



Uttlesford District Council Corporate Services

RISK MANAGEMENT POLICY

Version: 0.1
Date: August 2017

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RISK MANAGEMENT POLICY

POLICY STATEMENT

The council will use risk management as part of a package of performance management related measures to enable it to deliver its corporate priorities. By identifying and assessing risks and making informed decisions on the extent to which these risks need to be mitigated, the council can ensure it is effectively tackling threats and maximising opportunities.

The key elements underpinning this are:

- Ensuring there is an awareness and consideration of the level of risk in service and project delivery
- The council's risk management processes, which are based on the level of risk that exists, form part of effective governance arrangements which add value and give the opportunity to learn from managed risk taking.
- A culture which allows the ability to make the most of potential opportunities, whilst recognising that these may have inherent, positive or negative, risks.

INTRODUCTION

What Is Risk?

Risks are uncertain events that may impact on the success of the council in delivering its aims and objectives. The effect of these uncertainties can be a positive event or action that will enhance the organisation's ability to achieve its objectives (an opportunity) or a negative event or action that will adversely affect the organisation's ability to achieve (a threat). Identification of an organisation's risk appetite will determine what levels and types of risk it is prepared to accept (and not accept) in the fulfilment of its objectives.

Risk Management is the process by which risks are identified, evaluated and managed. Opportunities are managed by identifying methods to maximise the opportunity or reward for the organisation. Threats are managed by a process of controlling exposure to the risk, transferring or retaining the risk. Risk management is not about being 'risk averse' – it is about being 'risk aware' and understanding an organisation's risk appetite. Risk is ever-present and some amount of risk taking is inevitable if the council is to meet its objectives.

Why Manage Risk?

Risk management should be an easy and intuitive process that adds value to the council, ensuring the effective delivery of the Corporate Plan, its supporting Delivery Plan and the services the council delivers every day.

Threats and opportunities are assessed in respect of the combination of the likelihood of something happening and the likely impact should it actually occur.

In order that the council maximises the opportunities with which it is presented there will be a need to accept the risks inherent with taking those opportunities. Conversely the council needs to identify the threats it faces and control these through a robust risk management process.

The Benefits of Risk Management

Good risk management helps 'right first time' decision-making and creates many other benefits, including:

- An understanding of the risks to which the council's aims and objectives are exposed and how these can be mitigated
- A focus on important issues and a more developed understanding of the steps that need to be taken for success
- Proactive and informed management of risks and decision-making processes
- A reduction in the chance of things going wrong
- A reduction in costly re-work and fire-fighting
- Reduced likelihood of adverse (damaging) events
- The protection of reputation and the provision of a better quality of service through an increased focus on priorities
- Reduced cost, less waste and a more efficient use of resources
- An increase in positive outcomes for stakeholders
- A contribution towards good governance and internal control systems
- Risk management practices that become a natural part of the way in which the council operates

RISK CULTURE

This term describes the values, beliefs, knowledge and understanding about risk shared by an organisation. The risk culture can assist or hinder the management of its risks. Any problems with the risk culture often result in either uncontrolled risk-taking or conversely the stifling of innovation.

It is essential to ensure that the culture is supporting, rather than undermining, the longer-term success of the organisation.

The council's risk culture requires:

- a distinct and consistent risk directive
- a commitment to ethical principles
- a common acceptance of the importance of risk management and its impact on corporate and service planning
- clear accountability and ownership of risk
- transparent and timely risk communication
- actively seeking to learn from mistakes and near misses

RISK APPETITE

This is the level and type of risk that an organisation is willing to accept or not accept in the pursuit of its strategic objectives.

A clearly understood and articulated risk appetite assists in risk awareness and helps in aligning decision-making and risk. This appetite should inform decision-making at every level within the council.

An informed level of risk appetite is developed by the Chief Executive and Leader, establishing a risk directive that is then fed through the Corporate Management Team, Cabinet Members and operational Service Managers.

RISK APPETITE STATEMENT

The council's risk appetite statement is as follows:

Uttlesford District Council recognises that it must take risks in order to achieve its objectives and deliver positive outcomes to its residents. These risks will be taken in a considered and controlled manner through the council's established risk management processes.

Exposure to risks will be maintained to a level of impact deemed acceptable by both the Chief Executive and Leader; however these levels may vary from time-to-time depending upon the circumstances within the operating environment.

Some risks may be managed above the agreed acceptable level of impact because:

- The likelihood of the risk occurring is considered to be sufficiently low
- The risk has the potential to enable realisation of considerable reward/benefit
- The risks are considered too costly to control given other priorities
- The cost of controlling such risks would be greater than the cost of the impact should they occur
- There is only a short period of exposure to the risk predicted
- The risk is considered essential to the achievement of the councils key aims and objectives

The council's risk appetite is determined by four levels of acceptance:

	APPROACH TO ACHIEVING AIMS/OBJECTIVES	POTENTIAL REWARD/BENEFIT FROM RISK TAKING	ORGANISATIONAL CULTURE
CAUTIOUS	Safe; exposure to only the lowest levels of risk	Low	Little or no empowerment beyond senior team; considerable control over all activities
MODERATE	Balanced; exposure to middle-ground risks	Medium	Empowerment to senior and key middle managers; strong control over most activities
OPEN	Creative/Innovative; elevated levels of risk exposure	High	Empowerment to front-line managers and supervisors; control over some activities, more latitude for others
HUNGRY	Pioneering; substantial levels of risk exposure	Very High	Widespread empowerment; control over only a small core of activities, considerable latitude for others; support for individual initiative

The risk appetite for each of the council's objectives is determined by considering the impact the risk may have on six key operating characteristics (impacts):

- Strategic Objectives
- Finance
- Compliance
- Safety
- Reputation
- Service Delivery

Using the council's Risk Appetite Matrix (See Appendix A) the risk appetite for objectives can be determined. This allows for objectives to be considered independently in the context of risk management; the council may have a different risk appetite from one objective to another. Similarly, it allows appetites to be considered based upon impacts; again the risk appetite for an objective may differ dependent upon the impact.

RISK TOLERANCE

Risk tolerance is the level of risk which an organisation will accept, based on its risk appetite. The acceptable level of risk for the council depends on the type of risk. For example, the council is willing to tolerate a greater level of risk in matters relating to its reputation, acknowledging that sometimes it must make unpopular decisions, than in matters relating to legislation or the safety of the public and its employees.

Should the council's risk appetite change due to a different risk directive then the risk tolerance will change accordingly.

RISK REGISTERS

The council's identified risks are managed within the corporate performance management system, Covalent. Each risk is contained within a risk register on the system. These registers form part of UDC's performance management framework and are aimed at helping managers achieve their day-to-day objectives. The registers also drive and evidence Risk Management within the organisation and act as a means of source for risk reporting.

The registers include a description of the risk, original, current and target scoring (see below), the owner of the risk, current controls, any actions that are linked to the risk and a notes describing measures taken to mitigate the risk.

Each register is reviewed and updated at least quarterly.

Corporate Risk Register – this comprises the most significant risks for the council in delivering its corporate objectives and services as set out in the Corporate Plan and Corporate Plan Delivery Plan and/or the risks that have the potential to disrupt or stop altogether the council's work. Each risk is owned by one of the three senior members of the Corporate Management Team (Chief Executive, Director of Public Services or Director of Finance and Corporate Services). The Corporate Risk Register is monitored quarterly by the Corporate Management Team and the Governance, Audit and Performance Committee.

Operational Risk Registers – these risk registers will be put in place for 2017/18 following changes to the council's Corporate Planning process. The new Corporate Plan is underpinned by the Delivery Plan, with Service Plans sitting underneath. The Operational Risk Registers will look upwards to the risks associated in delivering the actions in the delivery plan and also look downwards to encompass the key risks associated with the key Service Plan objectives.

RISK MANAGEMENT PROCESS

UDC's risk management process is simple and effective. It informs and supports corporate performance management as an integral part of the performance review cycle.

The approach to, and policy detail for, risk management within the council is disseminated to all relevant officers through the publication and regular review of this document. Risks are identified at the earliest stage of the corporate planning process. Identification of these risks then determines the council's objectives and budgetary requirements.

Risk owners will continually evaluate their risks by applying the risk scoring principle. Mitigating controls are identified and implemented and their effectiveness monitored and measured regularly.

ROLES AND RESPONSIBILITIES

Responsibility for the management of risks resides with all officers, but with varying degrees of responsibility. The following table identifies the key roles associated with risk management at Uttlesford District Council:

Role:	Responsibilities:
Chief Executive	<ul style="list-style-type: none"> ▪ Work with the Leader to set the risk directive ▪ Overall responsibility for ensuring engagement in risk management at both member and officer level
Corporate Management Team and Senior Management Team	<ul style="list-style-type: none"> ▪ Identify, prioritise and manage corporate and operational risks and determine the risk appetite and level of risk tolerance to be adopted ▪ Proactively consider the authority's ability to minimise the probability and impact of risks ▪ Effective communication of risk management within their areas of responsibility ▪ Ensure accountability for individual risk related tasks through effective management of risk registers ▪ Timely reporting of any instances where adherence to risk management controls could be compromised ▪ Ensure all staff are aware of their responsibility for reporting any newly identified or perceived risks and failure of existing management controls
Governance, Audit and Performance Committee	<ul style="list-style-type: none"> ▪ Review the Corporate Risk Register quarterly ▪ Review and approve any updates to the Risk Management Policy
Corporate Performance Team	<ul style="list-style-type: none"> ▪ Lead on the implementation of documents and controls to ensure effective risk management processes within the council ▪ Support the maintenance of the corporate and operational risk registers ▪ Provide regular risk register reports ▪ Provide support and advice to managers to ensure the quality assessment of risk registers through the corporate performance management framework
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 management controls

Internal Audit	<ul style="list-style-type: none"> Provide independent assurance on the adequacy of the authority's risk and control management procedures
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SCOPING AND SCORING OF RISKS

Description

The description of a risk is important for consistent and easy-to-understand reporting. However finding the right words to succinctly articulate a risk can be difficult. In order to ensure risks are described in an appropriate way, risk owners should always ensure their descriptions include a **cause**, an **event** and an **effect**:

To give an example, if there was an issue of insufficient staff resources to deliver a project, the risk description could look like this:

'If there is a **lack of resources** due to **staff concentrating on day-to-day duties** then there may be a **slippage in the delivery of the project plan**.'

Scoring Process

The risk scoring process assesses the level of a risk through the likelihood of it occurring and the impact if it does occur. By multiplying these two numbers together, an overall risk score is calculated. This allows for easy prioritisation of risks and therefore a focus on the most serious risks. The council uses a 4x4 matrix for scoring risks. There are three stages to risk scoring:

Original risk score

All identified risks should be scored **without any controls in place** to establish the **original risk score** i.e. the position the council could face if the risk were to happen and it were not adequately managed.

The **likelihood** of the risk occurring without any controls in place is scored from 1 to 4 using the probability table below for reference:

	PROBABILITY
1 LITTLE LIKELIHOOD	Less than 10%
2 SOME LIKELIHOOD	10% to 50%
3 SIGNIFICANT LIKELIHOOD	51% to 90%
4 NEAR CERTAINTY	More than 90%

The **impact** on the organisation if the risk were to happen is then scored using the following table:

	STRATEGIC OBJECTIVES	FINANCE	COMPLIANCE	SAFETY	REPUTATION	SERVICE DELIVERY
1 LITTLE	Minor impact/delay/overspend/difficulty	Slight loss £5,000 – £20,000	Trivial or very short-term non-compliance	Insignificant injury (no intervention)	Negligible damage	Minor impact/unnoticed by service users
2 SOME	Small impact/delay/overspend/difficulty	Moderate loss £20,000 - £50,000	Small or short-term non-compliance	Small injury (local intervention)	Marginal or short-term damage	Moderate impact/inconvenience
3 SIGNIFICANT	Considerable impact/delay/overspend/difficulty	Sizeable loss £50,000 - £100,000	Significant or medium-term non-compliances	Significant injury (professional intervention)	Significant or medium-term damage	Considerable impact/inconvenience
4 CATASTROPHIC	Extreme impact/delay/overspend/difficulty	Very serious loss > £100,000	Very serious or sustained non-compliance	Critical injury (hospital stay)	Substantial or long-term damage	Complete loss of service/widespread inconvenience

Each risk score is then plotted onto a risk matrix where a colour-coding system indicates the risks that the organisation is prepared to accept and those that are less likely to be accepted:

LIKELIHOOD	4	4	8	12	16
	3	3	6	9	12
	2	2	4	6	8
	1	1	2	3	4
		1	2	3	4
		IMPACT			

Note: Where a risk is scored against a number of impacts, the average risk score for that risk will be recorded in the relevant risk register.

Current risk score

This involves scoring the risk with any identified controls currently in place that can mitigate threats or maximise opportunities. These controls can include procedures, processes and management checks that help manage and reduce or control the threat/opportunity. These controls appear in the council's risk registers as Mitigating Actions.

The current risk score is calculated based on progress towards completing the mitigating actions each time the register is reviewed, normally quarterly. Each risk register will contain notes on progress towards mitigating/maximising the risk.

Target risk score

The target risk score is the accepted level at which a threat can be reduced to, or an opportunity maximised to, if all mitigating actions are met. This score is calculated when the risk is included in a register for the first time and will be used to determine the performance level of the risk throughout its existence.

Risk Controls

There are a number of controls that can be applied to manage risks (see 'current risk score' above). The effect of these controls can be summarised as follows:

TYPES OF RISK CONTRTOL	
Terminate	Eliminates the risk completely
Transfer	Passes the risk to a third party, who bears or shares the impact
Treat	Containment: Reduces the likelihood and/or the impact
	Contingent: Establishes a contingency to be enacted should the risk happen
Tolerate	Accepts the risk, subject to monitoring

It is important to note that risks will inevitably change; even if the objective they relate to remains from year-to-year, the risk and the controls applied should change based on the organisation's experience of managing the objective.

Risk Reporting

All risk registers will be monitored and reported on regularly. Reports will be produced from Covalent for presentation to CMT and the Governance, Audit and Performance Committee at least quarterly. These reports will provide the following:

- The key aims of the authority
- How the authority is endeavouring to achieve these?
- What progress is being made?
- Where progress is not as expected, what remedial or improvement actions are being taken?
- What are the key risks to successful achievement?
- Which of these risks are considered to be acceptable?
- How are the unacceptable risks being controlled?
- How effective are the control actions the authority has taken?
- What further actions are needed to improve the way risks are controlled?

APPENDIX A - Risk Appetite Matrix

	STRATEGIC OBJECTIVES	FINANCE	COMPLIANCE	SAFETY	REPUTATION	SERVICE DELIVERY
CAUTIOUS	Minor impact/ delay/overspend/ difficulty	Slight loss £5,000 – £20,000	Trivial or very short-term non-compliance	Insignificant injury (no intervention)	Negligible damage	Minor impact/unnoticed by service users
MODERATE	Small impact/ delay/overspend/ difficulty	Moderate loss £20,000 – £50,000	Small or short- term non- compliance	Small injury (local intervention)	Marginal or short- term damage	Moderate impact/ inconvenience
OPEN	Considerable impact/delay/ overspend/ difficulty	Sizeable loss £50,000 - £100,000	Significant or medium-term non-compliances	Significant injury (professional intervention)	Significant or medium-term damage	Considerable impact/ inconvenience
HUNGRY	Extreme impact/delay/ overspend/ difficulty	Very serious loss > £100,000	Very serious or sustained non-compliance	Critical injury (hospital stay)	Substantial or long-term damage	Complete loss of service/widespread inconvenience