UTTLESFORD DISTRICT COUNCIL

RISK MANAGEMENT STRATEGY

JULY 2007

FOREWARD

Risk management is something we do everyday because we are all exposed to risk at work and in our private lives. We often manage it subconsciously. We need to think about it when we deliver Council services.

Risk can take various forms. For example, financial risk, risks to the public, or our staff. It can also involve missed opportunity and affect our reputation or performance. We need to be clear on how such risks should be managed because it is integral to our success and avoiding failure. It will help us meet our objectives and help meet the demands of corporate governance whilst not stifling creativity, innovation or change.

This strategy document explains how we can manage risk by identifying it, assessing it and addressing it. It clarifies our roles and responsibilities by explaining the part we all have to play and helps us understand how this fits into the bigger picture.

Members and the Strategic Management Board are committed to risk management and embedding it into what we do. This won't happen overnight so this document is not about a short-term fix. Risk management will need to become a living process so it will take time to embed. This strategy document is the first step along the road to invigorating what we first began in 2003.

Sheila Bronson, on behalf of the Risk Management Steering Group
July 2007

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GLOSSARY

Risk

Something happening that may have an impact on the achievement of our objectives. It includes risk as an opportunity as well as a threat

Risk appetite

The level of risk that is acceptable

Risk assessment

The approach and process used to prioritise and determine the likelihood of risks occurring and their potential impact on the achievement of our objectives

Risk management

Risk management means having a process in place for assessing and addressing the impact of risks in a cost effective way and having staff with the appropriate skills to identify and assess the potential for risks to arise

Risk mitigation

The outcome of applying actions intended to reduce the likelihood and or impact of a risk occurring

Risk owner

The person who has responsibility for ensuring the approach for addressing the risk is appropriate and who has the authority to ensure the right actions are taken

Risk rating

The classification given to a risk based upon its likelihood and potential impact

Risk register

A complete list of identified risks which threaten our objectives

Control

An action designed to manage risk and increase the likelihood of achieving our established objectives

Corporate risk

An identified risk that typically threatens the whole organisation and our ability to achieve objectives

Executive management team

The collective name for our most senior officers

Operational risk

An identified risk that typically threatens a service and the ability to achieve its objectives

INTRODUCTION

What is risk management?

A risk can be defined as "the threat than an event or action will adversely affect an organisation's ability to achieve its objectives". It is measured by its likelihood, impact and consequences.

Risk management provides a framework for the Council to identify, understand and manage risks by mitigating, transferring or accepting them. Risk management, therefore, as well as providing a means for over coming threats, provides the means to maximise the opportunities available to the Council.

PURPOSE OF THE RISK MANAGEMENT STRATEGY

This document sets out the Council's Risk Management Strategy. The strategy provides a means to recognise that effective management of risk enhances the Council's ability to:

- Deliver corporate and operational objectives successfully
- Safeguard the Council's assets
- Protect the Council's reputation
- Allows risk management to be accepted as part of the culture (i.e. embedded in committee reports)
- Adhere to best practice guidance / external requirements

The strategy also provides a means to recognising that effective risk management requires widespread understanding of and commitment to risk management principles and practices. Members and management need to be familiar with the strategy and all staff need to be aware of it.

BENEFITS OF RISK MANAGEMENT

The benefits include:

- Increased likelihood of achieving objectives
- Better planning and prioritisation of resources
- Early warning of problems before they occur
- Staff have the skills to identify and manage risk within their services
- Proactive approach to uncertainty that avoids knee jerk reactions
- Increased stakeholder confidence
- Ability to identify and take advantage of opportunities
- Contributes to corporate governance

HOW WILL WE DELIVER THE BENEFITS

The benefits will be delivered by:

- The risk management strategy will be reviewed annually to ensure it remains effective

- Risk registers will be regularly reviewed
- Risks will be reviewed regularly by the risk owner
- Members and officers will receive training in how to identify and evaluate risks

TYPES OF RISK

Risk can be categorised in many different ways. The Council intends to use the following two categories:

- Corporate (risks affecting the medium to long term ambitions and priorities of the Council)
- Operational (risks encountered in the course of the day to day running of services)

It should be noted that these categories are not mutually exclusive. The purpose of categorising risk is to ensure that risk is considered across a broad range of issues.

THE RISK MANAGEMENT PROCESS

Risks should be identified against the categories set out above. The main focus when identifying Corporate risks should be on the Council's ambitions and priorities. Risk management is an integral part of the service planning framework. When identifying Operational risk consideration should be given to risks that will impact upon service delivery.

Once analysed the risks need to be prioritised according to the likelihood and impact. In addition the proximity of the risk needs to be considered when prioritising the risk. In order to do this a commonly used methodology will be used. This is explained in Appendix A.

Having identified the risks each one needs to be assessed to determine the appropriate action required to mitigate the risk. This could include:

- Acceptance
- Transfer (i.e insurance)
- Reduction of either likelihood/impact or both
- Avoidance
- Contingency

The mitigation owner also needs to be identified, this being the person responsible for putting the mitigation strategy into action

The Corporate risk register and corresponding mitigation strategies will be periodically reviewed by the Risk Management Steering Group to determine the correct action is being followed, within specified timescales.

The risk management process is illustrated overleaf.

RISK MANAGEMENT PROCESS ILLUSTRATED

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                                    ┌─────────────────────┐
                                    │  Risk identification │
         ┌──────────────┐           └─────────────────────┘
         │              │                      │
         │              │           ┌─────────────────────┐
         │              │           │ Assess likelihood and│
         │              │           │        impact         │
    ┌─────────────────┐ │           └─────────────────────┘
    │ Define objectives│            │
    └─────────────────┘            ┌─────────────────────┐
         │                          │ Setting risk appetite│
         │                          └─────────────────────┘
         │                                    │
         │                          ┌─────────────────────┐
         │                          │   Action planning    │
         │                          └─────────────────────┘
                                             │
                                   ┌─────────────────────┐
                                   │  Monitoring & review │
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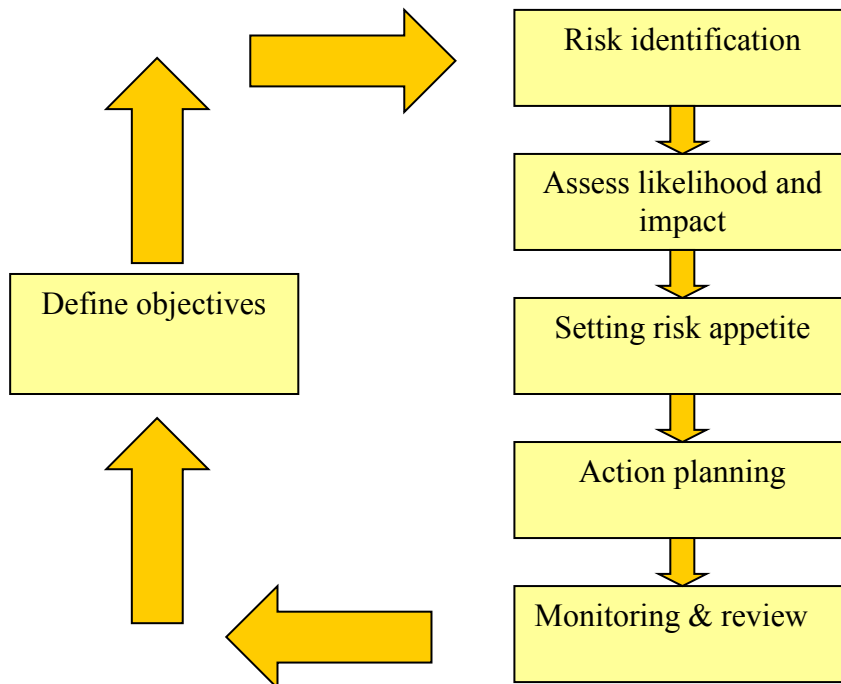
As a result of the risk management cycle we will produce two categories of risk register, one for Corporate and one for Operational risk. The register(s) will act as a formal record of identified risks and the associated mitigation strategies.

The Corporate register will be the overall responsibility of the Assistant Chief Executive with individual risks being the responsibility of the appointed risk owner. In addition the Operational risk register will be the responsibility of the identified Head of Division.

The register will detail:

- Reference number
- A description of the risk
- Consequences
- An assessment of the Council's exposure (likelihood, impact and rating)
- Mitigation strategy
- Mitigation owner
- Action by date
- Risk owner
- Link to Council priority

MONITORING

The risk register will be monitored as follows:

- Strategic (risks will be monitored on a quarterly basis by the Risk Management Steering Group)
- Operational (risks should be monitored by a Director or their representative at least once a year as part of the service planning process)

ROLES AND RESPONSIBILITIES

The Council recognises the importance of all staff being aware of the risk management strategy/process so it will be available on the Intranet. Risk management is a key aspect of corporate governance and it is therefore the responsibility of the Strategic Management Board, Heads of Divisions and the Risk Management Steering Group to agree the strategy.

The Risk Management Steering Group consists of a joint Member/Officer working party. The terms of reference are:

- Approve the Council's risk management strategy
- Promote a best practice framework that embeds risk management at the Council
- Monitor and review the Council's risk management strategy
- Monitor and review the Council's various risk registers
- Monitor and review the Council's business continuity arrangements

In order to realise the benefits outlined above the Council has identified the need to provide training to Members and Officers in relation to the risk management process.

APPENDIX

RISK MANAGEMENT METHODOLOGY

Externally and internally driven risks are identified and the likelihood and impact or risks assessed using the Corporate method of scoring

Likelihood
1 = Little or no likelihood
2 = Some likelihood
3 = Significant likelihood
4 = Near certainty

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

and plotted on the table below. Adding a line across it sets the risk appetite. Those risks above the line invariably need managing whilst those below the line are usually accepted.