Risk Management Strategy

Version12 – July 2015

Introduction

An effective risk management strategy will ensure the Council maximises its opportunities and manages those threats that may hinder the delivery of its priorities so that the opportunities for continuous improvement are maximised.

Risk therefore needs to be considered at all stages of the management process, from the setting of corporate priorities through to the delivery of the service to the customer. Risk management therefore becomes an integral element of the Council's corporate governance arrangements.

This risk management strategy aims to integrate risk management into the Council's culture and processes and raise awareness amongst all employees and members of the benefits and opportunities that the successful management of risk can bring.

Definitions

Risk is the chance or possibility of something happening that will have an adverse impact on the achievement of the Council's objectives.

Risk management is the identification, evaluation, control, monitoring and reporting of existing and emerging risks. It applies equally to the opportunities for taking risks as it does to avoiding risks or reducing losses. It is a key part of good management and not simply a compliance exercise.

Why is Risk Management important?

The Council provides a large range of services within an ever changing environment, so there is great potential for risks to arise. Effective risk management will enable the Council to:

- Maximise performance
- Minimise the need to divert funds from priority services
- Encourage creativity
- Minimise losses
- Ensure the Council's reputation is preserved and enhanced
- Reduce insurance premiums

The aim is to manage risk, rather than eliminate it. Too little attention to the control of risk will lead to unnecessary losses and poor performance, while an over zealous approach may stifle creativity and increase the cost of and/or impede service delivery. Successful risk management means getting the balance right.

Risk Policy Statement

Huntingdonshire District Council is committed to the effective management of risk. The Council's ability to deliver services and achieve its business objectives are constantly affected by risk, which the Council recognises as being both positive and negative.

The Council also recognises its legal, moral and fiduciary duties in taking informed decisions about how best to control and minimise the downside of risk, whilst still maximising opportunity and benefiting from positive risks.

The Council will ensure that Members and staff understand their responsibility to identify risks and their possible consequences.

The Risk Management Process

Risk management is a continuous process that has five key elements:
- The systematic **identification** of risks to which the Council is exposed.
- The **evaluation** of those risks in terms of likelihood and severity.
- The **control** or **mitigation** of the risks, either by reducing the likelihood or severity of adverse events.
- The **arrangements** the Council needs to put into place to deal with the **consequences** of the threats manifesting themselves, e.g. insurance, levels of policy excesses, self-insurance, service recovery planning.
- The on-going **monitoring** and **reporting** of risk, to allow for intended actions to be achieved and losses minimised.

A standard risk management process will be used throughout the Council[1]. This will ensure that risks are considered in the same fashion whether at a project, partnership, corporate or operational level.

Risks faced by the Council can be broadly grouped into two risk categories – corporate or operational.

Corporate Risks	**Operational Risks**
- Political	- Professional
- Economic	- Legal
- Social	- Financial
- Technological	- Physical
- Legislative	- Contractual
- Environment	- Information
- Competitive	- Technology
- Customer	- Environmental

Some risks fall across both categories, in particular those associated with partnerships, projects or cross-cutting service issues, and therefore can't be listed under one area.

Further examples of the risk areas are contained at Appendix A.

All levels of management should be concerned, to varying degrees, with risks in both categories. Corporate risks are likely to affect the medium to longer term priorities of the Council and require longer term planning to be addressed. Operational risks tend to have a more immediate impact and require to be treated in a shorter time frame.

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[1] For operational reasons, health and safety risks shall be evaluated in accordance with the categories of injury prescribed by the Health and Safety Executive, as contained in Appendix B.

Developing and Integrating Risk Management

The identification and management of risks needs to be undertaken at all stages of the corporate and service planning process so as to ensure that the risk register contains the significant risks that will affect the Council achieving its priorities. All reports or proposals at officer or member level that deal with changes to services must, where material, refer to the impact of what is being considered on the Council's priorities and targets and be supported by an explicit consideration of the risks, both inherent and mitigated, to that impact being achieved.
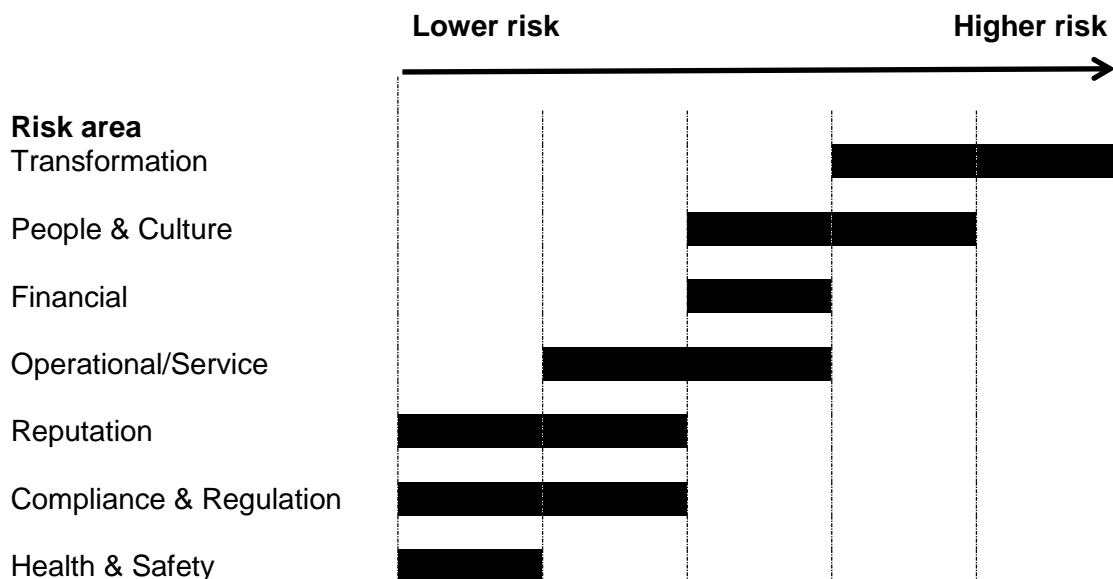
The table below explains how risk management processes link into the Council's planning process.
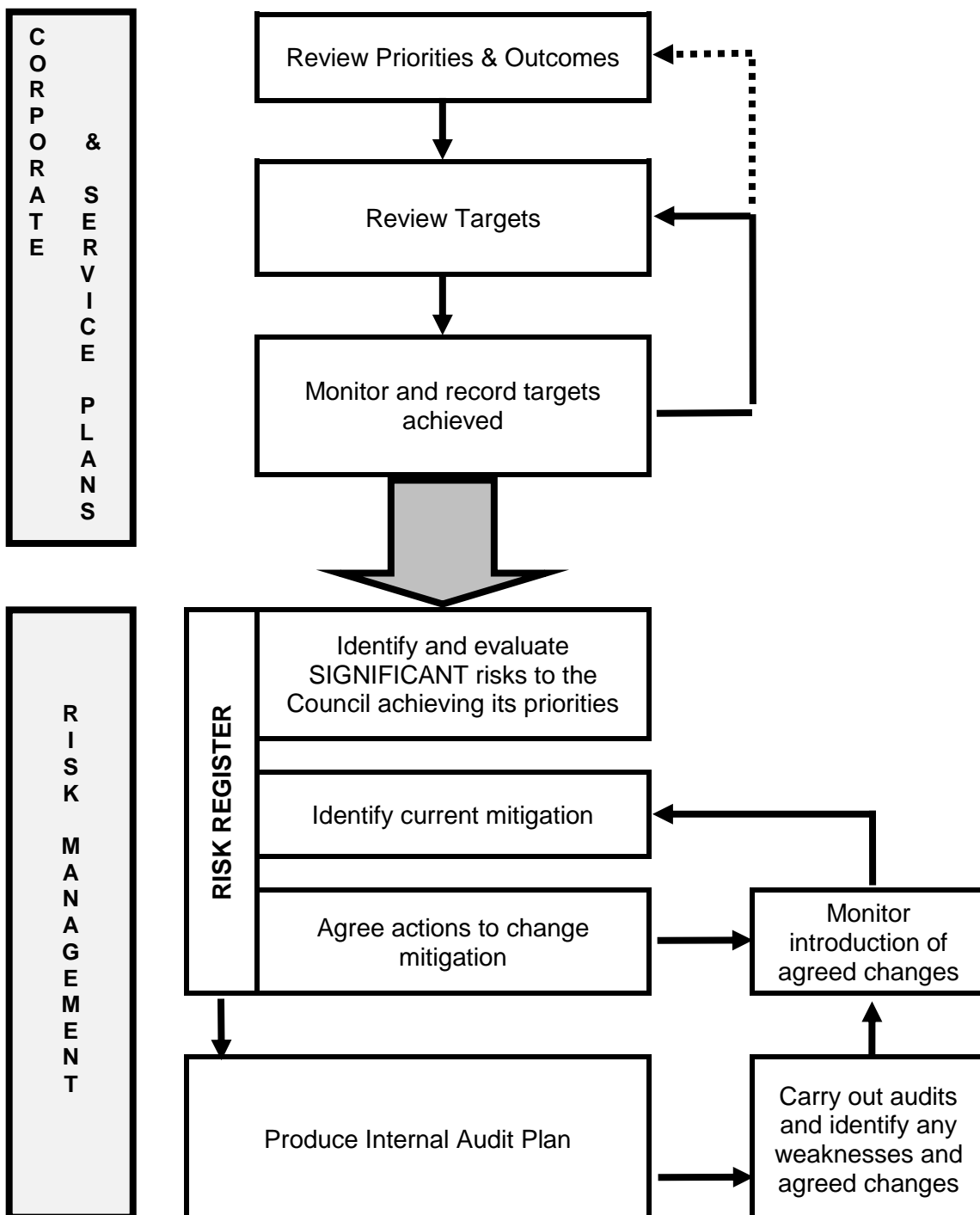
Risk Appetite

The Cabinet shall determine the Council's risk appetite; that is the amount of risk that it is prepared to accept, tolerate, or be exposed to at any point in time. In making this decision the Cabinet shall consider the risk assessment model and its individual elements, the Council's current circumstances and their responsibilities towards the Council's employees and the wider community and the recommendations of Corporate Management Team.

The appetite for risk varies according to the activity undertaken. The Council wish to minimise exposure to reputation, compliance and health and safety risk, whist accepting and encouraging increasing risk in other areas in pursuit of the Corporate Plan objectives as shown in the diagram and statements below.

	Lower risk					Higher risk
Risk area						
Transformation				▓▓▓▓▓▓▓▓		
People & Culture			▓▓▓▓▓▓			
Financial			▓▓▓			
Operational/Service		▓▓▓▓▓				
Reputation	▓▓▓▓▓					
Compliance & Regulation	▓▓▓▓▓					
Health & Safety	▓▓▓					

Transformation
The Council recognises that in order to achieve a balanced budget it needs to make changes to its internal operations and review how services are delivered. This will require innovation. The Council has a high risk appetite in this area and is prepared to accept the risks that may arise so long as the benefits and risks from those decisions are properly assessed and appropriately mitigated or accepted before change is introduced.

People & Culture
The Council recognises that its employees are critical to it achieving its objectives and that their support and development is key to making the Council an inspiring and safe place to work. It has a medium/high appetite for decisions that involve staffing or culture change that will support transformational change or lead to service improvement.

Financial
The Council has a medium appetite for financial risk. It recognises that for the foreseeable future it will have to deliver its services for less money. It aims to maintain its long term financial viability and its overall financial strength and Directors, Heads of Service and Service Managers are required to deliver their

services within the budget approved by Council and in accordance with the Code of Financial Management, its reserves policy and treasury management strategy.

Operational/Service
In accepting that minimum service levels shall be determined by the Cabinet and are constrained by budget pressures, the Council requires operational risk to be reduced to a level at which the controls and procedures that are in place allow for services to be delivered 'right first time' and with minimum error or the requirement to re-perform. This will result in the provision of appropriate levels of service that provide value for money whilst also maintaining customer focus.

Reputation
It is regarded as essential that the Council acquires and maintains a high public reputation. It has a low appetite for risk in the conduct of any of its activities that puts its reputation in jeopardy through any adverse publicity or could lead to the loss of confidence in how it delivers its services by Central Government.

Compliance & Regulation
The Council places great importance on compliance, regulation and public protection and has no appetite for any breaches in statute, regulation, professional standards, ethics or any act that facilitates bribery or fraud. It has a low risk appetite in these areas.

Health & Safety
The Council considers that health and safety risks including safeguarding and similar public safety concerns should be mitigated to the lowest practical level. If health and safety risks conflict with the delivery of services or the introduction of new initiatives, then the health and safety of employees and members of the public shall take precedence.

Risk Assessment

The risk assessment model is detailed in Appendix B.

The model requires potential risks to be evaluated against a set of pre-determined criteria for likelihood/frequency and impact. Individual risk levels can then be determined by plotting the risks onto a risk matrix. Health and Safety risks will be plotted against the smaller inset matrix.

Likelihood / Frequency			1	2	3	4	5
Almost Certain	5		Medium	High	Very High	Very High	Very High
Likely	4		Medium	High	High	Very High	Very High
Occasional	3		Low	Medium	High	High	Very High
Unlikely	2		Low	Low	Medium	High	Very High
Improbable	1		Low	Low	Medium	High	High
			1	2	3	4	5
			Trivial	Minor	Significant	Major	Critical
			Impact				

Following the plotting of a risk, a decision shall be taken as to how the risk is to be managed. This can be summarised as follows.

Level of Risk	*Low*	*Medium*	*High*	*Very High*
Level of Concern	Content	Uneasy	Concerned	Very concerned
Consequences	Relatively light impact.	Detrimental impact on the day to day delivery of services.	Severe impact.	Disastrous impact.
			If residual risk exceeds risk appetite then	
Responsibility for acceptance of residual risk	Risk accepted	Risk monitored by HoS; escalated to CMT if increase in impact or probability.	Risks will be tolerated where single events occur but overall impact of multiple events to be reported to Cabinet. Monitored 6 monthly by CMT *who may determine, by exception, that individual risks shall be further mitigated.*	Cabinet receive formal risk option form and decide if the risk shall be accepted or avoided.
Prepare action plan and update Risk Register	---------		Within 6 weeks of the decision to treat the risk.	

Option Appraisals & Risk Treatment

Before a decision is made on the way the risk is to be treated, the Head of Service who owns the risk, shall carry out an option appraisal. The appraisal shall consider how to deal with the risk on the following basis:

- **Reduce** or treat the risk by controlling the likelihood of the risk occurring or controlling the impact of the consequences if the risk does occur.

- **Avoid** or eliminate the risk by not undertaking the activity that may trigger the risk.

- **Transfer** the risk either totally or in part to others e.g. through insurance.

- **Accept** or tolerate the risk. This option will only be accepted when the ability to take effective action against a risk is limited or the cost of taking action is disproportionate to the potential benefits gained.

The appraisal will consider cost, resources, time and the potential financial and non-financial benefits of each treatment option. Advice from specialist staff shall be taken where appropriate.

Ideally risk treatments should be self-funding. Where this is not the case there will need to be a prioritisation process to ensure that any funding is concentrated first on those items that will be most beneficial to the achievement of the Council's priorities.

- **Action Plans**

    The results of the option appraisal shall be recorded by the appropriate Head of Service on a risk treatment option form (Appendix C) within 4 weeks of the risk having been recorded in the risk register. The form shall identify the risk, the current control environment, control actions to be introduced, the officer responsible and the timescales for implementation.

    The option appraisal will be reviewed and challenged by the Internal Audit & Risk Manager prior to its submission and consideration by Cabinet or the Corporate Management Team who shall decide what further action, if any, is required to address the risk issue raised. The Head of Service shall update the risk register and put in place procedures to introduce the agreed actions.

Roles and Responsibilities

Everyone in the Council is involved in risk management and should be aware of their responsibilities in identifying and managing risk.

Council, Cabinet, Committees & Panels
- To ensure they consider risk management implications when making decisions.

Cabinet
- To be responsible for ensuring effective risk management procedures are in place across the Council and approving the risk management strategy
- To determine the Council's risk appetite annually and review the risk assessment model to ensure it continues to reflect the requirements of the Council.
- To receive reports and decide upon the action to be taken for all mitigated risks that exceed the Council's risk appetite or have the potential to harm its reputation or the continuity of services.

Corporate Governance Panel
- To receive regular updates on risk management and consider any governance issues arising.

Corporate Management Team
- To ensure effective risk management throughout the Council in accordance with the risk management strategy.
- To make recommendations at least once a year to the Cabinet on the Council's risk appetite.

- To ensure that Members are advised of the risk management implications of decisions.
- To consider every 3 months all new risk entries on the risk register.
- To prioritise risk treatments and requests for additional funding.

Heads of Service
- Ensuring that effective procedures are in place to manage the risks affecting their services.
- Maintain a risk register that identifies and scores risks, updating it promptly with any perceived new risks or opportunities or failures of existing control measures.
- Ensure that risks relating to significant partnerships are identified and effectively managed, within the partnership and at service level.
- To report all new risks or significant changes to risk entries to the Corporate Management Team every 3 months.
- To undertake option appraisals for risks within their ownership and prepare action plans for risks that are to be treated further.
- To update at least once every six months assurance on those controls that manage risks recorded on the risk register.
- Balancing an acceptable level of risk against the achievement of service plans, project objectives and business opportunities as detailed in the risk appetite.

Management Team
- Ensuring that effective procedures are in place to manage the risks affecting their services.
- Maintain a risk register that identifies and scores risks, updating it promptly with any perceived new risks or opportunities or failures of existing control measures.
- Ensure that risks relating to significant partnerships are identified and effectively managed, within the partnership and at service level.
- To undertake option appraisals for risks within their ownership and prepare action plans for risks that are to be treated further.
- To update at least once every six months assurance on those controls that manage risks recorded on the risk register.

Risk Governance Group
- To develop the culture of risk management throughout the Council.
- To identify and resolve any risks associated with compliance with the Council's agreed rules, procedures and processes.

Internal Audit & Risk Management Section
- To assist managers in identifying and analysing the risks that they encounter and the formation of action plans to address outstanding issues.
- To report as necessary to the Cabinet, Corporate Governance Panel or Corporate Management Team on risk management issues.
- To identify best practice and consider its introduction within the Council.
- To provide advice and guidance on systems to mitigate risk.

Health and Safety
- All Elected Members and employees are responsible for taking care of their own and their colleagues/visitors health and safety at all times. They are

responsible for the identification and treatment of hazards as described in the Health and Safety Policy – Organisation & Responsibilities.

Employees
- To co-operate with management and colleagues in matters relating to the mitigation of risk.
- To promptly inform the appropriate manager of any risks they become aware of.

Categories of Risk

The risk categories[2] provide a framework for identifying and categorising a broad range of risks facing the Council and its services. Each category cannot be considered in isolation, as risks identified in one category may have consequences on activities within another.

Corporate Risks
Those risks that may be potentially damaging to the achievement of the Council's objectives.

Political
Associated with failure to deliver either local or central government policy, or to meet electoral commitments.

- Wrong strategic priorities
- Not meeting Government agenda
- Decisions based on incomplete or faulty information
- Too slow to innovate/modernise
- Unfulfilled promises to electorate
- Community planning oversights/errors

Economic
Affecting the ability of the Council to meet its financial commitments. These include internal budgetary pressures, inadequate insurance cover, external level economic changes (e.g. interest rates, inflation etc), or the consequences of proposed investment decisions.

- General /Regional economic problems
- High cost of capital
- Treasury risk
- Missed business and service opportunities

Social
Relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to deliver its objectives.

- Failing to meet the needs of disadvantaged communities
- Impact of demographic change
- Failures in partnership working
- Problems in delivering life-long learning
- Crime and disorder

Technological
Associated with the capacity of the Council to deal with the pace / scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the Council's ability to deliver its objectives.

- Obsolescence of technology
- Hacking or corruption of data
- Breach of confidentiality
- Failure in communications

Legislative
Associated with current or potential changes in national or European law.

- Inadequate response to new legislation
- Intervention by regulatory bodies and inspectorates
- Judicial review
- Human Rights Act breaches

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[2] Source: Accounts Commission for Scotland

Environment
Relating to the environmental consequences of progressing the Council's strategic objectives (e.g. tackling climate change, using resources efficiently and protecting and improving the environment).

- Reduce Co2 emissions
- Adapt to climate change
- Reduce waste and use resources wisely

- Impact of planning and transportation policies
- Protect biodiversity and green space

Competitive
Affecting the competitiveness of the service (in terms of cost or quality) and / or its ability to deliver Best Value.

- Takeover of services by governmental agencies
- Failure to show best value

- Failure of bids for government funds

Customer
Associated with failure to meet the current and changing needs and expectations of customers and citizens.

- Lack of appropriate consultation

- Bad public and media relations

Operational Risks
Those risks that managers and employees may encounter in the day-to-day provision of services.

Professional
Associated with the particular nature of each profession (e.g. Housing service concerns as to the welfare of homeless people).

- Inefficient/ineffective management processes
- Inability to implement change
- Lack of control over changes to service provision
- Inadequate consultation with service users
- Failure to communicate effectively with employees
- Lack of business continuity plan
- Non-achievement of Best Value
- Bad management of partnership working/shared services
- Failure to manage and retain service contracts
- Poor management of externally funded projects

Legal
Related to possible breaches of legislation.

- Not meeting statutory duties/deadlines
- Failure to comply with European directives on procurement of works, supplies and services
- Breach of confidentiality/Data Protection Act
- Failure to implement legislative change
- Misinterpretation of legislation
- Exposure to liability claims e.g. motor accidents, wrongful advice

Financial
Associated with financial planning and control and the adequacy of insurance arrangements.

- Failure of major project(s)
- Inefficient/ineffective processing of documents
- Missed opportunities for income/funding/grants
- Inadequate insurance cover
- Failure to prioritise, allocate appropriate budgets and monitor
- Inadequate control over expenditure
- Inadequate control over income

Physical
Related to fire, security, accident prevention and health and safety (e.g. hazards / risks associated with buildings, vehicles, plant and equipment, etc.

- Violence and Aggression
- Non-compliance with health and safety legislation
- Injury caused by e.g. slips, trips, stress
- Loss of intangible assets
- Loss of physical assets from e.g. theft, fire, terrorism
- Damage to assets from e.g. vandalism, water damage
- Failure to maintain and upkeep land and property

Contractual

Associated with the failure of contractors to deliver services or products to the agreed cost and specification.

- Non-compliance with procurement policies
- Over reliance on key suppliers/contractors
- Failure of outsourced provider to deliver
- Failure to monitor contractor
- Poor selection of contractor
- Poor contract specification, deficiencies, errors
- Inadequate contract terms & conditions
- Quality issues

Information

Associated with making decisions based on information that is flawed in some way.

- Inadequate business processes
- Poor reporting lines/processes
- Accounting system failure
- Unreliable accounting records

Technology

Relating to reliance on operational equipment (e.g. IT systems or equipment and machinery).

- Failure of significant technology-related projects
- Crash of IT systems affecting service delivery
- Lack of disaster recovery plans
- Breach of security of networks and data
- Failure to comply with IT Security Policy
- Bad management of intranets and web sites

Environmental

Relating to pollution, noise or energy efficiency of ongoing service operation.

- Reduce Co2 emissions through promotion of energy efficiency
- Crime and Disorder Act implications
- Incorrect storage/disposal of waste
- Reduce travel and emissions
- Promote water efficiency
- Promote recycling
- Protect and improve biodiversity and green space projects
- Encourage more sustainable purchasing

Human Resources

Associated with staffing issues (e.g. recruitment / retention, sickness management, change management, stress related risk analysis).

- Capacity issues
- Over reliance on key officers
- Failure to recruit/retain qualified staff
- Lack of employee motivation/efficiency
- Failure to comply with employment law
- Poor recruitment & selection processes
- Lack of succession planning
- Lack of training

RISK ASSESSMENT MODEL

Likelihood / Frequency

			Alternatively this could be expressed as likely to happen within the next:
5 =	**Almost Certain**	Will definitely occur, possibly frequently.	Month
4 =	**Likely**	Is likely to occur, but not persistently.	Year
3 =	**Occasional**	May occur only occasionally.	3 years
2 =	**Unlikely**	Do not expect it to happen but it is possible.	10 years
1 =	**Improbable**	Can't believe that this will ever happen, but it may occur in exceptional circumstances.	20 years

When considering Health & Safety related risks, the likelihood should be expressed as being likely to happen within the next:

4 =	**Likely**	Monthly	
3 =	**Occasional**	Year	Further advice on assessing Health & Safety risks* can be obtained from the Health & Safety Advisor.
2 =	**Unlikely**	5 years	

Impact
Risks will be evaluated against the following scale. If a risk meets conditions for more than one category, a judgement will need to be made as to which level is the most appropriate. For example, if a particular health and safety risk was significant, could result in minor short-term adverse publicity in the local media but had only a trivial financial impact, it might still be categorised as significant.

1 = trivial event or loss, which is likely to:
- cause minor disruption to service delivery on one or two consecutive days, not noticeable to customers
- increase the Council's net cost over the 5 year MTP period by £50,000 or less.
- be managed with no reporting in the local media
- cause localised (one or two streets) environmental or social impact

2 = minor event or loss, which is likely to:
- cause minor, noticeable disruption to service delivery on one or two consecutive days
- increase the Council's net cost over the 5 year MTP period by more than £50,000 but less than £100,000.
- result in minor short-term (up to a fortnight) adverse publicity in the local media

- * be a Health and Safety concern that results in an injury but little lost time (e.g. 7 days or less off work)
- have a short term effect on the environment i.e. noise, fumes, odour, dust emissions etc., but with no lasting detrimental impact

3 = significant event or loss, which is likely to:
- cause disruption for between one and four weeks to the delivery of a specific service which can be managed under normal circumstances
- affect service delivery in the longer term
- increase the Council's net cost over the 5 year MTP period by more than £100,000 but less than £250,000.
- result in significant adverse publicity in the national or local media
- * be a Health and Safety concern that results in more than 7 days off work or is a specified injury, dangerous occurrence or disease that is required to be reported to the H&S Executive in accordance with RIDDOR.
- has a short term local effect on the environment, or a social impact, that requires remedial action.

4 = major event or loss, which is likely to:
- have an immediate impact on the majority of services provided or a specific service within one area, so that it requires Managing Director involvement.
- increase the Council's net cost over the 5 year MTP period by more than £250,000 but less than £500,000.
- raise concerns about the corporate governance of the authority and / or the achievement of the Corporate Plan
- cause sustained adverse publicity in the national media
- significantly affect the local reputation of the Council both in the long and short term
- * results in the fatality of an employee or any other person
- have a long term detrimental environmental or social impact e.g. chronic and / or significant discharge of pollutant

5 = critical event or loss, which is likely to:
- have an immediate impact on the Council's established routines and its ability to provide any services, and cause a total shutdown of operations.
- increase the Council's net cost over the 5 year MTP period by more than £500,000.
- have an adverse impact on the national reputation of the Council both in the long and short term
- have a detrimental impact on the environment and the community in the long term e.g. catastrophic and / or extensive discharge of persistent hazardous pollutant

Risk Treatment Option Form

Risk Treatment – Action Plan					
Description of risk from register:	Risk ID No:	Current residual risk score: Likelihood x Impact			
Controls already in place as listed on the risk register:					
Are these controls operating effectively? Yes / No					

Risk Action Plan (All actions listed in priority order)				
	New residual risk score[3]			Extra resources required[4]
Proposed actions to reduce risk using existing resources	L	I		
a.				
b.				
c.				
Actions requiring additional resources				
1.				
2.				
3.				
4.				

Decision		
Agreed Option:	Implementation Date	Risk Owner
Decision taken by: on:		

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[3] New Residual Risk Score: after the action has been introduced
[4] Extra Resources: only complete if extra resources will be required to allow the proposed action to be introduced e.g. financial costs and staff time

Remember, when considering treatment options that the Council's aim is to manage risk rather than eliminate it completely – successful risk management is about improving risk taking activities whilst minimising the frequency of the event occurring.

Issues that should be considered when making the risk treatment decision are listed below.

Administration	Is the option easy to implement? Will the option be neglected because it is difficult to implement? Do staff have sufficient expertise to introduce the option?
Continuity of effects	Will the effects of the risk treatment option be long term/continuous or short term? If short term, when will further risk treatments be needed? Does the risk need to be treated at all as it will 'disappear' in the short term (e.g. a project it refers to will be completed or in the next three months
Cost effectiveness	*Costs need to be estimated accurately as it's the base against which cost effectiveness is measured.* Can the cost of implementing further control be justified compared to the risk reduction benefits expected? What financial loss is to be expected if no action is taken? Could the same results be achieved at lower cost by other means? Will running costs go up or down? What capital investment will be needed? What other costs will there be?
Benefits	What will happen to service levels? What will happen to service quality? What additional benefits or risk reductions will occur in other areas? Can other controls in place be amended to deal with this risk? How will you evaluate this option to see if it is reducing the identified risk?
Objectives	Will reducing risk advance the Council's overall objectives? What will be the economic and social impacts? What will be the impact on the environment of leaving the risk as it is?
Regulatory	Complying with laws and regulations in not an option. Does the lack of treating the risk (or the current method of control) breach any laws or regulatory requirement? Is the treatment option proposed, including its cost, totally disproportionate to the risk?
Risk creation	What new risks will be created from introducing the option?