Uttlesford District Council

Risk Management Policy 2024/25

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Policy Statement

Uttlesford District Council recognises that risk is present in everything it does and having a robust risk management approach will help improve outcomes and continue to deliver services as effectively as possible. Managing risk is the responsibility of all employees at Uttlesford District Council. To achieve this, the management of risk should be embedded into our culture.

Good risk management helps informed decision-making and efficient and effective service delivery. Other key benefits include:

- A corporate awareness and 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 to be realised
- Proactive and informed management of risks and decision-making processes
- An increase in positive outcomes for residents
- The protection of reputation and the provision of a better quality of service through an increased focus on priorities
- More effective identification and management of 'single points of failure'
- Reduced likelihood of adverse (damaging) events
- A reduction in costly re-work activities
- Reduced cost, less waste and a more efficient use of resources
- A demonstration of openness and accountability to regulatory bodies and stakeholders more widely
- A contribution towards good governance and internal control systems

Introduction & Objectives

This document outlines the Council's policy and procedures in relation to risk management. It is intended to provide a framework for the management of risk and explain how the Council will ensure that it is managing risk effectively to increase the likelihood that business objectives will be achieved through the delivery of its Corporate Plan, Service Level Plans, and day-to-day operational service provision.

The Council will use risk management as part of its overarching performance management framework to support delivery of its corporate priorities. By identifying and assessing risks and making informed decisions, on the extent to which these risks need to be mitigated or explored, the council can ensure it is effectively tackling threats and maximising opportunities both at a strategic and operational level.

The key aims of the document are to:

- increase overall awareness of risk throughout the council and to enable managers and those responsible for risk reporting, to better identify, assess and control risks within their areas.
- define roles and responsibilities to help ensure the risk management process is understood and owned across the council
- provide advice on best practice and describe the different elements that need to be managed in order that risk management methodology is embedded at every level of the organisation.

The Accounts and Audit Regulations 2015 state:

A relevant authority must ensure that it has a sound system of internal control which

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;

(b) ensures that the financial and operational management of the authority is effective; and

(c) includes effective arrangements for the management of risk.

Uttlesford District Council seeks to ensure that its services, delivered either directly or by a third party, are of a high quality, provide value for money and meet evidenced need. The council is a multi-faceted organisation that works with a wide variety of other partners in different and varying ways. As a result, it needs to ensure the way it acts, plans and delivers services is carefully thought through both on an operational and corporate level.

There are, however, many factors which might prevent the council achieving its objectives, therefore a risk management approach is used in all key business processes with the aim of identifying, assessing and managing any risks which might be faced. This approach is a fundamental element of the council's governance framework and is explained below.

- The council recognises that risk management is an integral part of all activities and must be considered in all aspects of decision making. Robust and integrated risk management arrangements are in place and regularly reviewed to ensure that they are working effectively. Risk management is embedded into the culture of the Council.
- The council ensures that responsibilities for managing individual risks are clearly allocated, and the Corporate Risk register is reported to and reviewed by the Council's Corporate Management Team, Cabinet and the Audit & Standards Committee twice a year.

It is important to recognise that the council is not seeking to 'factor out' all risk, as this would not be a cost-effective use of resources, but instead to manage risk in a proportionate

manner relative to the severity of the risk. It is also important to remember that risks must be managed, but not avoided to the extent that innovation and opportunities are suppressed.

Corporate risk management objectives:

The adoption and application of this document and its contents supports the following overarching objectives:

- Risk management is the process by which risks are identified, evaluated and controlled within the Council's risk appetite. It is a key element of the Council's governance framework.

- The Council will operate an effective system of risk management which will seek to ensure that risks which might prevent the council achieving its plans are identified and managed on a timely basis in a proportionate manner. In practice this means that the Council has taken steps to ensure that risks do not prevent it from achieving its priorities or objectives.

What is Risk and Risk Management?

The Council's definition of risk is:

Factors, events or circumstances that may prevent or detract from the achievement of the council's priorities and service plan objectives.

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

The council will operate an effective system of risk management which will seek to ensure that risks which might prevent the council achieving its plans are identified and managed on a timely basis in a proportionate manner. In practice this means that the council has taken steps to ensure that risks do not prevent it from achieving its priorities or objectives.

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

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 and the services the council delivers every day.

This Policy establishes the following risk management principles:

- The risk management process should be consistent across the council, clear and straightforward and result in timely information that helps informed decision making
- Risk management should operate within a culture of transparency and openness where risk identification is encouraged, and risks are escalated where necessary to the level of management best placed to manage them effectively
- Risk management arrangements should be dynamic, flexible and responsive to changes in the risk environment

- The response to risk should be mindful of risk level and the relationship between the cost of risk reduction and the benefit accruing, i.e. the concept of proportionality
- Risk management should be embedded in everyday business processes and risks managed in line with the Council's risk appetite.
- Officers of the council should be aware of and operate the council's risk management approach as part of their day-to-day management activities
- Corporate Management Team members should actively promote and support the council's risk management approach and the need for decision-making processes to be informed by robust risk assessment.

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, this is set out in Appendix A.

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 established by the Chief Executive, Leader and the wider Cabinet, establishing a risk directive that is then fed through the Corporate Management Team, and operational Service Managers.

With limited resources it is inappropriate for the Council to seek to mitigate all the risk it faces. The Council therefore aims to manage risk in a manner which is proportionate to the risk faced, based on the information available, experience and expertise of its senior managers.

The main types of risk the Council could face are detailed in the table below. These need to be managed and an acceptable risk appetite established by considering the implications should the risk occur:

Table 1: types of risk

Risk Area:	Risk Implications:
Customer perspective/service delivery	- Effects on social wellbeing, e.g. changes in economic conditions - Environmental issues, e.g. the effects of climate change, progressing the council's strategic objectives e.g. the disposal of waste - Single points of failure
Finance and Resources	- Ineffective financial planning including budget preparation - Weaknesses in workforce planning - Ineffective budget management - Loss or reduction in funding - Missed opportunities for obtaining additional funding - Failure to manage the council's cash assets effectively, i.e. treasury management function - Failure to manage non-cash assets effectively

Risk Area:	Risk Implications:
Processes and Systems	**Regulators:** • Non-compliance with regulatory expectations • Non-compliance with legislative requirements, e.g. health and safety, equalities, data protection, environmental legislation, employment law, etc. • The council does not act within its statutory/legal powers. **Partners/Suppliers:** • Poor partnership agreements/arrangements/relationships • Suppliers/partners do not provide effective, efficient and economic services to the council, e.g. a major contract fails **General:** • Weakness in procedures/systems that could lead to breakdown in service • Lack of monitoring that means fraud and poor performance are not identified in a timely manner • Criminal or corrupt activity • Incorrect/unreliable/untimely information

Risks will be taken in a considered and controlled manner to ensure exposure to risks is kept to a level deemed acceptable by the Council. The Corporate Management Team will apply judgement when determining which risks are monitored via the corporate risk register, which may mean lower scoring risks are included, for example where there is a high reputational risk.

The Council's risk appetite will be assessed annually or in line with significant political/economic events that may change the council's perspective on toleration for risk.

The acceptable risk level may vary from time to time and some risks may be accepted above the agreed acceptable level because:
• The likelihood of the risk occurring is deemed to be sufficiently low
• There is the potential to enable the realisation of considerable reward/benefit
• They are considered too costly to control given other priorities
• The cost of controlling them would be greater than the cost of the impact should they materialise
• There is only a short period of exposure to them
• They are considered essential to the achievement of aims and objectives

Other areas of risk management, such as audit risk assessments or health and safety risks, may have a different risk appetite depending on the circumstances, but only if they do not impact on council priorities or service plan objectives.

Risk Culture and Principles

The term culture describes the values, beliefs, knowledge and understanding about the risk shared by the organisation. The organisational risk culture can assist or hinder the management of its risks and 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 by adopting certain principles.

This Policy supports the following risk management principles:

- risk management processes should be clear, straightforward and consistent across the Council, and result in timely information that supports informed decision making
- risk management should operate within a culture of transparency and openness where risk identification is encouraged, and risks are escalated to the level of officer best placed to manage them effectively
- risk management arrangements should be dynamic, flexible and responsive to changes in the risk environment
- the response to risk should be mindful of risk level and the relationship between the cost of risk reduction and the benefit accruing, i.e. the concept of proportionality
- risk management should be embedded in everyday business processes and risks managed in line with the council's risk appetite
- officers of the council should be aware of and operate the council's risk management approach where appropriate to support corporate and service planning processes
- senior officers should adopt the Council's risk management approach to ensure their decision-making process is informed through robust risk identification and assessment
- the communication and reporting of risks should be transparent and timely
- the Council should actively seek to learn from mistakes and near misses identified through risk management processes

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 through the Corporate Risk Register (CRR) and then through an operational register held on the performance management system Ideagen.

Both risk registers, corporate and operational, form part of the Council's performance management framework and are in place to support managers achieve their day-to-day objectives. 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/or the risks that have the potential to disrupt or completely cease the council's work. The Corporate Risk Register is monitored quarterly by the Corporate Management Team and then presented to members twice a year through Cabinet and the Audit & Standards Committee.

Operational Risk Register

This comprises all risks identified by service managers through the annual service planning process. In conjunction with relevant Corporate Management Team members, all operational risks are reviewed on a quarterly basis to ensure mitigating actions are being progressed and where appropriate, risks are escalated to a corporate level.

Risk Management Process

The risk management process adopted by the Council is based on identifying, assessing, managing and monitoring risks at all levels across its service provision. It informs and supports corporate performance management as an integral part of the performance review cycle.

The approach to, and detail for, risk management processes 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 and service planning processes and are aligned with budget preparation schedules. Identification of these risks then determines the council's objectives and budgetary requirements for the coming year.

The effective management of risk requires that each risk should have a named owner (post holder). Generally, ownership will be allocated at individual post level and not at a team level, however there may be exceptional circumstances where it may be appropriate for the risk to be assigned to more than one officer to ensure it is managed as effectively as possible. For corporate risks, an appropriate Cabinet member will also be identified.

Risk owners should continually evaluate their risks by applying the risk scoring principle (see below). Mitigating controls are identified and implemented and their effectiveness monitored and measured regularly.

Risk Identification

The identification of risk is the most difficult aspect of risk management as once a risk is identified the structured process of risk management should mean that the risk is fully evaluated and managed appropriately. Officers are therefore encouraged to allocate sufficient time to it such that all key risks are recognised and appropriately managed.

Risk identification should also include consideration of any risks associated with missed opportunities, e.g. failure to take advantage of external funding opportunities.

Risk Scoring

Description

The description of a risk is important for consistent and easy-to-understand reporting. To ensure risks are described in an appropriate way, risk owners should always ensure their descriptions include a **cause**, an **event** and a **consequence**:

> ***Because of*** *(a cause)*
>
> ***There is a risk that*** *(an event will occur)*
>
> ***Resulting in*** *(a consequence)*

An example of this structure can be shown as follows:

Scenario:

It is June 2023, you are a service manager, and you have just been made aware you have 5 members of your team leaving the authority during August 2023.

The Risk:

As a result of 5 people leaving the team in August 2023, **there may be delays in completing Q2 workload**, **which would lead the team to not achieving their KPI's**.

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 using both a likelihood and impact assessment.

There are two stages to risk review and 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:

Table 2: Likelihood parameters

	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:

Table 3: impact levels & definitions

	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 **CONSIDERABLE**	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 **SIGNIFICANT**	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:

Table 4: risk score matrix

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 'risk responses' or 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.

Risk Mitigation and Controls

Identifying gaps in existing controls and identification of the actions that are needed to improve the mitigation of risks in line with both Council's risk appetite will involve employing either one or a mix of the following:

Table 5: risk mitigation and controls

Tolerate	Where the level of the risk falls below the Council's risk appetite, and a conscious decision is made to accept that risk and to take no further action other than ongoing monitoring and periodic review.
Terminate	Where the actions causing the risk are avoided; for example, withdrawing from a particular activity, project or service.

Treat	Take action to reduce the level of risk by reducing either the impact or the likelihood of the risk event occurring.
Transfer	Transferring most or some of the risk to a third party. The main types are: • Insurance • Outsourcing Sharing, such as the distribution of risk to multiple organisations for example during a project with a number of stakeholders involved.

However, it is not appropriate for the Council to attempt to manage all the risks which it faces – sometimes it is more effective to **terminate** the risk. This may mean ceasing the activity likely to trigger the risk or simply doing something in a different way that eliminates the original risk.

Operational Risks and escalation

Service level risks will be reviewed quarterly as an integral part of the Council's performance management framework. These reviews will be completed by Service Managers supported by their Corporate Management Team member.

Any service level risks that are deemed to be of a significant nature, with regards to its likelihood and/or impact. The risk should be considered in line with the council's risk appetite and a risk which falls within the 3rd and 4th categories should be escalated for CMT review and consideration for inclusion in the Council's Corporate Risk Register.

Risk Reporting

All risk registers will be monitored, and reports presented to the Corporate Management Team quarterly and Cabinet and the Audit & Standards Committee twice a year. These reports will provide information for the following to be considered:

• What are the key risks to successful achievement of corporate priorities
• Which 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

Roles and Responsibilities

The Council recognises that the effectiveness of its risk management approach and the undertaking of identified roles will be dependent upon the degree of knowledge of the approach and its application by officers.

The Council is therefore committed to ensuring that all officers, and partners where appropriate, have sufficient knowledge of the Council's risk management approach to fulfil their responsibilities for managing risk. This will be delivered through formal training programmes, risk workshops, briefings, and internal communication channels. The roles and responsibilities across the council are detailed in Appendix B.

Appendix A - Risk Appetite Matrix

It is important that the council establishes its 'risk appetite' – i.e. the degree to which it is comfortable living with an identified risk after initial controls have been put in place to mitigate it – i.e. how much energy and resource it puts into trying to manage down the risk. This should be done as divorced as possible from discussing the actual risk, accepting that this is harder when the risk in question is freshly emerging. This separation is important so that the council can try to be objective about the acceptability of the ongoing nature of the risk, rather than determined for us reactively when looking at how easy (or otherwise) the risk is to manage.

The risk appetite matrix below repeats the risk criteria established above, but here it is matched to the differential levels of risk factors established above. It is therefore important to appreciate that the risk appetite determination on the left should be made on its own merits, and not simply match or be determined by the scoring of the various factors on the right. There will therefore on initial assessment be a mismatch in some risks between the council's risk appetite and the scale of that risk.

Where the council's risk appetite is bigger than the risk in question, there is not an issue, but where (as will often be the case) the council's risk appetite is smaller than the scale of the risk in question (even after initial mitigation measures) this will create a positive pressure to work harder on managing the risk – including (where this is statutorily permissible, which often it will not be) active consideration of the council exiting the area of activity rather than continue to carry a risk bigger than matches the council's appetite can stand.

Risk Appetite (to be considered separately to the specific risk assessment itself)	STRATEGIC OBJECTIVES	FINANCE	COMPLIANCE	SAFETY	REPUTATION	SERVICE DELIVERY
HIGH Accept the risk at this level, and address it through a routine continuous improvement process	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

Risk Appetite (to be considered separately to the specific risk assessment itself)	STRATEGIC OBJECTIVES	FINANCE	COMPLIANCE	SAFETY	REPUTATION	SERVICE DELIVERY
MODERATE Live with the risk at this level but seek to mitigate it further	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
LOW Live with the risk at this level but work hard to mitigate it further with specific assigned CMT member responsibility and Cabinet member oversight. Monitored at CMT and Cabinet (include consideration if exiting area of activity if non-statutory	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
CRITICALLY LOW Tolerate the risk at this level but work hard to mitigate it further with specific assigned CMT member responsibility and Cabinet member oversight. Monitored at CMT and Cabinet (include consideration if exiting area of activity if non-statutory	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

Appendix B – 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:
Cabinet Members	▪ Ensure corporate risks are identified and effectively managed across the council ▪ Approve the Risk Management Policy and associated processes including the risk appetite ▪ Ensure periodic review of the policy is undertaken ▪ Consider risk as part of their decision-making process ▪ Receive reports on significant risk issues
Audit & Standards Committee	▪ Monitoring adherence to the risk management policy ▪ Reviewing risk management policy ▪ Reviewing reports on the council's risk management processes in order to provide independent assurance of the adequacy of the risk management framework and the associated control environment ▪ Raising any concerns on risk management with Cabinet
Chief Executive	▪ Set the risk directive in conjunction with the Leader and Cabinet members ▪ Overall responsibility for ensuring engagement in risk management at both Member and officer level ▪ Overall responsibility and accountability for leading the delivery of an effective council-wide risk management approach ▪ Ensure that the corporate risk register and service risk registers are subject to regular review
Corporate Management Team (CMT) & Senior Management Team (SMT)	▪ Owning and leading the council risk management process ▪ Identify, prioritise and manage corporate and operational risks and ensure they are recorded in line with the organisation's risk appetite and level of risk tolerance ▪ 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

Role:	Responsibilities:
	▪ Ensure all staff are aware of their responsibility for reporting any newly identified or perceived risks and failure of existing management controls
Section 151 Officer	▪ Ensuring that the Council's medium term financial plan takes account of the risks identified ▪ Ensuring that there are appropriate reserves to manage the Council's risks
Monitoring Officer	▪ Responsible for reviewing the Council's provisions to ensure they are adequate to meet the Council's risk profile ▪ Responsible for ensuring that the Council's legal and regulatory risks are identified and managed by the Council in an appropriate fashion
Corporate Performance Team	▪ 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	▪ 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/or failure of management controls
Internal Audit	▪ Provide independent assurance on the adequacy of the authority's risk and control management procedures

Document Control:

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0.1	Paula Evans	06.08.24	1st draft of revised Policy
0.2	Paula Evans	15.08.24	2nd draft incorporating GR content
0.3	Angela Knight	16.08.24	3rd draft reviewed
0.4	Paula Evans	16.08.24	Prepared draft for CMT review
0.5	Paula Evans and Angela Knight	22.08.24	Prepared draft for ICB review