Risk Management Policy & Strategy

2023 – 2024

Author: Karen Dawson Insurance Specialist	20 April 2023
Policy & Strategy Owner	Andrew Small, Section 151 Officer
Version 1	Next review date April 2024

Contents

Forward

Epping Forest District Council has a Corporate Plan "Your Epping Forest Our Plan 2023 – 2027". Robust risk management practices are essential for managing the risks associated with achieving our ambitions and delivering our Corporate Plan objectives. To achieve our desired outcomes, management of risk should be integral to our culture.

Epping Forest District Council has seen, and will continue to see, unprecedented changes not only in its funding arrangements, but the way services will be delivered. Such changes will lead to new risks (Corporate, Service, Projects, Shared Services and Partnerships), which will need to be considered and managed appropriately. The Council will respond to such uncertainty as detailed in our Risk Management Policy and Strategy. .

The Council accepts that risks cannot always be totally eliminated. The purpose of the Council's Risk Management Policy & Strategy is to support the development of a consistent approach to identifying, evaluating and managing risk, ensuring that all reasonable steps are taken to mitigate risks and maximise opportunities, and that the level of risk accepted is balanced against the expected reward.

The management of risk is an essential component of performance management and underpins good governance. Risk management is a key component of corporate governance in maintaining a strong control environment. Risk management must be embedded throughout the Council if it is to make sustained improvement.

Formally incorporating risk management into day-to-day management practices and processes increases the focus on what needs to be done (and not done) to meet objectives and improve performance.

Our approach to risk management provides easy to follow guidance on identifying and managing risks.

Andrew Small

Strategic Director and S151 officer

Epping Forest District Council

1. Risk Management Policy

1.1. Policy Statement

The Council recognises that an element of risk taking is essential if it is to realise opportunities, thrive and meet its objectives. As such the Council policy is to be:

"risk aware rather than risk averse by embedding the identification, evaluation and management of risk across all aspects of the Council at different levels to support the achievement of the Council's objectives".

Nationally there is a statutory requirement for risk management within the Accounts and Audit Regulations 2015, which states "*a relevant authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk*".

This is supported by the CIPFA (Chartered Institute of Public Finance and Accountancy)/SOLACE (Society of Local Authority Chief Executives) Delivering Good Governance guidance (2016). The guidance defines the principles that should underpin the governance of each local government organisation. One of these principles is around implementing robust and integrated risk management arrangements and ensuring that they are working effectively. Additional sector guidance is provided by the International and British Risk Management Standard (BS ISO 31000).

1.1.1. The Council's risk management objectives are to:
- Integrate risk management into the culture of the Council adopting a 'no blame' approach using lessons learnt.
- Manage risk in accordance with good practice and sound governance practices.
- Anticipate and respond to changing social, economic, political, environmental, legislative and technological requirements.
- To provide early warning on key and emerging matters, to promote transparent, openness, timely decision making and intervention at appropriate levels.
- Raise awareness using a collaborative supportive approach and provide training on a rolling programme basis across the Council including Members, thus truly embedding within day-to-day decision making, business practices and processes.
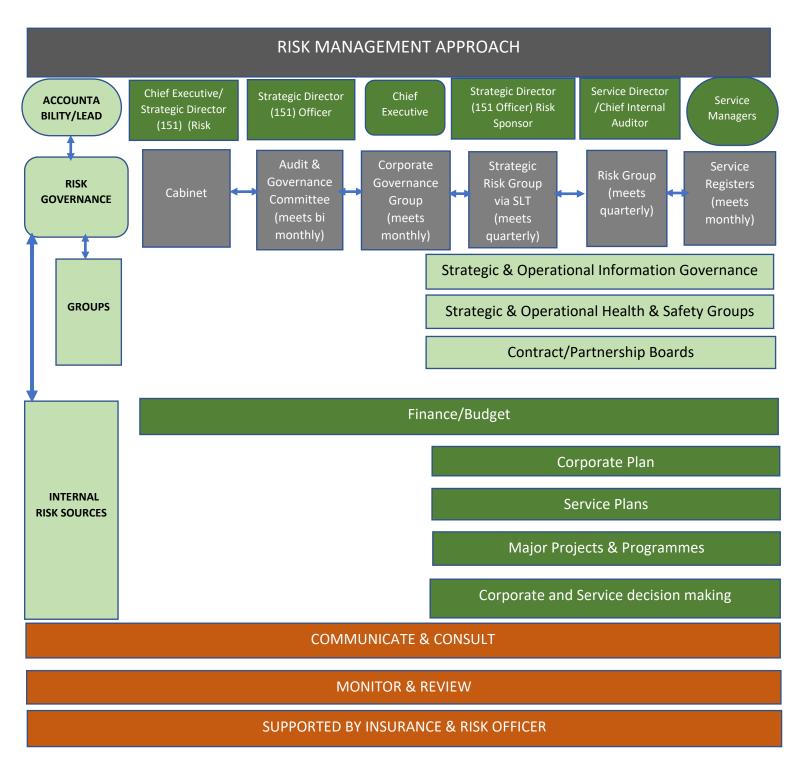
1.1.2. These objectives will be achieved by:
- Establishing clear roles and responsibilities and reporting lines within the Council for risk management, making clear that everyone should take ownership of risk management.
- Incorporating risk management considerations in the strategic planning and decision making of the Council. To ensure that all Members and Officers make effective decisions to meet their objectives and to safeguard the Council's assets.
- Incorporating risk management considerations into all levels of decision making, business planning and service delivery for effective decisions to be

made based on a sound understanding of the risks and opportunities the Council face.

- Providing opportunities for shared learning on risk management across the Council and with Partner organisations.
- Providing a framework for allocating resources to identified priority risk areas.
- Ensure risk management practices are dynamic in order to capture and anticipate emerging risks and to be able to assess the trade-off between risk and opportunity.
- For risk registers to be live documents at strategic, operational and project levels; regularly updated, maintained and challenged as part of business as usual.
- To take actions, where appropriate, to minimise the likelihood of risks occurring and/or reducing the severity of consequences should risks occur.
- To ensure that risks are monitored on an ongoing basis by Senior Management and reported to Members.

2. Risk Management Approach

2.1.   Our approach to risk management supports the consistent and robust identification, evaluation and management of opportunities and risks across the Council. The Council's approach to risk management (*figure 1)* supports openness, challenge and innovation in the achievement of objectives.

RISK MANAGEMENT APPROACH

ACCOUNTABILITY/LEAD	Chief Executive/ Strategic Director (151) (Risk	Strategic Director (151) Officer	Chief Executive	Strategic Director (151 Officer) Risk Sponsor	Service Director /Chief Internal Auditor	Service Managers
RISK GOVERNANCE	Cabinet	Audit & Governance Committee (meets bi monthly)	Corporate Governance Group (meets monthly)	Strategic Risk Group via SLT (meets quarterly)	Risk Group (meets quarterly)	Service Registers (meets monthly)

Strategic & Operational Information Governance

Strategic & Operational Health & Safety Groups

Contract/Partnership Boards

GROUPS

Finance/Budget

Corporate Plan

Service Plans

Major Projects & Programmes

Corporate and Service decision making

INTERNAL RISK SOURCES

COMMUNICATE & CONSULT

MONITOR & REVIEW

SUPPORTED BY INSURANCE & RISK OFFICER

(Figure 1 – EFDC approach to risk management)

3. Risk Management Strategy

3.1. What is risk? What is risk management?

3.1.1. Risks are significant uncertainties or missed opportunities that may affect the Council's ability to achieve both its strategic and operational objectives as outlined in its Corporate Plan.

3.1.2. Risk management is the planned and systematic process by which key risks are identified, evaluated and managed in order to maximise opportunities and minimise potential negative consequences to the Council, to ensure we meet our objectives and desired outcomes.

3.2. Benefits of Risk Management

3.2.1. Without good risk management practices fully embedded across the Council at all levels, the Council cannot manage its resources effectively, will fail to achieve its corporate objectives and fail to deliver to the community as outlined in the Corporate Plan. Risk Management is not just about avoiding or managing adverse impacts but also taking advantage of the opportunities to improve services, reduce costs and optimise the use of resources.

3.2.2. Effective risk management is a live, ongoing process. The Council is fully committed to developing a culture where risk is appropriately and effectively managed and by embedding strong risk governance the following benefits can be realised:

Improvement/Opportunities	Examples
Improved Strategic Management	• Sound system of corporate governance • Confidence in the rigour of the Annual Governance Statement • Greater ability to deliver against objectives • Informed decision making
Improved Operational Management	• Delivery of change management and organisational change • Reductions in interruptions to service delivery • Improved prevention of fraud, bribery and corruption • Reduction of waste of resource and reduced leakage
Improved Financial Management	• Better informed financial decision making • Enhanced financial control • Reduction in insurance premiums and claim related costs • Reduction in financial costs • Increase in revenue opportunities
Improved Customer Service	• Minimise service disruption to Customers • Reduce risk of adverse media coverage and loss of reputation

3.3. Embedding Risk Management

3.3.1. To ensure risk management is truly embedded across the Council it should form part of all plans, reports, business cases and decision making. It should be incorporated as part of business as usual activities i.e. in everything we do.

3.3.2. There are a number of ways to implement and support a strong risk culture including:
- Set and maintain the correct risk culture at Executive Team and Senior Leadership level
- Educate employees and Members of the importance of the Risk Management Policy & Strategy
- Employees at all levels to understand their responsibilities in managing risks
- Develop, implement and maintain an efficient risk management process
- Recognise and reward good risk behaviour

4. Key Roles & Responsibilities

4.1. To ensure risk management is effectively implemented, all Council Members and Officers should have a level of understanding of the Council's risk management approach and regard risk management as part of their responsibilities:

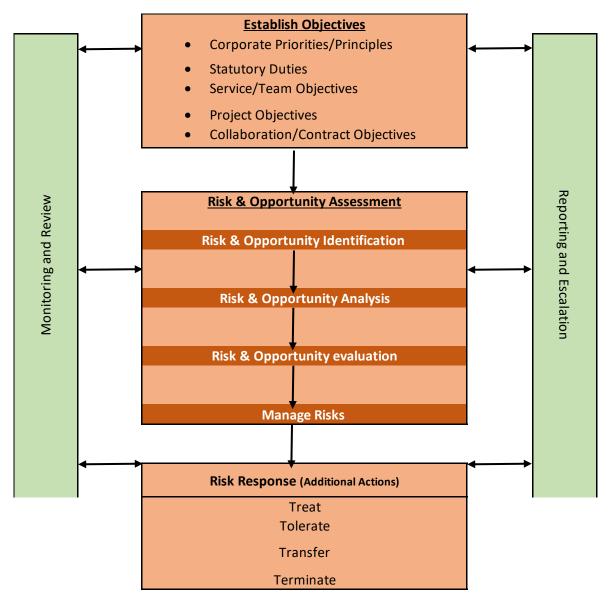| Responsible Body	Role	Monitoring Period
Executive Team	Ultimate responsibility to ensure the effectiveness for Risk Management , Policy and Strategy remains relevant	Quarterly
Senior Leadership Team	• All strategic risks are robustly managed and reviewed in line with the Council's Risk Management Policy & Strategy • Directorate risks are escalated for inclusion onto the Corporate Risk Register • Responsible for the effective leadership and management of risk in their service areas to meet business objectives and outcomes	Ongoing/Quarterly
Elected Members including the Audit & Governance Committee	Constructively review, scrutinise and challenge the risks involved in delivering the Council's core purpose, priorities and outcomes	Quarterly (in line with Committee cycles)
Insurance & Risk Officer	• Design and facilitate the implementation of a Risk Management , Policy & Strategy. • Act as a centre of expertise providing support and guidance. • Collate risk information and prepare reports where necessary.	Ongoing/Quarterly

	• Provide advice that risks are being effectively assessed and managed • Provide guidance to Officers and Members, and identify opportunities for workshops and training. • Highlight to SLT exceptions, cross cutting trends and themes for consideration	
Service Directors, Service Managers and Team Managers	• Up to date Directorate risk registers are maintained and identify cross cutting risks, which impact on the achievement of directorate objectives • Service level registers are maintained and reviewed and any cross cutting risks are escalated onto the Directorate risk register. • Identify and manage operational service risks • Promote risk aware culture • Implement risk improvement recommendations within service departments	Ongoing/Quarterly
All Employees	• All staff have a duty to consider the risks to the achievement of their day to day objectives and notify managers of any threats or opportunities which could hinder or enhance working practices. • Participate fully in risk workshops and action planning as appropriate • Attend training and awareness sessions as appropriate	Ongoing
Chief Internal Auditor/Internal Audit	• Provide independent assurance of the Council's risk management arrangements, reporting on the efficiency and effectiveness of internal controls. • Promote risk management as part of good governance.	Ongoing/Annual

5. Training and awareness

5.1. The Insurance & Risk Officer and Internal Audit will contribute in developing workforce risk management capability across the organisation. This will be achieved through the provision of guidance, education, training and support. The existing suite of guidance materials includes:

- Risk management Policy & Strategy 2023 – 2024
- Risk management Guidance and toolkit

5.2. All risk management training materials are available on the insurance & risk page of the Council's intranet.

5.3. The Risk Management Policy & Strategy is reviewed annually and approved by the Audit and Governance Committee. Guidance and training materials are reviewed on a regular basis to ensure they continue to meet the needs of the organisation and incorporate the latest industry best practice.

6. Risk Management Process

(Figure 2 diagram risk management process)

6.1.   The process should be iterative and fluid and should not be seen as an end to end process. The process should be integrated into all decision making, business case proposals, seeking approvals for change and new initiatives. The risk registers are part of risk management tools and their purpose is to assist directors and managers in managing their risks through every day business activities.

6.2.   Significant risks identified outside the frequency of reporting requirements should be escalated to the relevant Director/Manager at the earliest opportunity to ensure that actions to mitigate the risk can be implemented in a timely manner.

o **Step 1 – Establishing objectives**
In order for the management of risks and opportunities the first place to start should be to establish the strategies and objectives which underpin the Corporate Plan, Directorate and Service Plans, Projects and Programmes.

o **Step 2 – Identify the risks & opportunities**
   i) The purpose is to generate a comprehensive, up to date, easy to understand list of risks that are relevant to Corporate/Strategic, Directorate and Service Plan delivery as well as Corporate projects and programmes. These risks could have an adverse affect or result in missed opportunities in achieving the Council's objectives and desired outcomes.

   ii) Corporate risks are the key risks faced by the Council. By definition they will be of a cross cutting nature, have an impact on the delivery of one or more Council objectives/priorities and/or have a potentially significant financial impact if they were to crystallise.

   iii) Nominations of proposed new corporate risks will be discussed at the quarterly SLT meetings and if agreed will be presented to the Executive Team for approval.

Ways of identifying risks is to:
   i) Undertake risk assessment exercises as a Senior Leadership Team, Directorate Management Teams, Service Management Teams and Project Management Teams.
   ii) Horizon scanning to identify emerging risks that are either coming from external factors such as Climate Change, Government changes in policy, legislation and regulatory. Events experienced at both local and national level, as well as exploring with peers to consider the risks or adverse incidents that have been experienced by others in other local authorities.
   iii) Measuring current performance and identifying any weaknesses
   iv) Ensure that all relevant available information and expertise is utilised to make informed decisions and identify any risks that remain.

Ways of identifying opportunities is:
   i) Changes in external environment such as government funding arrangements
   ii) Commercial opportunities within the District
   iii) Shared service opportunities
   iv) Innovative new ways of working and investing in new technologies

   .

o **Step 3 – Analyse and evaluate the risk**

Once identified risks need to be analysed, evaluated and prioritised for treatment. Risks are evaluated through a combined assessment of:

❖ **Likelihood** - How likely is the risk to occur
❖ **Impact** – The extent of the impact or consequences should the event occur

A 5 X 5 scoring matrix set out in *(Figure 5 below)* is used to undertake the assessment of 'likelihood' and 'impact' to ensure the risks are scored/rated in a consistent way. This allows risks to be plotted on the matrix, which is a visual tool used to illustrate and compare risks.

The matrix/heat map enables the Council to prioritise the risks to ensure the allocation of resources is optimised. The greater the risk, the more effort will be required to manage it where it is within our control.

During this process the risk rating will need to be determined for the inherent risk and residual risk.

i) The first measurement is to score the inherent risk. This is the potential likelihood and impact of a risk materialising, assuming no controls at all are in place.

ii) Once the inherent risk has been scored any current controls that are in place to help manage the risk should be identified. The scoring should then be undertaken again and any reduction in the likelihood and impact scores will give the residual/current score of the risk.

It is essential that any controls that are being relied upon to manage risks are effective and working as intended.

The Council has predetermined 'likelihood' and 'impact' criteria to ensure consistency in scoring as set out below.

Likelihood Criteria – measures the probability of an occurrence materialising over a 1 year period *(see figure 3 below likelihood assessment)*

SCORE	DESCRIPTION	PROBABILITY OF OCCURRENCE	LIKELIHOOD OF OCCURRENCE
1	Highly unlikely	The event may occur only in rare circumstances (remote chance) 0-2% chance it will occur	1 in 8 plus years
2	Unlikely	The event may occur in certain circumstances (unlikely chance) 3- 20% chance it will occur	1 in 5- 8 year period
3	Possible	The event may occur (realistic chance) 21 - 50% chance it will occur	1 in 2 - 5 year period
4	Highly Likely	The event will probably occur (significant chance) 51 - 80% chance it will occur	1 in 1 - 2 year period
5	Almost Certain	The event is expected to occur or occurs regularly More than 80% chance it will occur	Up to 1 within 1 year

(Figure 3 – Likelihood assessment)

Impact Criteria – measures the extent of impact on key areas that could affect the achievement of our objectives (**see impact assessment below figure 4)**

	1	2	3	4	5
	Negligible	Low	Medium	High	Very High
Financial	No or very minor loss that is unlikely to have an impact on ability to deliver services	Loss of a scale that would have a minor impact on ability to deliver some services. Loss/overspend of under £50K or contained within Service Area	Loss on a scale that would noticeably impact on ability to deliver some services. Loss/overspend £50K - £250K or contained within the Directorate	Loss on a scale that would significantly impact on ability to deliver services. Loss/overspend £250K - £1m. Budget adjustments across Directorates	Loss on a scale that would threaten the ability to continue to deliver services. Loss/overspend over a £1m. Corporate budget realignment
Service Delivery	No impact to the quality and effectiveness of service	Minor impact to the quality and effectiveness of service delivery	Moderate impact to the quality and effectiveness of	Major impact to the quality and effectiveness of multiple	Catastrophic impact to the quality and effectiveness of

delivery. All demand for services can be met and be delivered in a sustainable manner	but not resulting in disruptions, minor impact to strategic partnerships. Ability to meet nearly all demand for services and with minimal environmental impact	service delivery resulting in short term disruptions to a single service, moderate impact to strategic partnerships. The majority of demand for most services can be met with no environmental impact and moderate impact on achievement of one or more objectives	services long term disruptions resulting in required standards including environmental standards not being met. More than one strategic partnership affected. Demand cannot be met for some key services. Major impact in achievement of key objectives	service delivery for high number of key services and key required standards are consistently not met. The majority of strategic partnerships are significantly affected with long term adverse impacts. Demand cannot be met for majority of key services. Catastrophic impact on the achievement of key objectives

(Figure 4 – Impact Assessment)

A 5 X 5 scoring matrix set out in *(Figure 5 below)* is used to undertake the assessment of 'likelihood' and 'impact' combined to ensure the risks are scored/rated in a consistent way. This allows risks to be plotted on the matrix, which is a visual tool used to illustrate and compare risks.

The matrix/heat map enables the Council to prioritise the risks to ensure the allocation of resources is optimised. The greater the risk, the more effort will be required to manage it where it is within our control.

Likelihood and Impact depicted as a 5 X 5 Matrix with associated key

5 X 5 IMPACT and LIKELIHOOD MATRIX

LIKELIHOOD						
Almost Certain	5	5	10	15	20	25
Highly Likely	4	4	8	12	16	20
Possible	3	3	6	9	12	15
Unlikely	2	2	4	6	8	10
Negligible	1	1	2	3	4	5
		1	2	3	4	5
		Negligible	Low	Medium	High	Very High
		IMPACT				

Key:

Severe	Immediate control improvement to be made to enable business goals and service delivery maintained improved
Material	Close monitoring to be undertaken and cost effective control improvements sought to ensure service delivery is maintained
Tolerable	Regular review to maintain effective controls, low cost control improvements sought if possible
To be Removed/newly arrived	Risks now fully manageable to be removed from the register as BAU (Business As Usual). Potential new risks identified requiring monitoring and review

(Figure 5 – 5 X 5 Matrix – likelihood and Impact and key)

- o **Step 4 – Manage mitigate/treat risks**
  Once the risk and current controls have been identified, prioritisation scoring has been completed, then the options for managing/mitigating the risk are:

The 4 T's	Description
Terminate	Cease the activity or proposed change as risks deemed too high when compared to expected rewards
Tolerate	The risk is not within the Council control, or the risk attracts a low score/green which the Council is prepared to accept
Treat	Identify actions that will reduce the likelihood and impact scoring or modify the activity to reduce the scoring.
Transfer	External Insurer or other Third Party

- o **Step 5 – Reporting**

  Reporting of risks should provide senior management and Members with assurance that key risk exposures have been identified, evaluated and effective controls have been implemented. Senior Leadership Team is accountable for strategic risks and each Service Director is accountable for monitoring the risks within their service. Risk information is reported quarterly to the Senior Leadership Team and regularly to Audit and Governance Committee.

- o **Step 6 – Monitor/Review**
  This is a key stage of the process and should happen on a continuous basis as part of normal business activities. Monitoring and review of our risks should be integrated into our normal business activities and not added to agendas once a quarter. Monitoring of strategic risks is undertaken by the risk owner with quarterly reviews by the Senior Leadership Team. Monitoring of service risks should be undertaken through regular management team meetings overseen by the Service Director.

7. Further Actions

7.1.   To create a risk management group that will be represented by risk champions covering all directorates and service areas, which will be responsible for:

  ➢ Developing and co-ordinating a process for the effective monitoring of risk management arrangements across the Council
  ➢ Supporting the embedding of the corporate approach through dissemination and escalation
  ➢ Challenging directorate assessments of compliance within the framework by reviewing supporting evidence
  ➢ Contributes towards the development of a framework in which partnerships can demonstrate adequate risk management arrangements and reporting and escalation processes
  ➢ Developing, maintaining and implementing the corporate project risk management approach
  ➢ Appraising Service Directors on how well the directorates have performed in embedding risk management into key management processes
  ➢ To develop a risk assessment/criteria for Officers to use when seeking approval from Members which will enable Members to be satisfied that risks have been appropriately identified and will be managed
  ➢ Develop a reporting mechanism for highest scoring Corporate Risks to be included within the Finance performance report that goes to Cabinet quarterly.
  ➢ Longer term - formally define the Council's risk appetite

8. Risk Management links

8.1.   The following documents are linked to the wider Risk Management Framework:
- Local code of Corporate Governance and Annual Governance Statement
- Treasury Management Risk Strategy