

Maldon District Council

Risk Management Policy

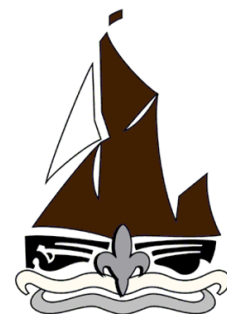


Document Control Sheet

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MALDON DISTRICT
COUNCIL

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Risk Management Policy Statement

Context

Maldon District Council provides a diverse range of services to the residents, business and visitors of the Maldon District. It works with other public, private and voluntary bodies to achieve its vision of making the District a better place for people to live, work and enjoy.

The next few years will present challenges for the Council, particularly funding, which will mean that we may need to develop a different model of how we deliver our services and look at alternative ways of empowering our communities. Whilst these changes create opportunities; they also create risks and uncertainty.

The Council has to manage the risks and opportunities associated with the delivery of our objectives stated in the Corporate Plan, by adopting good risk management principles.

Risk is unavoidable. It is an important part of life that allows us all to move forward and develop. Successful risk management is about ensuring that we have the correct level of control in place to provide sufficient protection from harm, without stifling our development. The Council's overriding attitude to risk is to operate in a culture of creativity and innovation, in which all key risks are identified in all areas of the business, are understood and proactively managed, rather than avoided.

Risk management therefore needs to be embedded into the Council and our key partners. We need to have the structures and processes in place to ensure the risks and opportunities of daily Council activities are identified, assessed and addressed in a standard way and proactively managed. This will allow us not only to meet the needs of the community today, but also be prepared to meet future challenges.

The purpose of this policy is to define risk management, state the Council's risk management objectives, approach, responsibilities and procedures.

What are the Council's risk management objectives?

- Adopt a strategic approach to risk management to make better informed decisions which is vital to successful transformational change;
- Acknowledge that even with good risk management and our best endeavours, things can go wrong. Where this happens we use the lessons learnt to try to prevent it from happening again;
- Develop leadership capacity and skills in identifying, understanding and managing the risks facing the Council;
- Promote corporate governance and integrate risk management into how we run Council business/services. Sound risk management processes help us to achieve our corporate vision, priorities and objectives as outlined in the Corporate Plan;

- Support a culture of well-measured risk taking throughout the Council's business, including strategic, programme, partnership, project and operational. This includes setting risk ownership and accountabilities and responding to risk in a balanced way, considering the level of risk, impact and cost of control measures;
- Anticipate and respond to changing social, environmental and legislative requirements and ensure that the Council continues to meet all statutory and best practice requirements in relation to risk management;
- Ensure risk management continues to be a key and effective element of our Corporate Governance arrangements.

How will our objectives be met?

- Commitment from the Corporate Leadership Team (CLT) and senior managers to managing risk effectively;
- Maintain a robust and consistent risk management approach that will:
 - identify and effectively manage strategic, operational and project risks
 - focus on those key risks that, because of their likelihood and impact, make them priorities;
- Ensure accountabilities, roles and responsibilities for managing risks are clearly defined and communicated;
- Consider risk as an integral part of business planning, service delivery, key decision making processes, and project and partnership governance;
- Communicate risk information effectively through a clear reporting framework; and
- Increase understanding and expertise in risk management through targeted training and the sharing of good practice

The Risk Management Policy and framework will be reviewed every three years to take account of changing legislation, government initiatives, best practice and experience gained within the Council.

Risk Management Approach

1. Introduction

The purpose of the risk management approach outlined in this document is to:

- Provide standard definitions and language to underpin the risk management process
- Ensure risks are identified and assessed consistently throughout the organisation through the clarification of key concepts
- Clarify roles and responsibilities for managing risk
- Implement an approach that meets current legislative requirements and follows best practice and relevant standards.

2. Definitions

Risk can be defined as “an uncertain event that, should it occur, will have an effect on the Council’s objectives and/or reputation.” It is the combination of the probability of an event (likelihood) and its effect (impact).

Risk management generated opportunities can arise as a consequence of effectively managing risks, for example additional grant funding or improved working practices.

Risk management is the “systematic application of principles, approach and processes to the identification, assessment and monitoring of risks.” By managing our risk process effectively we will be in a better position to safeguard against potential threats and exploit potential opportunities to improve services and provide better value for money.

Risk management is applied at all levels of service delivery and include:

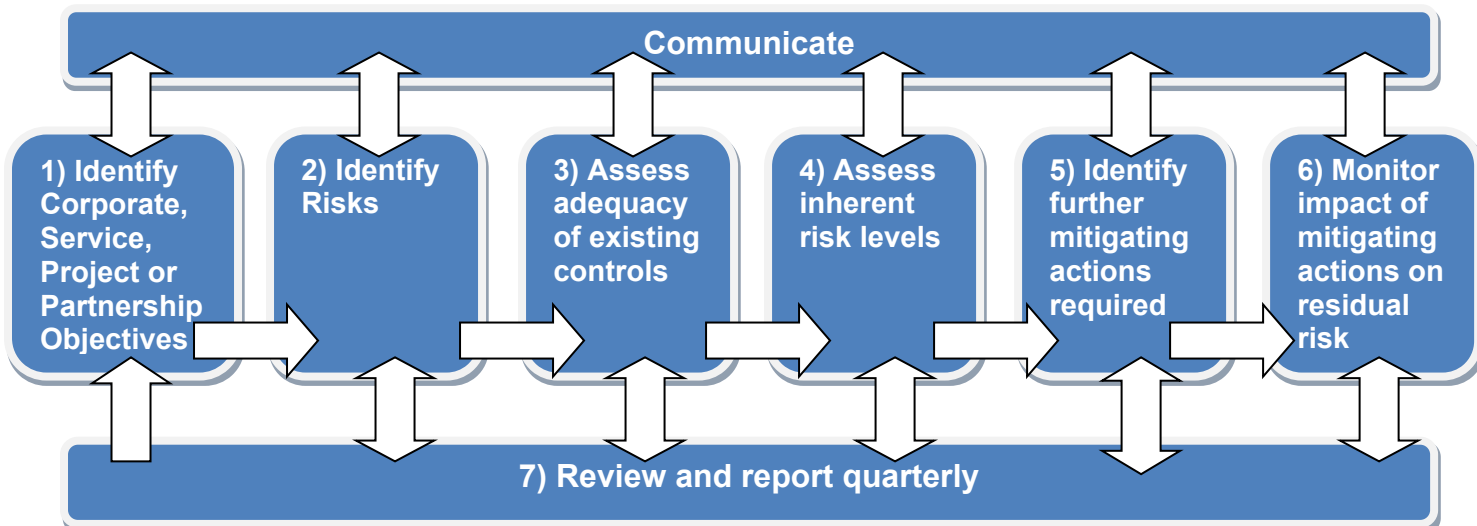
- Corporate Strategic Risks – Risks that could have an effect on the successful achievement of our long term corporate goals, priorities and objectives. These are:
 - risks that could potentially have a council-wide impact and/or
 - risks that cannot be managed solely at a service level because higher level support/intervention is needed.
- Service Risks – Risks at a service level that could have an effect on the successful achievement of the Directorate or service outcomes/objectives. Potentially these risks could have a significant financial, reputational and/or service delivery impact on the service as a whole.
- Contract Risks – Risks that could have an effect on the successful achievement of the contract’s outcomes/objectives in terms of delivery, outcomes and value for money. Contract risks are managed throughout the contracting process including contract management/business as usual.
- Project Risks – Risks that could have an effect on the successful achievement of the project’s outcomes/objectives in terms of service delivery, benefits realisation and engagement with key stakeholders (service users, third parties, partners etc.).
- Partnership Risks – Partnerships bring risks as well as opportunities; how the partnerships are governed can be problematic and as a result the objectives of the partnership may not be achieved; they may not deliver good value for public money or the Council could find itself having to pay more money into a partnership or pick up other partners’ contributions should one or more partners leave. Alternatively, the Council could just find that it is not reaping the benefits that it thought it would by participating in the partnership.

3. Approach

For a number of years the Council has been working towards a comprehensive and integrated approach to risk management where:

- ✓ staff are clear about what risk management is intended to achieve;
- ✓ significant risks are being identified and managed effectively;
- ✓ training and guidance on risk management are easily accessible;
- ✓ a consistent corporate approach is followed using a common 'risk language'; and
- ✓ it is seen as an integral part of good corporate governance.

This section details the agreed MDC Risk Management framework to ensure the effective management of risk across the organisation. The Council's approach to risk management involves a number of key steps as outlined below.



Effective communication is key to the successful management of risk and it is vital that staff at all levels across the organisation are involved if risk management is to be truly embedded and a useful management tool.

1) Identify Corporate, Service, Project or Partnership Objectives

Before we can identify our risks we need to establish the context by looking at what we are trying to achieve and what our proposed objectives are. Depending on the area under review, the relevant objectives and outcomes will usually be detailed in existing documents, including the following:

- Maldon District Council Corporate Plan
- Business Plans
- Project Brief or Project Initiation Document
- Partnership agreement or Service Level Agreement.

2) Identify Risks

At its simplest, risk management consists of asking and answering “what are we trying to achieve?” and “what can stop this/these being achieved?”.

There are a number of different types of risk than an organisation may face including:

Strategic - what could prevent corporate goals and objectives being achieved? An example would be a failure to ensure that all services are working effectively to the corporate agenda or not having the capacity and resources to deliver the agreed key activities.

Financial - what could affect the council's financial position? Examples include the risks associated with investment and borrowing, lack of sound financial management or the existence of fraud or corruption.

Economic - the impact of an economic downturn would affect prosperity of local businesses and communities.

Regulatory - what would happen if the Council was not compliant with legislation such as the Health and Safety at Work Act, Data Protection, Freedom on Information Employment Law, Human Rights, Equalities Act or Environmental legislation? What about legal challenges?

Reputation - Negative publicity (local and national) or an increase in complaints would affect the Council's reputation.

Management – there could be risks relating to loss of key staff, recruitment or retention issues; capacity issues – availability, sickness absence, emergency preparedness or business continuity.

Operational/Departmental - what could potentially affect the delivery of the service? Examples could be a loss of key staff, or a failure of IT systems.

Health and Safety - what are the potential risks to staff, customers, and users of the service? Examples of this are risk of slips, trips and falls.

Partnerships - what would the implications for the Council be if the partnership failed? For example, would the Council be responsible for any of the partnership's financial liabilities or would services be affected if the partnership was no longer in existence?

Projects - What could cause the project to fail? Examples could include unrealistic initial assumptions about time, cost or feasibility.

Describing the risk is equally important to ensure that risks are fully understood, and to assist with the identification of mitigating actions, the cause and consequences of each risk must also be detailed. Typical phrases used to do this include:

Description	Cause	Consequences
Failure todue toleads to
Failure of becauseresults in
Lack of ...		
Loss of ...		
Uncertainty of ...		
Delay in ...		
Inability to ...		
Inadequate ...		
Partnership with ...		
Development of ...		
Damage to		

Once identified, all risks are recorded in a "Risk Register" – this maybe the Council's corporate risk register, the service risk register, the project risk register or a partnership risk register.

A risk owner must be allocated and recorded against each risk on the risk register. Such accountability helps to ensure 'ownership' of the risk is documented and recognised. A risk owner is defined as a person with the accountability and authority to effectively manage the risk.

At this stage there may well be a long list of possible risks. The next step will help to prioritise these in order of importance.

3) Assess adequacy of existing controls

For each risk, identify those actions/controls which are currently helping to minimise the likelihood and/or impact of the risk occurring. These are actions or controls that are completed, in place and embedded.

Assess the adequacy of these controls as follows:

Poor - no controls in place or the few that are do not mitigate the risk

Fair - some controls in place and some reduction in risk but still not adequate

Good - controls in place are considered adequate and reduce the risk

Excellent - effective controls are in place which reduce the risk considerably.

4) Assess Inherent Risk Level

To ensure resources are focused on the most significant risks, the Council's approach to risk management is to assess the risks identified in terms of both the potential likelihood and impact so that actions can be prioritised.

Taking into account the controls currently in place and how adequately these reduce the likelihood or impact of the risk, the risk is scored for both likelihood and impact using **The Risk Assessment Table** included in **Appendix 1**.

Both the likelihood and impact levels of each risk are plotted on the Maldon District Council's Risk Matrix which displays its appetite or tolerance to risk (see below). The position of the risk, either above or below the tolerance line, will help to determine what action, if any, will be taken forward.

Anything in the green area is considered to be "below the tolerance line" and it may be decided not to take any mitigating action.

Likelihood	4 Almost Certain	4	8	12	16
	3 Likely	3	6	9	12
	2 Unlikely	2	4	6	8
	1 Almost uncertain	1	2	3	4
		1 Minor	2 Moderate	3 Serious	4 Major
	Impact				

An overall risk score is reached by multiplying the likelihood score by the impact score.

5) Identify further mitigating actions required

There are four basic ways of responding to risks identified and can be summarised as the four 'T's':

- ❖ **Terminate** – deciding not to continue or proceed with the activity in view of the level of risks involved although often this is not possible.
- ❖ **Transfer** – which involves another party bearing or sharing the risk such as obtaining insurance or finding an external partner to undertake the activity in return for a fee (which will reflect the risk taken on). Not all types of risks can be transferred.
- ❖ **Treat** – by ensuring existing controls are effective by periodic review and testing and implementing additional controls through mitigating actions where considered necessary to reduce the risk to a tolerable level
- ❖ **Tolerate** – it is not considered cost effective to address the risk, so the risk is accepted.

The decision on the appropriate action should take account of the Council's risk appetite, i.e. what level of risk is the Council prepared to tolerate. Any risk that has been assessed as above the tolerance line must be a priority for immediate management action with actions designed to reduce the risk to a target level set within the risk appetite.

Mitigating actions identified should be clearly defined, with a lead officer and timescales for implementation/completion.

6) Monitor impact of mitigating actions on residual risk

The risk owner should monitor the progress of the mitigating actions regularly to ensure that these are being taken forward and that they are actually reducing either the impact or the likelihood of that risk occurring. The overall risk score should be re-assessed accordingly and if it is now within the accepted tolerance, the risk can be removed from the appropriate risk register.

7) Review and report

Risk management should be considered as an ongoing process and as such risk needs to be reviewed regularly to ensure that prompt and appropriate action is taken to reduce their likelihood and/or impact.

The Council's Risk Management Framework requires the following review/reporting:

Corporate Risks - those risks that are identified as potentially preventing the Council achieving the corporate goals and objectives stated in the Corporate Plan and which are assessed as being above the Council's acceptable tolerance level are recorded on the Corporate Risk Register and TEN (the Council's Performance and Risk Management System). The mitigating actions are also recorded and both the overall risk scores and the progress of the mitigating actions are updated on a quarterly basis by the risk owner or the officer responsible for taking the actions forward.

To ensure that risk is being managed effectively, quarterly risk reports are submitted to CLT and Audit Committee outlining the current risk scores, whether there have been any changes to the scores and what progress has been made on the mitigating actions.

Service/operational risks - at a service/operational level, the risks that are identified as potentially preventing the service from achieving its service objectives and which are assessed as being above the Council's acceptable tolerance level are detailed in the business plans and also recorded on TEN.

These should be subject to regular review and discussion between the manager and their Director. It is the responsibility of the appropriate managers to ensure that any actions detailed in the business plan to reduce these service risks are taken forward and progress monitored.

Project risks - these risks should be reviewed regularly by the Project Manager and the Project Sponsor.

Partnership risks – for any partnership which is assessed as being high risk, a risk register will be established and will be subject to annual review as part of the Partnerships assessment framework. The risks will be included in the relevant service’s business plan together with the mitigating actions and these will be subject to regular review by the manager and their Directorate.

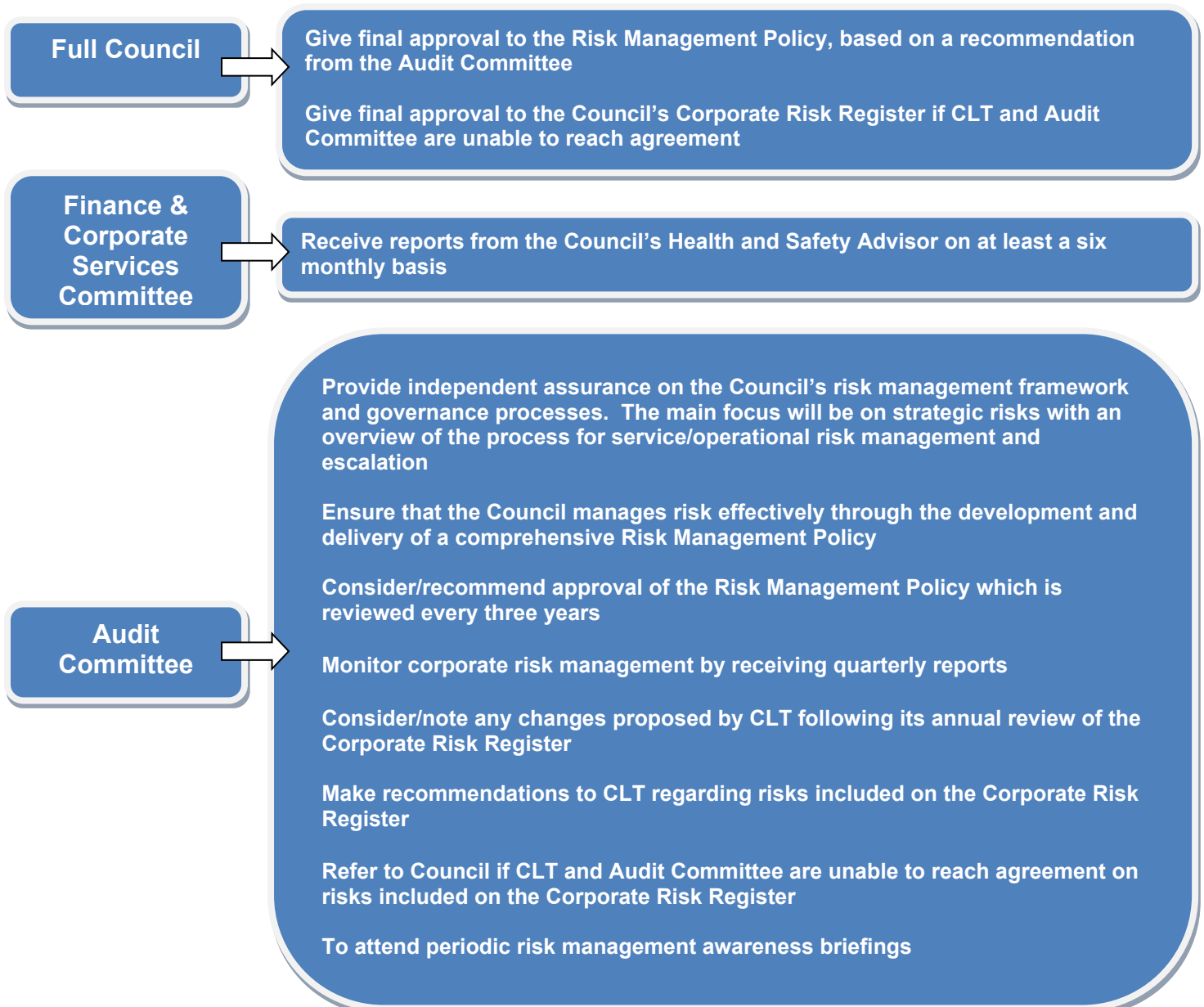
4. Roles and Responsibilities

To be effective risk management must be embedded throughout the Council by CLT, Members and each individual employee. One of the Council’s key objectives within this policy is to promote a risk aware culture. Risk management is a cultural issue which will only be effective with understanding and support from all levels of staff and Members; training will be provided periodically to staff and Members to enable them to fulfil their risk management responsibilities.

All employees and Members are responsible for ensuring there are robust and fit-for-purpose systems of internal control and risk management in place; and they are aware of the risks:

- they are empowered to take
- that must be avoided
- that must be reported upwards.

Some individuals and groups have specific leadership roles or responsibilities as follows:



Corporate Leadership Team

Undertake a quarterly review of the corporate risk register and mitigating actions

Review the Corporate Risk Register annually, to raise corporate awareness of any emerging risks and ensure that appropriate mitigating actions are taken forward and monitored

Consider strategic risks affecting the Council and recommend action to Members as appropriate

Embed risk management within the Directorates and ensure that all staff are aware of their risk management responsibilities and reporting lines

Consider the risks identified in reports brought to CLT

Receive reports from the Council's Health and Safety Adviser, the Health and Safety Committee and/or the services where health and safety issues cannot be resolved at a local level

Risk Owners

Ensure that appropriate resources and importance are allocated to the process

Confirm existence/effectiveness of current controls and ensuring further mitigating actions are implemented

Provide assurance that the risks they own are effectively managed

Managers

Manage risk effectively in their particular service areas

Ensure all staff are aware of any specific risk management responsibilities through the performance review process

Embed the risk management process by identifying new service risks, agreeing and implementing mitigating actions and updating records on TEN

Report any new risk or escalate any service risk which is deemed to have more corporate impact to their Director and CLT

Schedule frequent discussion on risk management issues through team meetings as required

Be accountable (to the Director, CLT and Audit Committee) for their actions with regard to managing risk

Undertake annual health and safety risk assessments and take any corrective action that is needed

Health and Safety Risks are dealt with immediately - where possible the risk should be removed or eliminated, otherwise it must be reported as a matter of urgency and steps taken to warn people of the problem

All Staff

Manage risk effectively in carrying out their everyday duties

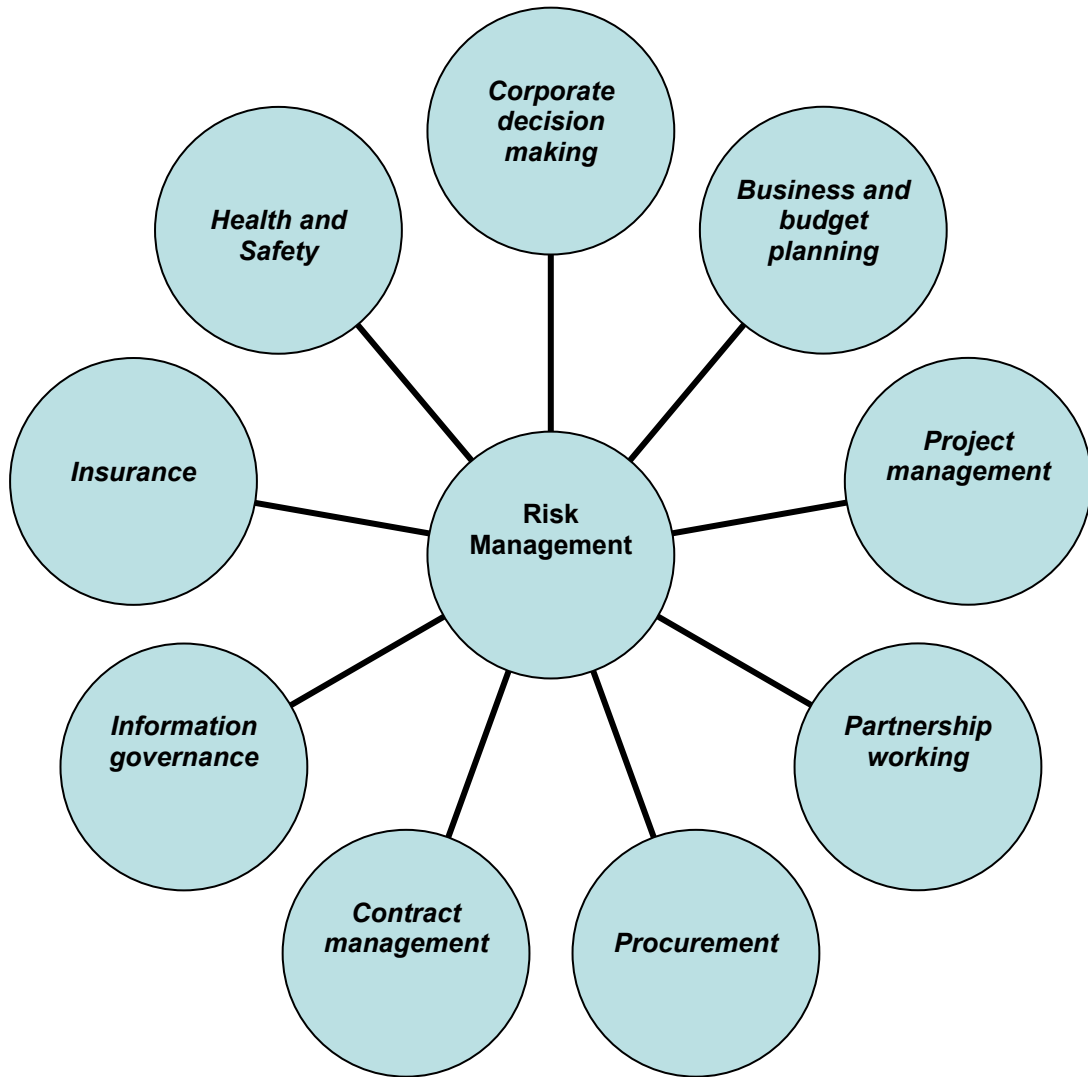
Report hazards and risks to their Managers

Undertake their duties within risk management guidelines

Health and Safety Risks are dealt with immediately - where possible the risk should be removed or eliminated, otherwise it must be reported as a matter of

5. Embedding Risk Management

For risk management to be effective and a meaningful management tool, it needs to be an integral part of key management processes and day-to-day working. As such risks and the monitoring of associated actions should be considered as part of a number of the Council's significant business processes.



6. Training and Awareness

Having developed a robust approach and established clear roles and responsibilities and reporting lines, it is important to provide Members and Staff with the knowledge and skills necessary to enable them to manage risk effectively.

The Council uses a range of training methods to meet the needs of the organisation including external training (e.g. from our contracted internal audit providers) and intranet based e-awareness training.

Further risk management information is available on the intranet

7. Review of the Corporate Risk Register

In addition to possible items for the register arising from items referred to CLT for consideration, there will be an annual review by CLT and managers to consider:

- whether any items should be deleted from the risk register; or
- should be added to the risk register; or
- have moved above or below the Council's risk tolerance level and so require a change in status in respect of action planning;
- whether the Council's risk appetite/tolerance level remains appropriate.

Following the reviews the amended Corporate Risk Register is submitted to the Audit Committee for consideration and discussion.

8. Partnership Risks

These should be identified by the officer with lead responsibility for the partnership or at the time of its initiation.

For those partnerships which are designated as key/significant to the Council, an annual assessment will be undertaken. The risk register should also be reviewed at least annually to ensure that it is kept up to date, consideration given to both the risks to the partnership and risks to the Council arising from the partnership and mitigating actions established where appropriate.

9. Relevance to other Corporate Functions

Internal Audit

The Council's appointed internal auditors will periodically undertake an independent evaluation of the risk management framework to provide the Audit Committee with assurance on the adequacy of the internal control arrangements including risk management and governance.

Business Continuity Planning

The main objective of business continuity is to provide a means of both recovery for the Council should it be affected by a crisis or a business interruption and of minimising the impact on the Council's employees, customers and reputation. Examples of issues tackled by business continuity include those in relation to loss of premises, equipment, staffing, and telecommunications / IT. Business continuity planning requires that potential impact to be considered and managed and the corporate and individual business continuity plans need to be updated on an on-going basis to reflect changes in the overall risk profile. Put simply, the difference between risk management and business continuity is that the former considers what could go wrong and seeks, where possible, to prevent it, while the latter creates contingency arrangements in the event of a crisis and is largely indifferent to the cause of the problem.

Performance Management and Monitoring

Performance management is concerned with the delivery of corporate objectives, business plans and budgets. Risks can prevent this and as a result corporate, service, project and partnership risks registers are maintained and cross referenced to objectives and plans in order to ensure:

- The risks to strategic and operational plans are being actively and appropriately managed; and
- Due account has been taken of material risk considerations in the preparation of delivery plans.

Risk Assessment Table

Risk Assessment

The identified risks are assessed in terms of their likelihood of occurring and the potential impact should they occur and are scored on a scale of 1 – 4 as follows:

Likelihood	Clarification of Definition
4 - Almost Certain	Regular occurrence. Circumstances frequently encountered.
3 - Likely	Circumstances occasionally encountered
2 - Unlikely	Circumstances infrequently encountered
1 – Almost Impossible	Has rarely/never happened

As guidance, when assessing the impact, the following aspects should be taken into consideration:

Impact of event occurring				
	Minor	Moderate	Serious	Major
Risk Score	1	2	3	4
Financial	£0k - £10k	£10k - £100k	£100k - £500k	>£500k
Service Provision	Minor service delay/disruption	Short term service delay/disruption	Medium term delay/Service suspended	Total service suspended for a significant period/statutory duties not delivered
Project	Minor delay	A few milestones missed	A major milestone missed	Project does not achieve objectives and misses majority of milestones
Health & Safety	Minor injury	Broken bones/illness	Life changing injury/Major illness	Major loss of life/large scale major illness
Objectives	Minor impact on objectives	Failure to achieve service plan objectives	Failure to achieve Directorate objectives	Corporate objectives not met
Morale	Mild impact on morale	Some staff dissatisfaction, increase in staff turnover	Major staff dissatisfaction, short term industrial action, staff turnover including key personnel	Major staff dissatisfaction, long term industrial action, significant key staff turnover
Reputation	No media attention/isolated complaints	Adverse local media coverage	Adverse national media coverage	Remembered for years
Government relations	Minor local service issues	Poor assessment(s)	Service taken over temporarily	Ministerial intervention in running service

An overall risk score is reached by multiplying the likelihood score by the impact score.