



# **RISK MANAGEMENT STRATEGY**

**November 2018**

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## **1. PURPOSE OF THE STRATEGY**

- 1.1 Three Rivers District Council is a complex organisation, delivering a range of priorities against a backdrop of financial constraint and the need to demonstrate continuous improvement, efficiency and customer focus. The management of risk, including opportunity risk, is essential to ensure the achievement of our objectives.
- 1.2 The effective management of risk is a key component to demonstrating good corporate governance.
- 1.3 A planned approach to the identification, analysis and mitigation of risk helps the council to plan and achieve a balance between being bold and progressive on the one hand and overly risk averse on the other.
- 1.4 The purpose of this strategy is to provide a framework for the effective management of risk within the council. By improving the management of risk, we will be better able to achieve our objectives and ensure best value in the services we provide.

## **2. OUR VISION AND PRIORITIES**

- 2.1 Three Rivers District Council's vision is that the district should be a better place for everyone, their neighbourhoods, health, employment and access to services.
- 2.2 The aims and priorities for the Council are outlined below, and we shall work with public, private and voluntary services to achieve them.

### **1) Better neighbourhoods – we want to:**

- maintain high quality neighbourhoods;
- reduce the eco-footprint of the district;
- create access to good quality jobs and employment
- support businesses and the local economy.

### **2) Healthier Communities – we want to:**

- develop and improve access to good quality housing;
- create prosperity for all and access to opportunities;
- to support the most vulnerable people in the District;
- provide a healthy and safe environment;
- reduce health inequalities, promote healthy lifestyles, support learning and community organisations.

## **3. BACKGROUND**

- 3.1 Risk management is essentially about good management practice and effective decision-making.
- 3.2 Risk management is embedded within both the council's project management and decision making processes.
- 3.3 This strategy shows how the council will continue to develop its risk management practices as part of its overall aim to demonstrate effective corporate governance and sound corporate management.

### 3.4 Definitions

**Risk:** The effect of uncertainty on objectives. Effect can be positive as well as negative. Put simply, it is the combination of the likelihood of an event occurring and its consequences.

**Risk Management:** The process that is used to manage risk.

**Risk Appetite:** The amount and type of risk that an organisation is prepared to pursue, retain or take. This is not just concentrating on the negatives, but also the benefits that taking calculated risks can bring to achieving our priorities. Our risk appetite sets our attitude to risk taking.

**Risk Tolerance:** The level of risk the council is prepared to expose itself to.

**Control Measures:** The actions taken to mitigate the likelihood and impact of a risk.

## 4. RISK MANAGEMENT STRATEGY OBJECTIVES

4.1 The objectives of the council's risk management strategy are to:

- Embed risk management into the culture of the council.
- Maintain a robust and responsive risk management process as part of its governance arrangements. Anticipate and respond to changing social, environmental, economic and legislative requirements.
- Prevent injury, damage and losses and reduce the cost of risk.
- Raise awareness of and seek to continuously improve the capacity and capability of staff and partner organisations to manage risk.
- Encourage an open dialogue about risks that may affect outcomes and objectives.
- Encourage responsible risk taking in response to opportunities and challenges, based around a clearly articulated statement of risk appetite.

4.2 Good risk management is the key to the council achieving all of its objectives.

4.3 It is also a legislative requirement. The Accounts and Audit Regulations 2006 require the council to publish an Annual Governance Statement with the Annual Statement of Accounts. This includes its arrangements for the management of risk.

4.4 The objectives of the Risk Management Strategy will be achieved by:

- Establishing clear roles, responsibilities and reporting lines within the council for risk management.
- Enabling managers to demonstrate that risk assessment and management is taking place.
- Providing opportunities for shared learning on risk management across the council.
- Providing a means for identifying and prioritising risk areas.
- Reinforcing the importance of effective risk management as part of the everyday work of employees.
- Incorporating risk management considerations into reviews.
- Incorporating risk management into the council's corporate, financial and service planning processes.

- Reinforcing the importance of risk management as part of the council's project management, performance management and procurement processes.
- Monitoring arrangements on an ongoing basis.

## 5. KEY FEATURES OF THE RISK MANAGEMENT FRAMEWORK

- 5.1 The risk management process requires the identification, evaluation and ongoing management of risks with the aim of reducing them to an acceptable level where possible. Not all risks can be mitigated to an acceptable level, in which case the aim is to ensure that controls are as robust as possible and that regular monitoring takes place. It is also important to ensure any control measures are proportionate to the risk they are intending to mitigate.
- 5.2 Service and project managers are responsible for identifying risk on an ongoing basis and for maintaining and reviewing Service and Project Risk Registers. The requirement to consider risk is also included in reports to committees and officers taking delegated decisions.
- 5.3 The council has a Strategic Risk Register that reflects the high level strategic risks. A strategic risk is defined as one that would seriously prejudice the achievement of one or more objectives in the Strategic Plan.
- 5.4 The cycle of risk management involves a number of key stages which are outlined below. The scoring and recording of risk is shown in more detail in Appendix A and B.

### 5.5 Stage 1: Identify the Risks

Identification of the risks or barriers to achieving the objectives through:

- Specifying the risks to which the authority is exposed in meeting its objectives and priorities.
- Maintaining a Strategic Risk Register that includes a list of the key strategic risks to the Council.
- Maintaining a Financial and Budgetary Risk Register that includes a list of the key financial risks to the Council.
- Maintaining departmental Operational Risk Registers that include a list of key service-specific risks to each department.
- Maintaining project risks within Project Risk Registers.
- Maintaining partnership risks within Partnership Risk Registers.
- Including risks affecting the achievement of objectives in the risk management section of all committee reports.

### 5.6 Stage 2: Assess and Score the Risks

#### Original Score

Having identified areas of potential risk, these are then analysed with the use of a risk matrix to give an assessment of impact and likelihood and an overall score for the risk without any mitigating controls, i.e. the **inherent risk** score. The impact and likelihood scoring matrix is attached at Appendix A.

Having evaluated the risk without controls in place, list the key controls / actions that will reduce the risk of non-achievement. Re-evaluate using the risk matrix to arrive at the '**residual**' risk score.

This whole risk process records the controls that are required to be put in place, including time scales, in order to reduce the likelihood of the risk occurring and the impact upon council objectives and will include such actions as:

<b>Tolerate</b>	The council may tolerate a risk where: <ul style="list-style-type: none"> <li>• The risk is effectively mitigated by internal controls, even if it is high</li> <li>• The risk cannot be mitigated cost effectively</li> <li>• The risk opens up greater benefits.</li> </ul> These risks must be monitored and contingency plans should be put in place in case the risks occur.
<b>Treat</b>	The purpose of treating a risk is to continue with the activity which gives rise to the risk, but to bring the risk to an acceptable level by taking action to control it through <b>either</b> containment actions (these lessen the likelihood or consequence of a risk and are applied before the risk materialises) <b>or</b> , contingency actions (these are put into action after the risk has happened, thus reducing the impact. These must be pre-planned).
<b>Terminate</b>	Doing things differently and therefore removing the risk. This is particularly important in terms of project risk. This may be difficult to achieve with the council's strategic risks.
<b>Transfer</b>	Transferring some aspects of the risk to a third party, for example by insurance or paying a third party to take the risk.

#### For positive risks

The suggested actions for opportunities, in contrast to the ones for negative risks, are:

<b>Enhance</b>	Take actions to increase the likelihood and / or impact of the opportunity
<b>Exploit</b>	Take actions to ensure the opportunity will happen and the impact will be realised
<b>Share</b>	With a partner, supplier, etc and in so doing, share the use of resources, technology, etc.
<b>Reject</b>	Take no action

#### 5.7 Stage 3: Recording the Risks

Each risk needs to be allocated an accountable risk owner to take responsibility for managing the risk, ensuring controls remain effective and actions are taken. The Risk Register Template is at Appendix B.

#### 5.8 Stage 4: Monitoring and reporting

Depending on the risk score, a risk is ascribed the status of red, amber or green. Risks scoring 9 or above after mitigation must be recorded and actively monitored either in the project risk register, service risk register if related to a service specific operational risk or in the Strategic Risk Register if strategic. Any risks of 12-16 should be brought to the attention of Management Board for quarterly monitoring.

All service departmental management teams should review their operational risk registers at least quarterly. All project managers should review their project risk registers at every project board meeting.

The Strategic Risk Register will be reported at least bi-annually to the Policy and Resources Committee.

The Financial and Budgetary Risk Register will be reported quarterly to the Audit Committee.

Operational Risk Registers are included in each department's Service Plans and are reported to the relevant Service Committee at least annually.

## **6. RISK APPETITE AND TOLERANCE**

- 6.1 Risk management is not entirely focussed on risk avoidance. The Council recognises that calculated, responsible and informed risk is necessary if it is to innovate and ensure value for money. The risk management process therefore concentrates on the management of an acceptable level of risk.
- 6.2 Risk appetite is defined within BS31100 as 'the amount of risk that an organisation is prepared to seek, accept or tolerate'.
- 6.3 Risk is inherent in every decision we make and we need to recognise that in taking such decisions we need to have articulated a level of risk that we are willing to take in order to reap positive benefits, whilst not over-exposing the council to negative consequences.
- 6.4 Risk appetites exist on a scale of risk averse at one end, to risk hungry at the other. In the former position, risk is actively avoided and this may be appropriate for activities where safe options are required, but equally it may stifle innovation. In the latter position, the Council will adopt more innovative approaches, which may offer greater long term benefits, but which have a higher level of inherent risk to them.
- 6.5 Risk appetite is not a 'one size fits all' statement. The Council's risk appetite will vary between types of risk and also between services.
- 6.6 The matrix below is designed as a tool for managers to use as part of their project evaluation and decision-making processes so that they may be clearer as to the levels of risk the council is prepared to take, accept or tolerate.
- 6.7 Having a clear risk appetite process has several benefits:
  - It can be seen where a risk might be being over managed or an opportunity under exploited.
  - Differences between risk appetite and the level of control in place can be addressed by refocussing control in priority areas.
  - The council is clear in its communications about the levels of risk it is prepared to retain after having applied control and risk mitigation actions.
  - Decisions can be more focussed.

The table below sets out the council's risk appetite.

IMPACT	LIKELIHOOD			
	1 Remote (≤ 5%)	2 Unlikely (6 – 20%)	3 Likely (21 – 79%)	4 Very Likely (≥ 80%)
4 (Catastrophic)	4 Low	8 High	12 Very High	16 Very High
3 (Critical)	3 Low	6 Medium	9 High	12 Very High
2 (Significant)	2 Low	4 Low	6 Medium	8 High
1 (Marginal)	1 Low	2 Low	3 Low	4 Low

The aim of risk management should be to bring risks as close beneath the risk appetite line (shown as a thick black line above) as possible, in other words applying enough control to manage the risk down to an acceptable level, without either over or under controlling it.



## Risk Appetite Matrix

	<b>1 Averse</b>	<b>2 Cautious</b>	<b>3 Open</b>	<b>4 Hungry</b>
	Avoidance of risk and uncertainty is a key driver in decision making	There is a general preference for safe options that have a low degree of inherent risk and may only have limited potential for reward	All potential options are considered and the decision will be the course of action that is likely to result in successful delivery and an acceptable level of reward – which will include value for money	Eager to innovate and explore novel options that offer a potentially higher level of reward, but with a higher level of inherent risk
<b>Risk category</b>	<b>Examples of behaviours when taking decisions</b>			
<b>Reputation</b>	Minimal tolerance of any activity that could lead to press scrutiny of the council	Tolerance is limited to decisions where there is little chance of significant reputational repercussions for the council should there be a failure	Appetite to take decisions where there is a potential to expose the council to scrutiny but only if appropriate measures have been taken to minimise exposure	Appetite to take decisions that are likely to bring scrutiny of the council but the potential benefits outweigh the risks
<b>Operational &amp; Policy Delivery</b>	Defensive approach which aims to defend or protect rather than create or innovate. Tight management controls and oversight with limited devolved decision. General avoidance of system or technological developments	Tendency to stick to the status quo with innovation avoided unless necessary. Decision making generally with senior management. Systems / technology developments are limited to protection of current operations.	Innovation is supported, with demonstrable improvements in management control. Systems and technological developments are considered to enable operational delivery. Responsibility for non-critical decisions may be devolved.	Innovation is pursued – there is a desire to challenge current working practices. New technologies are viewed as a means of improving operational delivery. Management is by trust rather than tight control and authority is devolved.

## 7. TYPES OF RISK

7.1 Categories of risk identified by the council are as follows:

Impact Classification	Service disruption	Financial loss	Reputation	Failure to meet legal obligation	People
4 Catastrophic Impact	Total loss of service	> £500k	Adverse national media coverage / many complaints	Litigation, claim or fine > £500k	Fatality of one or more clients or staff
3 Critical Impact	Major service disruption	£100k - £500k	Adverse local media coverage / several complaints	Litigation, claim or fine £100k - £500k	Serious injury, permanent disablement of one or more clients or staff
2 Significant Impact	Service disruption	£25k - £100k	Local public interest / some complaints	Litigation, claim or fine £25k - £100k	Major injury to an individual
1 Marginal Impact	Minor service disruption	< £25k	Isolated complaints	Litigation, claim or fine < £25k	Minor injury to less than 5 people

## 8. IDENTIFICATION OF RISKS WITHIN COMMITTEE REPORTS

8.1 Decisions should be recorded by the author of the report in the section "Potential Risks" as follows:

Nature of Risk	Consequence	Suggested Control Measures	Response ( <i>treat, tolerate, terminate, transfer</i> )	Risk Rating ( <i>combination of severity and likelihood</i> )

- If any of the risks after control measures have been put in place score 8 or higher, explain in the body of the report why you are recommending to the decision maker that the risk should be tolerated, or how it is intended to transfer the risk.
- For all risks, explain what you will be doing to keep the risks under review and at what point you might be suggesting termination.
- For risks with scores of 8 or more after control measures are in place, ensure they are either recorded in your service risk register or project risk register and flag them for consideration by Management Board to be placed in the strategic risk register.

## 9. ROLES AND RESPONSIBILITIES

9.1 The roles and responsibilities of all those involved in the risk management process can be summarised as follows:

	<b>Role</b>
<b>Chief Executive and Directors</b>	<ul style="list-style-type: none"> <li>Leads on the wider corporate governance agenda, of which risk management is a part.</li> <li>Signs off the annual Governance and Assurance Statements.</li> <li>Ensures that risks are fully considered in all strategic decision making and that the risk management strategy helps the council to achieve its objectives and protection of its assets.</li> </ul>
<b>Data Protection Officer</b>	<ul style="list-style-type: none"> <li>Reports direct to Chief Executive</li> <li>Lead officer for risk management.</li> <li>Owner of risk management strategy.</li> <li>Chairs Officer Risk Management Group.</li> </ul>
<b>Cabinet / Management Board</b>	<ul style="list-style-type: none"> <li>Ensures the council manages risk effectively through the development of a comprehensive risk management strategy.</li> <li>Monitors progress against strategic and cross-cutting risk action plans.</li> <li>Attends risk management training as appropriate.</li> <li>Lead Member for Resources acts as Risk Champion.</li> </ul>
<b>Officer Risk Management Group</b>	<p>The purpose of the group is to ensure the implementation of our risk management strategy as a key element of our strategic and service planning process, with particular attention to ensuring there is in place an up to date:</p> <ul style="list-style-type: none"> <li>Strategic risk register</li> <li>Operational risk registers</li> <li>Project risk registers</li> <li>Resilience plans</li> <li>Monitoring and reporting procedures</li> <li>Review and updating procedures</li> <li>Specification of standards</li> <li>Provision of appropriate training</li> <li>Protection of core information systems and infrastructure</li> <li>Managing risk in partnerships.</li> </ul>
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>Considers and reviews the council's risk management strategy.</li> <li>Reviews quarterly the council's budgetary and financial risks.</li> <li>Reviews annually the Council's operational risk registers.</li> <li>Attends risk management training as appropriate.</li> <li>Monitors the effectiveness of the authority's risk management arrangements.</li> <li>Seeks assurances that action is being taken on risk related issues identified by auditors and inspectors.</li> <li>Be satisfied that the authority's Annual Governance Statement including the assurance statement properly reflect the risk environment and any actions required to improve it.</li> </ul>
<b>All members</b>	<ul style="list-style-type: none"> <li>Responsibility to understand the strategic risks the authority faces, to oversee the effective management of these risks by officers</li> <li>Ensure that all identified risks have been considered in decision-making</li> <li>Seek clarification from report authors and/or lead Members if</li> </ul>

	risks are not specifically shown in report
<b>Heads of Service</b>	<ul style="list-style-type: none"> <li>• Ensure the council manages risk effectively in each service within the agreed corporate strategy.</li> <li>• Attend risk management training as appropriate.</li> <li>• Cascade the principles of good risk management to their sections, report potential strategic risks to their management team and manage all the risks associated with their service.</li> <li>• Ensure that risks are fully considered in the decision making process.</li> <li>• Ensure that risks are reviewed on a regular basis but quarterly as a minimum.</li> <li>• Ensure that risks are managed appropriately in any projects and partnerships that they are responsible for or are involved with.</li> <li>• Ensure that any policies or procedures for which they are responsible make the appropriate linkages to risk management.</li> </ul>
<b>Insurance Officer</b>	<ul style="list-style-type: none"> <li>• Day to day management of the insurance function, including administration of claims.</li> <li>• Monitors claims experience and provides relevant data to service managers in order to reduce risk and ensure that claims experience levels are minimised.</li> </ul>
<b>Project managers and managers of Partnerships</b>	<ul style="list-style-type: none"> <li>• Use the project risk register template to identify and manage their risks.</li> <li>• Report their risks to the appropriate partnership/project board on a regular basis.</li> <li>• Ensure that their risks are included in the appropriate risk register.</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Manage risk effectively in their job.</li> <li>• Attend risk management training as appropriate.</li> </ul>

**SCORING RISK**

The impact and likelihood of any risk is evaluated on a scale of 1 – 4, with the product of the two representing the risk score.

Very Likely ----- LIKELIHOOD ----- Remote	Low 4	High 8	Very High 12	Very High 16
	Low 3	Medium 6	High 9	Very High 12
	Low 2	Low 4	Medium 6	High 8
	Low 1	Low 2	Low 3	Low 4
	IMPACT Low -----> Unacceptable			

The interpretation of the scores is as follows:

Likelihood Classification	
4	Very Likely (≥80%)
3	Likely (21-79%)
2	Unlikely (6-20%)
1	Remote (≤5%)

Impact Classification	Service disruption	Financial loss	Reputation	Failure to meet legal obligation	People
4 Catastrophic Impact	Total loss of service	> £500k	Adverse national media coverage / many complaints	Litigation, claim or fine > £500k	Fatality of one or more clients or staff
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## Overall Risk Score

The overall risk score can be interpreted as follows:

Risk Score	Description
12 – 16	Very High – risk must be reduced through planned actions
8 – 9	High risk – take further action to manage the risk and reduce its impact and/or likelihood
6	Medium risk – consider further action
1 – 4	Low risk – monitor to ensure it remains low

RISK REGISTER

Date risk added to register	Risk ref	Risk owner	Category	Risk description	Comment	Likelihood score (inherent)	Impact score (inherent)	Inherent risk score	Risk controls	Risk control owners	Likelihood score (residual)	Impact score (residual)	Residual risk score	Risk direction	Action plan	Action plan owners	Action plan completion dates	Comments on last risk review
<i>dd/mm/yy</i>	<i>Unique reference number</i>	<i>Who is responsible for the risk?</i>	<i>Strategic, Operational or Financial</i>	<i>What is the risk?</i>	<i>Any other information about the risk, eg cause/trigger, consequences, etc</i>	<i>What is the likelihood score with no controls in place? 1=≤5% 2=6-20% 3=21-79% 4=≥80%</i>	<i>What is the impact score with no controls in place? 1=marginal 2=significant 3=critical 4=catastrophic</i>	<i>Likelihood X Impact  (this cell auto-Populates)</i>	<i>List existing controls</i>	<i>Who is responsible for the current controls</i>	<i>What is the likelihood score with the controls in place? 1=≤5% 2=6-20% 3=21-79% 4=≥80%</i>	<i>What is the impact score with no controls in place? 1=marginal 2=significant 3=critical 4=catastrophic</i>	<i>Likelihood X Impact  (this cell auto-Populates)</i>		<i>What further controls can be used to reduce the risk further or maintain the current residual score?</i>	<i>Who is responsible for implementing and monitoring the action plan?</i>	<i>When will items on the action plan be completed?</i>	<i>What has changed since the risk was last reviewed?</i>





## DOCUMENT INFORMATION

### Approval of Document

	Name	Job Title	Date
Prepared by:	Phil King	Emergency Planning and Risk Manager	Sept 2018
Checked & Reviewed by:	Audit Committee		Sept 2018
Approved by:	Policy & Resources Committee		Nov 2018
Date Document is due for Review:	September 2019		
Version:	1.0		
Purpose of Document Issue:	New format and scoring system – replaces previous RM Strategy (July 2015)		

### Distribution List

Organisation	Name	Format and quantity issued
TRDC	Risk Management Shared Folder	Electronic x 1
TRDC	Website	Electronic x 1
TRDC	Intranet	Electronic x 1

### Amendment and Revision Record

Version	Purpose of Issue	Date
1.0	New version of the strategy - agreed by Resources Policy Panel (05/11/2018)	Nov 2018