Risk Management Strategy (September 2020) – draft for approval

Definition

For the purpose of this strategy, risk is defined as any event or action that may have an impact on the achievement of the Council's objectives. Risk is measured in terms of impact and likelihood.

Risk management is the process to identify, assess and manage risks. Risk management is concerned with positive and negative aspects of risk. So, as well as managing things that could have an adverse impact (downside risk) it also looks at potential benefits (upside risk). It can be applied holistically, and also be used on specific activities and projects, from the corporate to the operational.

Objective

The aims of risk management for the Council are to:

- Use risk management to promote innovation as well as to help secure existing objectives.

- Achieve a systematic, holistic and consistent approach to identifying and analysing risks which will be an integral part of all key management processes, rather than a separate initiative and will be developed using the simplest possible means.

- Embed risk management as an integral part of service, strategic and project planning and decision making.

- Embed the process within our established business planning process.

Achieving these aims will:

- Increase the possibility of success and reduce the chance of failure, as well as supporting innovation.

- Greater ability to deliver against objectives and targets, ensuring the delivery and continuity of our services.

- Helps better informed decision-making.

- Reduction in resources spent dealing with things going wrong.

- Reduce the number and cost of claims arising and improve our ability to defend them.

Roles and Responsibilities

The **Audit and Governance** ~~Finance and Performance Management Cabinet~~ Committee will consider the Council's risk management strategy on an annual basis and recommend it to Cabinet for adoption. The Audit and Governance Committee **as per its Terms of Reference will monitor the effective development and operation of risk management in the Council** ~~will monitor and review the effectiveness of the risk management measures put in place.~~ **As part of this the Committee will in a regular basis Corporate Risk Register, agrees any updates**

Risk Management Strategy (September 2020) – draft for approval

recommended by the Risk Management Group, considers whether any new or emerging risks that are not on the corporate risk register and pass on recommendations to the Cabinet for their approval.

The **S151 Officer** ~~Director of Resources~~ has strategic responsibility for risk management and the **Chairman of the Audit and Governance** ~~Finance Portfolio Holder~~ fulfils the role of Lead Member for risk management. The **S151 Officer** ~~Director of Resources~~ is responsible, in conjunction with the Council's Insurers, for minimising the overall cost of inevitable claims which do arise.

To assist:

- The Risk Management Group will advise and support in the context of risks likely to have a significant impact on the achievement of the Council's objectives. The representatives on the Risk Management Group from each directorate will champion the risk management process within their directorate.

- Primary responsibility for identifying and managing significant operational and strategic risks arising from their directorate activities lies with the Directors, who should ensure that their teams carry out and record risk assessments where appropriate as a routine part of business planning and management activities.

- Any significant changes in risks and or assessments are to be notified by the relevant champion of that service to the Risk Management Group.

- Directors should notify the **S151 Officer** ~~Director of Resources~~ of any significant changes in service provision in order to enable them to ensure that appropriate and adequate insurance is in place.

The Chief Internal Auditor is responsible for monitoring the implementation and the effectiveness of the risk management strategy and for monitoring compliance with controls introduced by directorates, as part of the ongoing audit programme. Internal Audit will communicate the management implications during the course of audits and report to Directors as necessary.

> As a reminder, all employees are responsible for managing risk effectively in their jobs and to identify and report risk.

Monitoring, Review and Reporting Arrangements

- The Risk Management Group, **via the S151 Officer,** will report annually to the **Audit and Governance** ~~Finance and Performance Management Cabinet~~ Committee to update the Risk Management Strategy. **The Audit and Governance Committee** ~~F&PMCC~~ will receive **regular (at least quarterly) risk** updates from the Risk Management Group.

- ~~The Audit and Governance Committee will consider the effectiveness of risk management measures annually.~~

- ~~Management Board will consider progress on action plans on a quarterly basis.~~ **The S151 Officer will be the risk conduit between the Senior Management Team and the Risk Management Group.**

Risk Management Strategy (September 2020) – draft for approval

- Service plans will include operational risks and action plans. The Risk Management Group and the Corporate Governance Group will monitor and review the Corporate Risk Register.

- Risk management training will be provided to Members, Directors, Champions and other senior managers, with the aim of ensuring that they have the appropriate skills necessary to identify, evaluate and control risks associated with the services they provide. Training will be provided through **Business Services.**.~~the Resources Directorate.~~

- **The Chief Internal Auditor will report annually to the Audit and Governance Committee on the adequacy and effectiveness of the Council's risk management, control and governance processes.**

- This strategy will be clearly communicated to members and staff and will be subject to review on an annual basis by the Risk Management Group.

The Risk Management Process

Risk management as depictured below involves five key stages, known as the 'risk management cycle. This is described in more detail in Appendix A.

Future Actions

Risk management is a dynamic process, constantly evolving and this is true for Epping Forest. **During 2019/20 a consistent format was introduced for both the strategic risk registers and service/operational risk registers based on industry good practice and being colour coded. These are in place across the Council but their use is sporadic for projects. This will be progressed as part of the Council's review of project management.**

To ensure robust risk management practices throughout the Council a staff training and awareness programme will be devised and rolled out. Its implementation and effectiveness will be monitored by the Risk Management Group.

~~During 2017/18 the Risk Management Group has agreed directorate risk registers will follow the corporate template, keeping the 4x4 matrix, and discussed how these can be incorporated in the Council's new project and performance system, Covalent. Development of the Covalent system, including the recording and reporting of risk~~

Risk Management Strategy (September 2020) – draft for approval

~~and identifying interdependencies between risks, will continue during 2017/18 and beyond.~~

Alongside this the Council will develop and articulate its risk appetite, which can be defined as the amount and type of risk that an organisation is willing to take in order to meet their strategic objectives. Organisations will have different risk appetites depending on their sector, culture and objectives. A range of appetites will exist for different risks and these may change over time.

Whilst risk appetite is about the pursuit of risk, risk tolerance is about what an organisation can actually cope with. In part, the Council has defined its risk appetite through its scoring matrix (see Appendix B) and this, with the Council's risk tolerance, will be further articulated **and assist with embedding risk management both strategically and operationally**. ~~through risk management workshops facilitated by Internal Audit.~~

Risk Management Strategy (September 2020) – draft for approval

Appendix A – Risk Management Process

Epping Forest's Risk Management Process

There are five key stages: identification of risks, assessment of these, responding to the risk (usually through controls), monitoring the effect of these and reporting.

1. Risk identification

Identification and understanding the risks to which the Council is exposed is essential to the effective delivery of public services. The starting point is to consider the Council's corporate and service objectives and ask in what way we might be prevented from achieving them. On what does the successful delivery of the service depend?

Risk is not always a bad thing, as there is no activity without risk. Risk can present opportunities and these need to be maximised, subject to a risk management approach. For example, opportunities may exist to generate income or improve a service where risks can be taken.

A distinction should be drawn between risk and hazard. A hazard is an activity with a potential for harm. A risk is the likelihood of that harm being realised. For example, the hazard may be using a vehicle and the risk would be having an accident. There can be many hazards around but it is only when people, systems, property etc. are exposed to them that they become risky.

2. Risk assessment

Having identified areas of potential risk, the following aspects must be assessed:

- **Impact** – what would the effect be if the risk was to occur?
- **Likelihood** – what is the probability of the risk occurring?

This is done using the assessment criteria defined in Appendix B and should be undertaken twice. The first time assessed as inherent risk (i.e. before risk mitigation strategies/controls) are put in place and then as residual risk (i.e. after risk mitigation strategies/controls) have been put in place. This is to help the risk owner identify whether the right controls are in place and if so are they working as expected to reduce the risk to an acceptable level. This forms part of the 'monitor' (section 4) of the risk management cycle.

Sometimes the phrases gross risk and net risk are used instead of inherent or residual risk.

3.   Responding/managing risk

Using the risk criteria in Appendix B produces a risk rating score that will enable risks to be prioritised using one or more of the four Ts:

- **Tolerate** – accept the risk as currently presented

- **Treat** – take cost effective action to reduce the risk

- **Transfer** – let someone else share or take the risk (e.g. by insurance, partnering or contracting)

- **Terminate** – agree that the risk is too great and cease the project or activity (although this is not always feasible in local government)

In terms of risk controls it is helpful to consider what would bring about the risk (the cause) and what would be the outcome of the risk occurring (the consequence).

4.   Monitor and review

Few risks remain static and it is important to know and understand what is happening. This can be achieved through regularly monitoring progress in order to:

- gain assurance that progress is being made towards controlling risks

- ensure that control measures continue to be applied

- monitor changes to the risk profile brought about by circumstances and business priorities e.g. new legislation and whether a fresh risk assessment is required

- consider if new risks or opportunities arising need to be added or current ones removed

There is no set review period as risk management should be a dynamic process but the suggestion is this should be undertaken at least quarterly.

5.   Reporting

This is detailed in the main part of the strategy under 'Monitoring, Review and Reporting Arrangements' including reporting at the corporate level and to Members.

Directors via their **Service Managers** ~~Assistant Directors~~ are responsible for maintaining operational risk registers and any significant new or emerging risks should be reported to the Risk Management Group via the risk champions sitting on that group. If it is a fast paced risk then the **S151 Officer** ~~Director of Resources~~ should be informed especially if the next Risk Management Group is too far in advance.

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Appendix B – Risk assessment matrix

Likelihood			4 Insignificant	3 Minor	2 Moderate	1 Major
	Definite >90% has happened or has happened on a regular basis over the last 12 months	**A Very high (Almost certain)**	**A4**	**A3**	**A2**	**A1**
	Occurs in most circumstances 55% to 90%. Or has happened once or twice in the last 2 years	**B High (Likely)**	**B4**	**B3**	**B2**	**B1**
	Occurs in certain circumstances 10% to 55% or has happened once or twice in the last 5 years.	**C Medium (Possible)**	**C4**	**C3**	**C2**	**C1 (was amber)**
	Occurs exceptionally/very unlikely <10% or has not happened in the last 5 years	**D Low/very low (Unlikely/rare)**	**D4**	**D3**	**D2 (was green)**	**D1 (was green)**

	Impact		4 Insignificant	3 Minor	2 Moderate	1 Major
		Financial	Loss/overspend under £10K	Loss/overspend £10K-£250K	Loss/underspend £250K-£1M	Loss/underspend over £1M
		Service	Marginal disruption to service capability	Short term disruption to service or marginal reduction in service. Objectives of one section not met.	Short term loss of service or significant reduction service. Directorate objectives not met.	Medium/longer term loss of service. Failure to deliver at least one the Council's corporate objectives.
			Unlikely to cause complaint/litigation	High potential for complaint with possible litigation	High potential for complaint with probable litigation	Litigation almost certain and difficult to defend.
		Reputation	No adverse publicity	Minor adverse publicity	Adverse national publicity/significant adverse local publicity	Significant adverse national publicity
		Legal/regulatory	Breaches of local procedures/standards	Breaches of regulations/standards	Breaches of law punishable by fines	Breaches of law punishable by imprisonment
		Environmental/Public Health	Incident with no lasting effect	Short term incident (weeks)	Medium term major incident (1 month – 1 year)	Long term major incident (1 year +)
		Health and Safety	'First Aid' level injury	Medical treatment required – long term injury	Extensive permanent injury – long term absence	Fatality