate assessments and reviews are undertaken in a timely and effective manner.

Benefits

The disciplined application of a risk management process can lead to many benefits for the authority. These include but are not limited to:

- Increased likelihood of achieving key strategic objectives as associated risks are controlled and/or minimised

- Improved performance in terms of accountability and prioritisation as risk management feeds directly into the performance management framework

- Stronger governance which can be clearly demonstrated to all stakeholders and external controlling bodies

The document should be used by all members of staff to ensure they understand the nature and impact of risks that may affect the authority and accept full responsibility for the risks associated with their areas of responsibility.

Definitions

Risks A risk is an event, action or uncertainty that may improve (opportunity) or hinder (threat) our ability to execute our strategies and achieve our objectives effectively.

Risk Management Risk management is the strategic process by which significant risks to the authority are identified, evaluated and controlled. It should be used as an enabler to manage the reduction of risk to acceptable levels without jeopardising or compromising service levels in any way.

Corporate Risks These are risks that need to be managed when decisions about medium to long-term key business objectives are being considered. These risks are linked to the council's priorities as outlined in the Corporate Plan.

Operational Risks These are risks that need to be managed in conjunction with the implementation of divisional service plans and are therefore encountered through daily work activities.

Risk Appetite This is the amount of agreed and approved risk the authority is willing to take while considering the achievement of its key goals and objectives. In terms of the amount of risks, the council has set an appetite of approximately 100 operational risks and up to 20 corporate risks. The appetite score – the level at which it is deemed necessary to closely scrutinise a particular risk - will be derived from an assessment of both the likelihood and impact of the risk. All risks scoring above a rating of 6 will be considered medium risk, while those scoring 9 or above are high risk and subject to review by the council's Performance Select Committee. The necessary mitigating actions will be prioritised to support the controlled management of the situation.

References

The following documents have been referred to in the preparation of this policy:

▪ Use of Resources Assessment criteria	Audit Commission
▪ A Risk Management Standard	Federation of Risk Management Associations
▪ National Performance Model for Risk Management in the Public Services	Alarm (The Public Risk Management Association)
▪ BS 31100: Code of Practice for Risk Management	British Standards Institute
▪ Corporate Plan 2009-2012	Uttlesford District Council
▪ Improvement Plan	Uttlesford District Council
▪ Divisional Plan Guidance Notes 2009/10	Uttlesford District Council
▪ Divisional Business Continuity Plans	Uttlesford District Council
▪ Annual Governance Statement	Uttlesford District Council
▪ Health & Safety Policy	Uttlesford District Council
▪ Fire Safety Policy	Uttlesford District Council

Roles and Responsibilities

As stated previously in this document, responsibility for the management of risks that may impact the authority and the services it provides resides with all officers but at varying degrees of responsibility. The following table identifies the key roles associated with the RMF at Uttlesford District Council.

Role:	Responsibilities:
Elected Members	▪ Oversee the effective management of risks by Officers ▪ Work in conjunction with the Strategic Management Board (SMB) to lead on the development of robust corporate processes that address and manage risks at all levels ▪ Give input to and approve the Corporate RMF and Strategy ▪ Provide governance and agreement to proposed monitoring and reporting processes
Risk Management Champion	▪ Oversee and scrutinise the risk management processes adopted by the authority ▪ Act as mentor to senior managers and the Business Improvement and Performance Team by providing support and guidance as appropriate
Chief Executive	▪ Act as SMB lead in implementing the RMF ▪ Promote engagement in risk management at both member and officer level ▪ Ensure the relationship between risk management, performance management and business continuity is both understood and managed effectively throughout the authority
Strategic Management Board	▪ Regular review of the effectiveness of the RMF ▪ Determine the risk appetite to be adopted through the implementation of the RMF ▪ Identify, prioritise and manage the cross-cutting risk implications of board decisions ▪ Proactively consider the authority's ability to minimise the probability and impact of risks with regards to service provision ▪ Understand the costs and benefits of the risk control activities that are undertaken and the resources required to manage it effectively
Performance Select Committee	▪ Receive, comment and make decisions on risk management reports ▪ Regular review of high priority corporate and operational risks ▪ Review and challenge the overall effectiveness of the RMF and its associated controls

Business Improvement and Performance Team	- Lead on the development and implementation of all necessary documents and controls to implement a sustainable and effective risk management process within the authority - Promote, support and co-ordinate the implementation of the RMF at both officer and member level to ensure sound risk management is adopted as an essential element of every manager's role - Assist in the maintenance of the corporate and operational risk registers - Provide regular reports to all relevant groups highlighting areas of concern that require further discussion or challenge - Provide support and advise to managers to ensure the quality assessment of risk registers through the service planning function - Evaluate new approaches to risk management and the extent to which they would support the authority and risk objectives - Support the provision of staff training in, and raise the level of awareness for, risk management
Heads of Division/ Service Managers	- Effective communication of the RMF within their areas of responsibility - Ensure accountability for individual risk related tasks through effective management of risk registers they have responsibility for - Timely reporting of any instances where adherence to risk management controls could be compromised - Identify, prioritise and manage all service related risks - Ensure all staff are aware of their responsibility for reporting any newly identified or perceived risks and failure of existing management controls - Ensure awareness of risk management across all areas of responsibility and that monitoring risk becomes an integral part of the job
All officers	- Awareness of the risks related to their functions and the mitigating controls in place to effectively manage them - Prompt reporting of any newly identified or perceived risks and failure of existing management controls
Internal Audit	- Use of the corporate and operational risk registers to inform the internal audit timetable and plan - Provide independent assurance on the adequacy of the authority's risk and control management procedures, particularly high priority risks

The Risk Management Framework (RMF)

Elements of Framework

The RMF consists of a number of specific elements that ensure both its effectiveness and robustness. These elements follow a logical sequence where each is dependant on the other to guarantee the successful implementation of risk management throughout the authority. They are constantly repeated to ensure continuous improvement in all processes contained in the framework:

Mandate & Commitment

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Framework Design for Managing Risks

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Implementing Risk Management

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Monitoring & Review of the Framework

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Maintenance & Improvement of the Framework

Source: BS 31100: Code of Practice for Risk Management

Levels and Types of Risks

To help identify risks and the potential threats and opportunities associated with them, it is useful to consider the various categories of risk set out below when developing risk registers. The council operates a two-tier risk monitoring process: strategic and operational. The types of risk have been categorised according to which level they impact.

STRATEGIC RISKS *Risks identified using a PESTLE analysis approach*	OPERATIONAL RISKS *Based on risks that could be encountered in the day to day delivery of our services*
Political Associated with failure to deliver either local or central government policy or meet the local administration's manifest commitment	**Professional** Associated with the particular nature of each profession, internal protocols and managerial responsibilities

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Economic Affecting the ability of the authority to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance cover, external macro level economic changes or the consequences of proposed investment decisions or opportunities	**Financial** Associated with financial planning and control and the adequacy of insurance cover. Failure of major projects/partnerships involving external finance sourcing.
Social Relating to the effects of changes in demographic, residential or socio-economic trends in the authority's ability to deliver its objectives	**Information Management** Associated with systems and management data not being up to date, ineffective prediction of trends and forecasting of service needs
Technological Associated with the capacity of the authority to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. May also include the consequences of internal technological failures to deliver its objectives and failure in communications.	**Technological** Relating to reliance on operational equipment (e.g. IT systems or machinery). Failure of big technology related projects, crash of IT systems directly affecting service delivery or breaches of security of networks and/or data
Legislative Associated with failing to respond to current or potential changes in national or European law or regulations	**Legal** Related to possible breaches of legislation e.g. not meeting statutory duties or deadlines, breach of confidentiality or failure to implement legislative changes
Environmental Relating to the environmental consequences of progressing the authority's strategic objectives relating to energy efficiency, pollution, recycling etc.	**Environmental** Relating to pollution, noise or energy and the impact on the efficiency of ongoing service operation
Competitive Affecting the competitiveness of the authority in terms of cost or quality, and its ability to deliver value for money	**Physical** Related to fire hazards, security, accident prevention and general health and safety
Customer/Community Associated with failure to meet current and changing needs and expectations of customers and the general community	**Partnership/Contractual** Associated with failure of partnership arrangements or contractors to deliver services or products to agreed costs and specifications. Potential over reliance on key suppliers
Reputation Potential damage to authority's credibility such as adverse media attention etc.	**Reputation** Potential damage to individual's credibility such as adverse media attention etc.

The Risk Management Strategy

Please note: All roles and responsibilities that are applicable to this strategy are identified in the 'Roles and Responsibilities' section above.

Identification of Risks

Risks will be identified for each service area within the authority. To do this effectively the services provided need to be clearly defined and have both realistic but challenging performance targets and customer focused objectives identified in a service plan document. These must be linked to the current corporate priorities so that potential events that could enhance or impede their achievement from a strategic to operational level can be identified. This also supports the requirement to make fully informed decisions regarding policies or service delivery methods.

There are various methods that can help support the identification of risks. These include, but are not limited to, the following:

- Brainstorming with key officers
- SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis
- Review of our own, and others, risk 'experiences'
- Best practice, benchmarking etc

To ensure a clear understanding of individual risks it is also useful to break them down into three separate elements by defining the following for each:

- Contributing factors to the risk (vulnerability)
- Events that can trigger the risk occurrence
- Potential consequences/effects

At this stage a risk rating must also be calculated using the authority's corporate method of risk scoring:

The overall risk rating will be the likelihood of it happening multiplied by the impact it would have e.g. Likelihood = 2, Impact = 4 would give a risk rating of 8

Likelihood

1 = Little or no likelihood
2 = Some likelihood – action may be necessary
3 = Significant likelihood – action required
4 = Near certainty – immediate action required

Impact

1 = Little or no likelihood
2 = Some impact – action may be necessary
3 = Significant impact – action required
4 = Catastrophic effect – immediate action required

Recording Arrangements

It is a requirement for all identified risks to be logged on the appropriate risk register held on the authority's performance management system, Covalent. Each risk must have an appropriate numbering pre-fix identified and a full description that can be used for reporting purposes. Each should also have a responsible manager and reporting officer assigned to it.
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Analysing and Controlling Risks

All identified risks will be analysed and assessed and suitable prevention and/or support measures put in place to control their occurrence. Ideally contingency plans and recovery methods (where appropriate) should also be identified to support the authority's business continuity process.

Priority will be given to those risks that are rated within the authority's risk appetite zone however, those risks that are identified through regular analysis as having significant upward risk movement will also be assessed as a priority to ensure a proactive approach to high 'likelihood' issues.

Through analysing risks, a series of relevant actions and/or control measures can be identified and implemented to mitigate the impact of the risk and the potential associated costs as well as evaluating whether there will be an incurrence of residual risk (a part of the risk that cannot be managed away).

Monitoring and Reporting Arrangements

The progress of all risks identified in both the strategic and operational risk registers will be closely monitored and reported at all levels on a regular basis. This process assists in the development of risk awareness throughout the authority and helps to prevent the on-set of risk adversity in the organisation. It also provides an opportunity to identify emerging risks, to allow for the appropriate assessment(s) to be carried out through the decision making process and to ensure that key controls and their mitigating actions can be applied and are effective.

Risk trends can also be identified through the monitoring process. This primarily will indicate those risks, or those that are similar, that have had a second or subsequent occurrence in one or more locations and at one or more levels in the organisation. An assessment can then be made as to whether the nature of the risks we are exposed to is changing or if new risks are emerging. This should also support a 'lesson learnt' attitude where risk knowledge is improved which in turn will help us to make better decisions.

In addition to the ongoing identification and monitoring of risks, an annual assessment of the effectiveness of the process will be included in the authority's Annual Governance Statement.

The authority adopts and monitors a number of risk related performance indicators to support this process.

Training and Communication Arrangements

For the implementation of this policy, and all related processes, to be managed effectively, it is essential that all relevant staff are trained accordingly. To this end, a series of on-going workshops will be conducted, with officers in attendance at all levels of the authority. The authority will seek the support of external training consultants if it deems it necessary, however, it will ultimately endeavour to encourage the growth of risk management knowledge in various officers to ensure the continuity of the training programme and support of the RMF. The Risk Management Champion will also be consulted with at every opportunity for input to both the training schedule and progress of all risks.

Arrangements will be made for all relevant officers to have access to the Covalent system and be given appropriate permissions in order to enter, update, validate and/or view only risk information relevant to their areas of responsibility. Where necessary, training on the system will also be provided.

The Chief Executive is ultimately responsible for communicating any information relating to the RMF both within, and outside of, the authority. However, all directors, heads of division and service managers must also take responsibility for ensuring all staff under their jurisdiction are aware of, and apply appropriately, the elements of the RMF contained within this document.

Health and Safety

There is a specific emphasis within the authority with regards to the management of Health and Safety related risks. The Council understands that there are a number of 'vulnerable' service areas where risk identification and mitigation needs to be of a high priority and focus. To this end, several risks have been identified, and are managed, at a corporate level to ensure an awareness of all necessary actions to alleviate the likelihood of occurrence and the subsequent impact from any such event.

Business Continuity

The authority understands that effective risk management can help to support the implementation of a robust Business Continuity strategy and subsequent divisional plans. Identification of appropriate risks that are managed at both a strategic and service level will ensure that all necessary mitigating actions are monitored to guarantee the continued provision of all services to the community.

Process

The overarching process that is to be adopted to ensure the above elements of the strategy are met is detailed in Appendix 1 of this document. This identifies the steps that are to be followed along with the roles & responsibilities that will be adopted.

Conclusion

It must be realised that risk management does not, and must not, operate in isolation. The identification of risks and the controls put in place to mitigate threats and maximise opportunities has many links with the corporate planning process, including performance management, corporate governance and business continuity. To this end, this document should be read and used with all other relevant council documents.

Effective risk management helps to minimise the risk of making mistakes in all that we do.

Appendix 1 – Process Chart

UDC RISK MANAGEMENT PROCESS
Including Key Roles & Responsibilities

TRAINING & COMMUNICATION

Corporate Plan

Service Plans

Health & Safety Standards

Budget Management

Scoring and guidance matrix issued to ensure consistency across Divisions

HoD's/Service Managers
Identify and score risks relevant to areas of responsibility through Service Planning process

Business Continuity Plans

HoD's/Service Mngrs
Monitor and review risks via Covalent system

Quarterly reviews

RM Champion
Provide input and support to BI&P to ensure scrutiny of process

BI&P Team
Prepare reports for analysis and review

SMB
PSC

Internal Audit
Provide independent assurance on adequacy of RMF and controls

SMB
Identify, prioritise and manage cross-cutting risks in relation to Corporate Priorities

Quarterly review of corporate registers

Review to include the deletion/ addition of risks and re-scoring where appropriate

Performance Indicators manage effectiveness

PSC
Review of high priority risks. Challenge of overall effectiveness of RMF and controls