

Corporate Risk Framework & Strategy

Uttlesford District Council 2012

Date of Issue:	
Version:	Draft v1.0

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Foreword by the Chief Executive

During the last 3 years the Council has raised the profile of risk management by embedding the process into both strategic and operational management processes. We understand and address the key risks associated with managing and delivering the services we provide and so make 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 The Council has adopted. It should be read and referred to in conjunction with all other documents identified within it.

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	
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Background and Information

Purpose

The purpose of this document is to outline and formalise the council's 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.

- Directorate Risks** These are risks that need to be managed in conjunction with the implementation of directorate plans and are therefore encountered through daily work activities

- 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.

- Strategic Risks** These are corporate level risks that need to be managed to ensure that the council is able to carry out its day to day operations and achieve its business objectives and strategy.

- 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 approximately 30 directorate risks and 15 corporate/strategic 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. All corporate/strategic risks, irrespective of their score, are subject to review by the council’s Performance and Audit Committee.

References

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

- Annual Governance Statement Uttlesford District Council
- Corporate Plan 2012/2017 Uttlesford District Council
- Directorate Plan Guidance Notes 2012/13 Uttlesford District Council
- Fire Safety Policy Uttlesford District Council
- UDC Corporate Health & 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:
Chief Executive	<ul style="list-style-type: none"> ▪ Act as CMT 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

	<p>both understood and managed effectively throughout the authority</p>
<p>Corporate Management Team (collectively)</p>	<ul style="list-style-type: none"> ▪ Regular review 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
<p>Corporate Management Team (individually)</p>	<ul style="list-style-type: none"> ▪ 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
<p>Performance and Audit Committee</p>	<ul style="list-style-type: none"> ▪ Regular review of corporate and strategic risks ▪ Review and approve the Corporate RMF and Strategy ▪ Provide governance and agreement to proposed monitoring and reporting processes
<p>Business Improvement and Performance Team</p>	<ul style="list-style-type: none"> ▪ 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 directorate, corporate and strategic 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 directorate 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
All officers	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Use of the corporate and directorate 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)

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: corporate/strategic and directorate. The types of risk have been categorised according to which level they impact.

STRATEGIC RISKS <i>Risks identified using a PESTLE analysis approach</i>	DIRECTORATE RISKS <i>Based on risks that could be encountered in the day to day delivery of our services</i>
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 abilities
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	Physical Related to fire hazards, security, accident prevention and general health and safety

deliver value for money	
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.

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 corporate/strategic and directorate risk registers will be closely monitored and reported at officer and member level on a regular basis. This process assists in the development of risk awareness throughout the authority. 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.

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.

Training and Communication Arrangements

Risk management training was carried out at the authority when the council comprehensively reviewed its approach to risk management. Should the need for further training be identified, it will be provided. The authority will seek the support of external training consultants if necessary. 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.

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 members of CMT 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 a Risk Profile of the council has been developed that enables the high risks to be identified and then 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 corporate/strategic and directorate level will ensure that all necessary mitigating

actions are monitored to guarantee the continued provision of all services to the community.

Data Quality

The authority recognises that there is a direct link between risk management and data quality. Within the corporate and directorate risk registers there are actions that mitigate the risk of failing to embed data quality management processes at all operational levels. Key areas of 'high risk' have been identified such as services that handle high volumes of data transactions and inexperienced staff processing data and/or performance information. The risk registers are monitored regularly to ensure data quality and integrity.

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

