



# Risk Management Strategy

20~~18~~/19/20 Review

Leadership Team

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201~~9~~8

Performance, Audit and Governance Scrutiny  
Committee

~~13-12~~ March  
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Executive  
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~~22 April 2018~~ TBA  
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## Contents

		Page
Section 1 – Context	Policy statement	3
	Approval, communication, implementation and review	3
Section 2 – What is risk management	National drivers behind strategic risk management	4
	Benefits	4
Section 3 – Implementation	Risk management cycle	5
	Stage 1 Risk identification	5
	Stage 2 Analysing and evaluating risks	6
	Matrix	6
	Risk appetite	7
	Stage 3 Respond to risks	7
	Stage 4 Recording, monitoring and reporting	<del>7</del> 8
Section 4 – Risk management in projects and partnerships	Stage 5 Integrate with strategic and audit planning decision making	8
	Project / programme management	9
Section 5 – Roles and Responsibilities	Partnerships	9
	Members	10
Appendix 1	<del>Full Council</del>	<del>10</del>
	Executive	10
	Performance, Audit and Governance	10
	Scrutiny Committee	
	Chief Executive and Leadership Team	11
	Heads of Service	11
	Strategic Finance and Property	11
Shared Internal Audit Service	11	
Appendix 1	Categories of Risk	<del>11</del> 12

## **Section 1 - Context**

### **Policy statement**

Risk is present in everything that we do, so it is our policy to identify, assess and manage the key areas of risk.

East Herts Council recognises that risk management is an essential element of good governance and must be embedded in the culture of the Authority. It supports informed decision making thereby enabling opportunities to be exploited, or action to be taken to mitigate or manage risk to an acceptable level.

In order to obtain a clear picture of the risks that threaten the Council's ability to achieve its objectives, it is important that the Council determines its 'risk appetite' – the level of risk that is considered acceptable for the organisation to be exposed to. The Risk Management Strategy reflects our 'risk appetite', the size of the Authority, the nature of our operations and the drive to reduce bureaucracy.

The objectives of this strategy are:

- Define what risk management is about and what drives risk management within the Council.
- Set out the benefits of risk management and the strategic approach to risk management.
- Outline how the strategy will be implemented.
- Identify the relevant roles and responsibilities for risk management within the Council.
- Formalise the risk management process across the Council.

### **Approval, communication, implementation and review**

The Risk Management Strategy is on the intranet and is specifically issued to:

- The Executive
- Performance, Audit and Governance Scrutiny Committee
- Leadership Team

The strategy is reviewed each year, and following key changes in central or local policies. Risk management is also subject to frequent audit by the Shared Internal Audit Service (SIAS).

## **Section 2 - What is risk management and why do we do it?**

Risk Management can be defined as:

**The process which aims to help organisations understand, evaluate and take action on all their risks with a view to increasing the probability of their success and reducing the likelihood of their failure. (Source: The Institute of Risk Management).**

Risk management at East Herts Council is essentially about identifying risks that exist at a strategic level, or pose the greatest threat to services.

Once identified, the next stage is to prioritise risks to identify which are key to the Council moving forward. It is essential that steps are then taken to manage these effectively.

There should also be a consideration of the positive or 'opportunity' risk aspect. (For more information see Section 3, 'risk identification').

### **National drivers behind strategic risk management**

- The CIPFA/SOLACE framework on Corporate Governance requires the Council to manage risks and performance through robust internal control and strong public financial management. Risk management and internal control are integral parts of a performance management system and are crucial to the achievement of outcomes. Robust and integrated risk management arrangements are required, and risk should be addressed as part of all decision making activities.
- Risk management is best practice in both the public and private sectors.

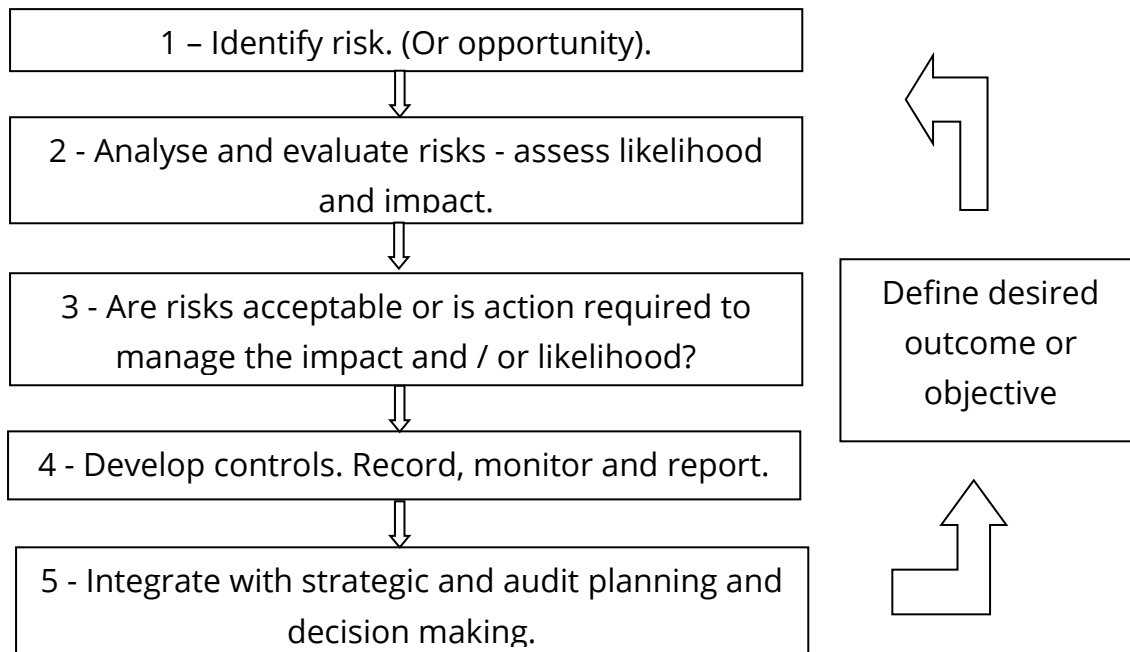
### **Benefits of risk management**

Implementation of risk management produces many benefits for the Council including:

- Improved efficiency of operations.
- Protection of budgets from unexpected financial losses.
- Protection of reputation.
- Increased chance of achieving strategic / project objectives as key risks are minimised.
- The possibility of becoming less risk averse because risks are understood.
- Improved performance (accountability and prioritisation) - feeds into performance management framework.
- Better governance can be demonstrated to stakeholders.

## Section 3 - Implementation of risk management

Implementing the strategy involves a 5-stage process:



### **Stage 1 – Risk identification**

What could prevent the Council, your service, project or partnership from meeting objectives or outcomes? It is important that those involved with the process clearly understand what the Council wants to achieve in order to be able to identify the barriers.

When identifying risks it is important to remember that risk management is also about making the most of opportunities. For example:

- Making bids for funding.
- Taking a national or regional lead on policy development.
- Savings that may be achievable if a project goes to plan.
- A 'spend to save' initiative.
- Tendering a large contract also provides an opportunity to reshape service delivery.

The process for the identification of risk should be undertaken for projects (at the start of each project stage), partnerships, service planning and at a strategic / corporate level. Details of who contributes to these stages are explained further in the roles and responsibilities section.

## Stage 2 – Analysing and evaluating the risks

The risk should be given a clear and concise title. A fuller description to include the root cause and the possible consequences of the risk if it occurs should also be provided separately, e.g.

Title	Description
Encouragement of economic vitality cross the District.	Risks that opportunities to maximise inward investment, employment and economic growth are not maximised in the district. Also ensure regular dialogue with business and organisations representative of business. Interventions to be proposed where appropriate e.g. business improvement district opportunities.

Identification, analysis and scoring of strategic risk are agreed at Leadership Team. Participants review risk scenarios, rate the potential likelihood of occurrence and the impact if it were to occur. [Operational risks are identified by Heads of Service and reviewed at Leadership Team.](#)

A matrix is used to plot risks to illustrate priority. Impact and likelihood scoring criteria are detailed in the matrix below.

<b>4 - HIGH</b> >£300,000 and / or national criticism and / or catastrophic fall in service quality				
<b>3 - MEDIUM</b> £150,000 to £300,000 and / or regional criticism and / or major long term fall in service quality		CONTINGENCY	CRITICAL	
<b>2 - LOW</b> £50,000 to £150,000 and / or long term local media criticism and / or minor long term or major short term fall in service quality		CONTROL	CAUTION	
<b>1 - NEGLIGIBLE</b> <£50,000 and / or short term local media criticism and / or short term fall in service quality				
IMPACT          LIKELIHOOD	<b>1 - RARE</b> The event could occur in exceptional circumstances	<b>2 - UNLIKELY</b> The event could occur less frequently than every three years	<b>3 - POSSIBLE</b> The event is likely to occur within, or more than one in three years	<b>4 - PROBABLE</b> The event is likely to occur within a year

## Risk appetite

A material risk is deemed to be any risk rated higher than 2:2. This is the Council's 'risk appetite' i.e. the level of risk that it is prepared to tolerate without need for ongoing monitoring or reporting. Where a risk rating exceeds this 'control' area of tolerance, demonstrable evidence of how risks are being mitigated will be required, together with proposals for future controls.

Increasing pressure on public finances means that Local Authorities are obliged to have more appetite for risk. The Council cannot deliver everything it would ideally like to deliver and tough choices are necessary. The Council is therefore open to considering all delivery options, accepting increased levels of risk in order to secure the successful outcomes or rewards.

Risk management is essential in supporting innovation and moving from a 'risk averse' to a more 'risk aware' approach. An example is the acquisition of Old River Lane, Bishop's Stortford. The financial commitment is significant but the acquisition provides an opportunity to shape the town centre, and an additional income stream.

## Stage 3 – Respond to risks

This is the process of turning 'knowing' into 'doing'. It is assessing whether to control, accept, transfer or terminate the risk or the opportunity presented. Risks may be able to be:

**Controlled** - It may be possible to mitigate the risk by 'managing down' the likelihood, the impact or both. The control measures should, however, be commensurate with the potential frequency, severity and financial consequences of the risk event.

**Accepted** - Certain risks may have to be accepted as they form part of, or are inherent in, the activity. The important point is that these risks have been identified and are clearly understood.

**Transferred** - to another body or organisation i.e. insurance, contractual arrangements, outsourcing, partnerships etc. (Liabilities cannot be contracted out in their entirety. The Council will often retain overall accountability; and certainly for health and safety risks).

**Terminated** - By ending all or part of a particular service or project.

It is important to recognise that, in many cases, controls will already be in place. It is therefore necessary to look at these controls before considering further action. They may be out of date or not complied with.

Most risks are capable of being managed, either by managing down the likelihood or impact or both. Relatively few risks have to be transferred or terminated.

#### **Stage 4 – Recording, monitoring and reporting**

Existing controls of strategic risks, their adequacy, new mitigation measures and associated action planning information are to be recorded on the Strategic Risk Register.

A residual (or target) risk score will also be agreed at the beginning of each financial year to focus minds on risk mitigation and recording of actions planned and achieved.

The residual risk score, planned and implemented controls and the associated cost will all be recorded on the risk register.

Leadership Team is responsible for ensuring that strategic risks are managed and will report to the Executive and Performance, Audit and Governance Scrutiny Committee. Both will receive an annual report detailing the content of the Strategic Risk Register, then three exception reports each year detailing any change in risk scoring and the reasons why.

Strategic risks are recorded on Pentana Performance (formerly called Covalent) for Members' benefit.

~~The highest level operational / service risks are monitored at Leadership Team quarterly. A register comprising the highest level risks facing services, plus common themes affecting all or most services will be considered.~~

#### **Stage 5 - Integrate with strategic and audit planning and decision making**

In order to formalise and structure risk management at the Council, it is recognised that there are obvious and clear links between risk management and strategic planning; financial planning; policy making and review and performance management. The linkages are as follows:

- Risk management is part of the business planning process. Guidance on the framework is issued annually to Leadership Team.



- Financial ~~Regulations~~ Procedure Rules apply to every Member and officer of the Council, and anyone acting on its behalf. East Herts encourages innovation, providing this is within the framework laid down by the Financial Procedure Rules ~~Regulations~~, and the necessary risk assessment and approval safeguards are in place.
- Risk registers will be shared with the Shared Internal Audit Service for the purposes of audit planning.

## **Section 4 - Risk management in projects and partnerships**

Risk management needs to be a key part of the ongoing management of projects and partnerships, including shared services.

### **Project / Programme management**

There is a need for consistent and robust approach to risk management in significant projects, both at the initiation stage and throughout the entire project. Guidance is available on the intranet.

Risk management should feature regularly on meeting agendas ~~and risk is a standard agenda item at Project Board.~~

### **Partnerships**

Reduced funding is leading to more public services and community projects being delivered through partnerships between the public, private and third sectors. Partnerships are essential to deliver benefits to residents, businesses and visitors, but they bring risks as well as opportunities.

Assurance should be gained and evidenced on risks associated with delivering services through third parties, and accountability should be clear and recognised.

## Section 5 - Roles and responsibilities

The following describes the roles and responsibilities that Members and officers have in introducing, embedding and owning the risk management process:

### Members

Elected Members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the Council faces and ~~will be made aware of~~ can monitor how these risks are being managed on Pentana Performance.

All Members will have the responsibility to consider the risks associated with the decisions they undertake and will be informed of these risks in the reports that are submitted to them. They cannot seek to avoid or delegate this overall responsibility, as it is key to their stewardship responsibilities.

~~All Members can access strategic risks on Pentana Performance (formerly called Covalent).~~

### Full Council

~~Full Council recognises the importance of effective risk management and considers risk management issues when making decisions.~~

### Executive

- To receive an annual report regarding the content of the Strategic Risk Register, then three exception reports each year detailing any change in risk or scoring and the reasons why.
- Agree the Risk Management Strategy on an annual basis, or if significant changes require a revision.
- Agree / set the Council's risk appetite.
- Allocate sufficient resources to address top risks.

### Performance, Audit and Governance Scrutiny Committee

- To develop policy options and to review and scrutinise the policies of the Council including Risk Management.
- To monitor the effective development and operation of risk management and corporate governance in the Council.

- Receive an annual report regarding the content of the Strategic Risk Register, then three exception reports each year detailing any change in risk or scoring and the reasons why.

### Chief Executive and Leadership Team

- To ensure that effective systems of risk management and internal control are in place to support the Corporate Governance of the Council.
- Take a leading role in identifying and managing the risks and opportunities to the Council and to set the example and standards for all staff. Advise the Executive ~~and Council~~ on the risk management framework, policy, strategy and processes.
- Advise on the management of strategic and other significant risks.
- Ensure that the Policy and Strategy are communicated, understood and implemented by all Members, managers and staff.
- ~~To report to Members on the management of strategic risks.~~
- To ensure that the risk management process is part of all major projects, partnerships and change management initiatives.

### Heads of Service

- To be individually responsible for their service risks.
- ~~Be actively involved in the identification and assessment of risks through the service planning process.~~
- Ensure that all reports of a strategic nature written for Members include risk commentary.
- To implement the detail of the Risk Management Strategy and risk related corporate policies, e.g. Health and Safety, Data Protection.
- ~~Ensure that significant service risks are considered by Leadership Team quarterly.~~

### Strategic Finance and Property

- Co-ordinate risk management activities and prepare related reports for management and Members.
- Review and develop the Risk Management Strategy and processes.
- Facilitate / arrange risk management training for staff and Members.
- To co-ordinate the Business Continuity Plan.
- Support the risk based audit planning process.

## Shared Internal Audit Service

- To provide assurance to the Council through an independent and objective opinion on the control environment comprising risk management, control procedures and governance.
- To provide an annual Audit Plan that is based on a reasonable evaluation of risk, and to provide an annual assurance statement to the Council based on work undertaken in the previous year.
- Review and challenge the effectiveness of the risk management framework.

## Appendix 1 – Categories of risk

Risk	Definition	Examples
Political	Associated with the local or central government policy or the local administration's manifest commitment.	<a href="#">Brexit.</a> <a href="#">Policy and decisions.</a> <a href="#">New political arrangements.</a>
Finance	Affecting the ability of the Council to meet its financial commitments. These include internal budgetary pressures, external macro level economic changes or consequences of proposed investment decisions.	Financial climate. Budget overspends. Level of Council tax. Level of reserves. Cost of living. Changes in interest rates. Inflation. Poverty indicators.
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to meet its objectives.	Ageing population. Health statistics. Crime rates. Housing development.
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.	E-Gov. IT infrastructure. Staff/client needs. IT Security.
Legislative / Legal	Associated with current or potential changes in national or European law Or possible breaches of legislation.	GDPR Human rights. TUPE regulations Challenge to procurement exercise
Continuity / service delivery	Ability to deliver services.	Loss of key staff, building, documents or IT.
Environmental	Relating to the environmental consequences of progressing the Council's strategic objectives.	Land use. Recycling. Pollution. Extreme weather events.

Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value.	Fail to win quality accreditation. Alternative service providers.
Customer / citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens.	Managing expectations. Extent of consultation.
Managerial / profession	Associated with the particular nature of each profession, internal protocols and managerial abilities.	Staff restructure. Internal capacity.
Partnership / contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification.	Contractor fails to deliver. Partnership agencies do not have common goals. Shared services.
Physical	Related to fire, security, accident prevention and health and safety.	Land / facility management. Health and safety risks. Development sites.