

# **UTTLESFORD DISTRICT COUNCIL**

## **RISK MANAGEMENT STRATEGY**

**JULY 2008**

## **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*

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

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## GLOSSARY

Risk	<i>Something happening that may have an impact on the achievement of our objectives. It includes risk as an opportunity as well as a threat</i>
Risk appetite	<i>The level of risk that is acceptable</i>
Risk assessment	<i>The approach and process used to prioritise and determine the likelihood of risks occurring and their potential impact on the achievement of our objectives</i>
Risk Managers	<i>Risk Managers are responsible for the review and updating of the Council 's Corporate and Operational Risk Registers.</i>  <i>The Strategic Management Board are the Risk Managers for the Corporate Risk Register. The Assistant Chief Executive and Head of Divisions are the Risk Managers for the Operational Risk Registers.</i>
Risk management	<i>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</i>
Risk mitigation	<i>The outcome of applying actions intended to reduce the likelihood and or impact of a risk occurring</i>
Risk owner	<i>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</i>
Risk rating	<i>The classification given to a risk based upon its likelihood and potential impact</i>
Risk register	<i>A complete list of identified risks which threaten our objectives. There is a Corporate or Strategic Risk Register and Operational Risk Registers</i>
Control	<i>An action designed to manage risk and increase the likelihood of achieving our established objectives</i>
Corporate risk	<i>An identified risk that typically threatens the whole organisation and our ability to achieve objectives</i>
Operational risk	<i>An identified risk that typically threatens a service and the ability to achieve its objectives</i>
Strategic Management Board	<i>The collective name for our most senior officers</i>

## **INTRODUCTION**

What is a risk?

Risks are actions or events that threaten the ability of an Organisation to achieve its objectives. Risks can take various forms e.g. financial risk; risks to the public; risks to our staff. It can also involve missed opportunity and affect our reputation or performance.

A Risk is measured on the likelihood of it occurring and the impact that an occurrence would have.

What is Risk Management?

Risk management provides a framework for the Council to identify, assess, evaluate and control the risks to the Council achieving its objectives.. As well as providing a means for over coming threats, risk management 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
- Allow risk management to be accepted as part of the culture
- 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
- Corporate and Operational Risk registers will be regularly reviewed and updated by the Risk Managers
- Corporate and Operational Risk registers will be regularly reviewed and monitored by the Risk Management Steering Group
- 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 ability of the Council to achieve the key objectives in its Corporate Plan)
- 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:

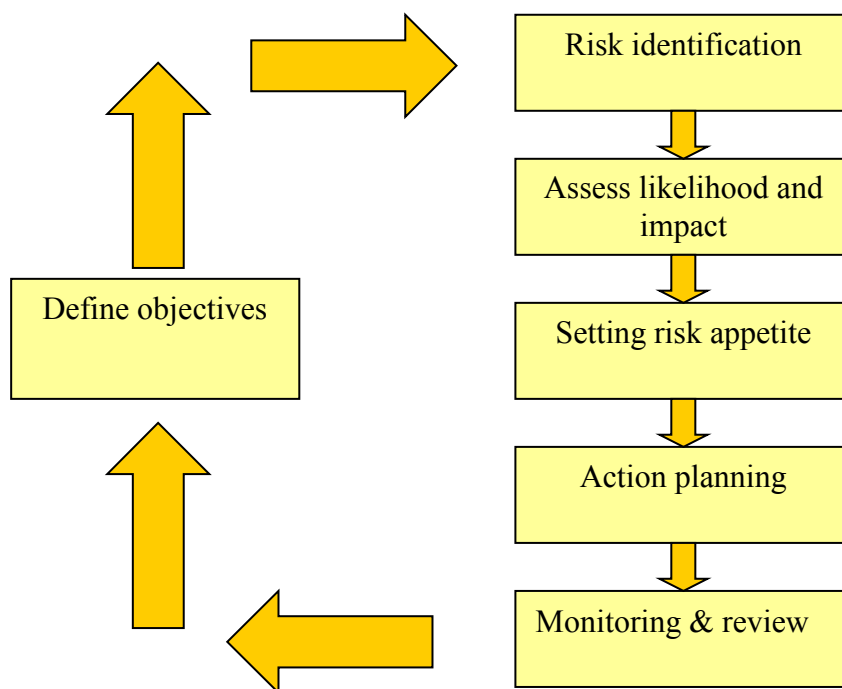
- Tolerating it if it is within the Council's Risk Appetite
- Treating it by undertaking actions to mitigate the likelihood and impact;
- Transferring the responsibility of it away from the Council
- Terminating the risk by ceasation the actions leading to the risk
- Take advantage of or exploiting opportunities arising from it .

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

The Corporate and Operational risk registers 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**



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
- An assessment of the Council's exposure (likelihood, impact and rating)
- Mitigation strategy
- Mitigation owner
- Action by date
- Risk owner

## **MONITORING**

The risk register will be monitored as follows:

- Corporate Risks will be reviewed monitored on a quarterly basis by the Strategic Management Board and the Risk Management Steering Group.
- Operational Risks should be monitored by Risk Managers on a quarterly basis and reviewed annually by the Heads of Division as part of the service planning process, those risks rated as high will be reviewed and monitored on a quarterly basis by the Risk Management Steering Group.

## **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 Division 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

L I K E L I H O O D	4	Yellow	Red	Red	Red
	3	Yellow	Yellow	Red	Red
	2	Green	Yellow	Yellow	Red
	1	Green	Green	Yellow	Yellow
		1	2	3	4
		I M P A C T			

The overall risk score will be the likelihood multiplied by the impact e.g. Likelihood 2 x Impact 4 would give an overall risk score of 8.

### RISK APPETITE

The Corporate Risk Appetite has been set by the Strategic Management Board at **6**. All risks scoring above would to be considered high risk and mitigating action is expected to be implemented to reduce the risk level within an acceptable timeframe.