RISK MANAGEMENT STRATEGY 2008-2010

A framework for managing risk and uncertainty

September 2008 v1.2

AYLESBURY VALE
DISTRICT COUNCIL

Document Control Sheet

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Title	Risk Management Strategy
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Revision No.	Originator of change	Date of Change	Change Description
1.1	Evelyn Kaluza	Aug 2008	Initial Version
1.2	Evelyn Kaluza	2 Sept 08	Amendments incorporated from comments made by officers and members
1.3			
2.0			
2.1			

Aylesbury Vale District Council
Risk Management Strategy

Context

1. Local authorities are under increasing external pressure to improve outcomes for the public and at the same time reduce costs. The expectations are high and in order to achieve these challenges the Council is looking for more innovative ways of service delivery and will increasingly work with partners and outside organisations.

2. The risks associated with change must not be overlooked or underestimated. Members and officers need to be open and upfront about uncertainty at the start so that there is opportunity and time to explore the options and gather sufficient intelligence about the risks and uncertainties. This will ensure that decisions are made on the best available information and the likelihood of success is increased by having actions plans to minimise risk and maximise opportunities.

3. Effective risk management will help to ensure that the Council maximises its opportunities, and minimises the impact and likelihood of the risks it faces. This will improve our ability to deliver our priorities and improve outcomes for residents.

Purpose of the strategy

4. This Risk Management Strategy defines a comprehensive framework and process to support members and officers in ensuring that the Council is able to fully discharge its risk management responsibilities.

5. The revised strategy builds on the good progress that has been made since 2005 and is based on the principle of continuous improvement.

6. The strategy is supported by the Risk Management Improvement Plan which sets out the specific improvements that will be made during 2008-09.

Governance

7. The Council strives for the highest standards of corporate governance and recognises risk management as a key component of its governance and assurance framework. It is a requirement of the Council that its key proposals and objectives are examined to consider the potential risks to their achievement.

This will involve systematic risk identification and analysis of both strategic and operational risks, and risks of partnership working.

8. The arrangements for managing risk across the Council do not stand alone. The following areas have important links to the strategy.
Annual Governance Statement

9. The strategy has a significant contribution to make towards the Annual Governance Statement that has to be signed off by the Chief Executive and Leader of the Council. The risk management arrangements are part of the overall internal control arrangements the Council has in place which includes the identification, assessment and management of significant areas of risk and uncertainty to which the Council may be exposed. Risk registers are a key part of the assurance process together with the review process for assessing progress against a set of internal control standards.

Internal Audit

10. Internal Audit need to know what the key strategic risks are to the Council in order to inform their priorities for areas of further detailed audit work. Internal Audit will also provide an opinion on the effectiveness of the risk management and internal control arrangements across the Council.

Partnerships, Planning and Performance Management

11. Risk Management is already a key part of the Council's organisational planning arrangements and key areas of risk and uncertainty are detailed in all Service Plans.

12. Increasingly services and targets are delivered in partnership and therefore the risk management arrangements need to be part of the governance arrangements for all partnerships.

13. Monitoring performance and risk together improves the likelihood of objectives and targets being achieved.
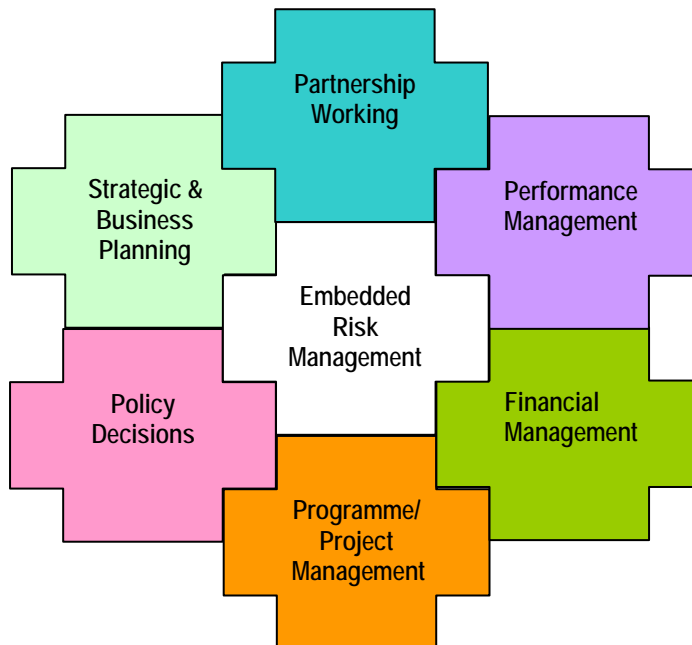
What are the key elements of the strategy?

14. **Annex 1** sets out the basic framework of the strategy which is made up of the following three key areas of capability that are essential to an intelligent risk management approach.

Leadership and Accountability – how senior management support risk management and how accountabilities for managing risks are defined
People – how staff are equipped with the skills to manage risk and uncertainty effectively
Processes – How the risk management process will be followed and how it will be embedded into the Council's management processes **(See Annex 2)**

```
        Partnership
         Working
Strategic &           Performance
Business              Management
Planning    Embedded
            Risk
            Management
Policy                Financial
Decisions             Management
        Programme/
         Project
        Management
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15. Improvements in these areas will lead to evidence that the way risk and uncertainty has been handled has contributed to improved results and outcomes across the Council.

Identification, Escalation and Reporting of Strategic and Operational Areas of Risk

16. The corporate process for risk management is set out in **Annex 5.**

17. A summary of the arrangements for reporting strategic and operational areas of risk and uncertainty is set out in **Annex 4.** The reporting process ensures that risks are being managed and reviewed at the appropriate level and that strategic risks are clearly defined and owned by Corporate Team and the Cabinet.
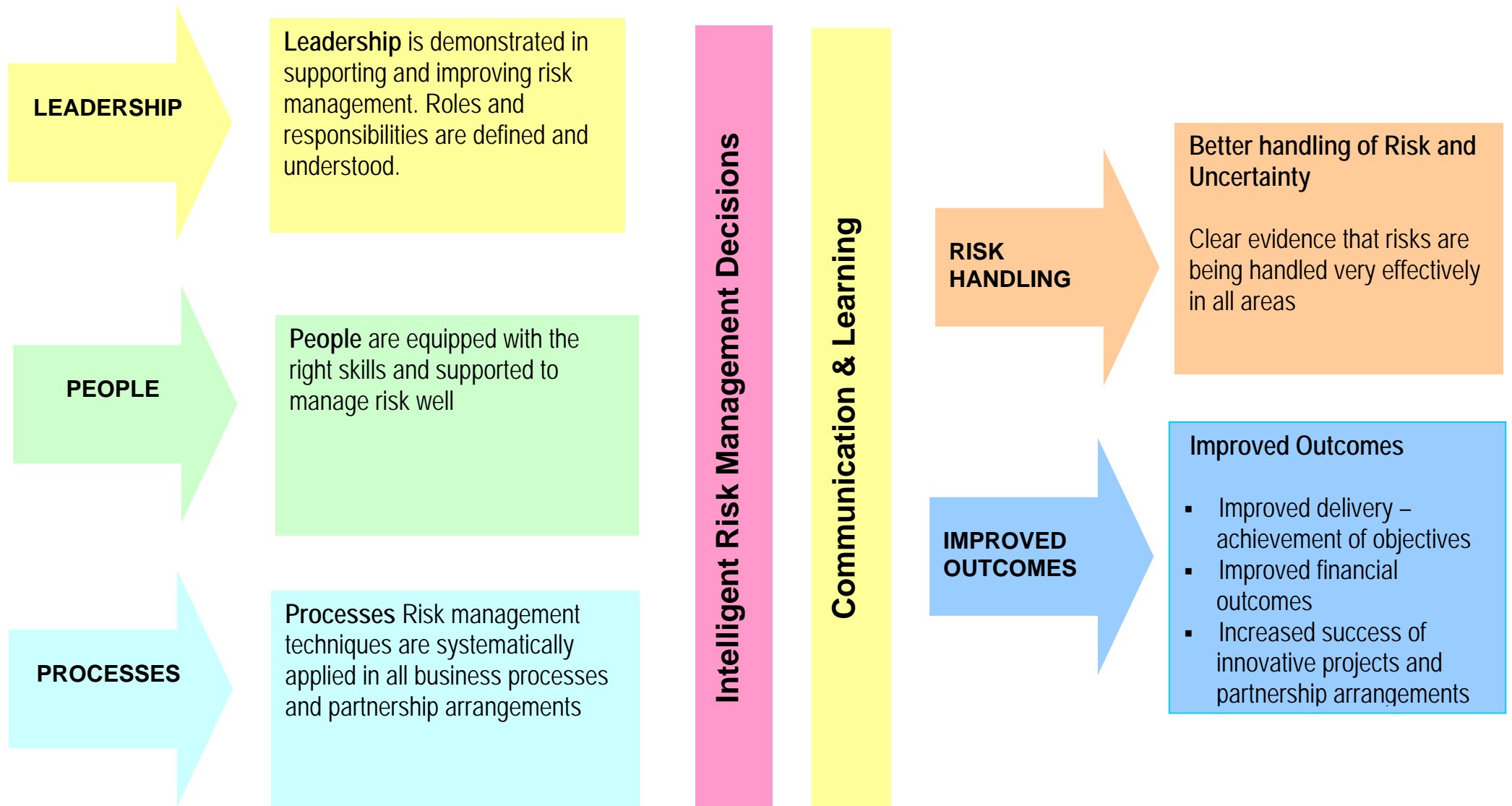
What governance and monitoring arrangements should be in place?

18. A summary of the roles and responsibilities for risk management are set out in **Annex 3.**
19. The main governance and monitoring roles that specifically relate to the strategy are set out below:

i) **The Audit Committee** have overall responsibility under their terms of reference for the monitoring of the Council's risk and internal control arrangements. This includes ensuring compliance with internal and external standards, providing assurance on the effectiveness of the arrangements including the reporting of significant risks.

ii) **The Audit Committee** will receive regular reports from the Risk Manager, relating to the corporate and directorate progress with risk management and the strategic and service risks.

RISK MANAGEMENT STRATEGY FRAMEWORK

LEADERSHIP

Leadership is demonstrated in supporting and improving risk management. Roles and responsibilities are defined and understood.

PEOPLE

People are equipped with the right skills and supported to manage risk well

PROCESSES

Processes Risk management techniques are systematically applied in all business processes and partnership arrangements

Intelligent Risk Management Decisions

Communication & Learning

RISK HANDLING

Better handling of Risk and Uncertainty

Clear evidence that risks are being handled very effectively in all areas

IMPROVED OUTCOMES

Improved Outcomes

- Improved delivery – achievement of objectives
- Improved financial outcomes
- Increased success of innovative projects and partnership arrangements

Key Processes where Risk Management is Embedded

➢ Risk management is part of the partnership governance arrangements
➢ Joint risk registers are held

➢ Risk and uncertainties are identified as part of planning process
➢ Service Plans identify key areas of risk and how they will be addressed

➢ Risks are reviewed and updated on a quarterly basis
➢ Performance reporting includes risk
➢ Significant risks are escalated to Corporate Team

Partnership Working

Strategic & Business Planning

Performance Management

Embedded Risk Management

Policy Decisions

Financial Management

Programme/ Project Management

➢ Risk and opportunities are considered as part of key policy decisions to committees
➢ where appropriate a detailed risk assessment is carried out

➢ Risks are considered as part of financial planning and monitoring arrangements
➢ Reports to committees included significant financial risks

➢ Risk management is a key part of the programme/project framework
➢ Risk registers are held for all programmes and projects

Risk Management Responsibilities

Monitoring and Assurance Roles

Audit Committee
Monitoring the risk, and internal control arrangements of the Council including approving the risk management strategy

Scrutiny Committee
Monitoring the significant risks to the achievement of the Council's Corporate Plan objectives and targets

Risk Manager
Provide strategic direction and leadership in the development and implementation of the risk management strategy
Reporting progress to Corporate Team, Audit Committee
Produce Annual Report to Audit Committee

Internal Audit
Producing a risk based audit plan which takes into account the strategic and operational risks identified across the Council
Provide an opinion on the effectiveness of the internal control and risk management arrangements of the Council

Officer and Member Risk Management Champions
Actively promote risk management and support the Risk Manager. Challenge officers and members where gaps have been identified. Regular meetings with Corporate Risk Manager

Management Roles

Chief Executive & Leader of the Council
Ultimately responsible for ensuring that there is sound system of internal control and effective risk management arrangements
Signing the Annual Governance Statement

Corporate Team
Encourage frank debate and constructive challenge about key corporate risks identified
Take collective ownership of risks of corporate significance and promote a culture where risks are managed with confidence at the lowest appropriate level

Directors
Effective management of the key risks to the achievement of priorities
Providing assurance that internal control within the directorate is effective.
Promoting the right culture to encourage well thought through risk taking

Heads of Service
Effective identification and management of risks that impact across the service or on specific service or corporate priorities. Raising those that have a directorate or strategic impact to the Director.
Signing annual assurance certificate for risk and internal control.

All Managers
Understand and act upon the key risks and uncertainties that could significantly impact on the achievement of their service, team or project's objectives.
Encourage staff to be open about uncertainty and risk so that they can agree action to reduce uncertainty and minimise risk.
Undertake an assessment of risk and uncertainty as part of all key plans, partnerships and projects and record results in a risk register.

Supporting Roles

Lead for Policy and Performance
Support the objectives of the risk management strategy by ensuring that risk management is embedded in the corporate planning, performance monitoring and partnership processes.

Head of Personnel
Support the objectives of the risk management strategy by ensuring that risk management is identified as a key competence for all managers
Provide training and support in improving skills

Chief Finance Officer
Support the objectives of the risk management strategy by ensuring that risk management is part of the financial planning and monitoring process

Other specialist Officers
e.g. Emergency Planning, Performance Management, Sustainability, Procurement, Project Management, Health & Safety. Support the risk management strategy by ensuring that risks in these areas are appropriately identified assessed and managed

External Partners and External Project Managers
Ensure that there is an effective risk management and governance processes and in place that meets the Council's requirements

REPORTING LEVELS FOR RISK

| Levels at which risks are identified, assessed, managed and monitored	Documents and reports to show evidence
Partnership Level Strategic and long term areas of risk or uncertainty identified by the partnership board which impact on the overall objectives of the partnership Specific risks escalated from partnership project/delivery risk registers which have a significant impact on targets/outcome	1) Strategic Partnership Risk Register 2) Reports to Partnership Boards
Corporate Level (Corporate Team) Corporate areas of risk or uncertainty which impact across the Council Specific risks which impact on the Corporate Plan Objectives/Targets Significant risks which impact on major projects Risks and opportunities in key policy decisions	1) Corporate Risk Register 2) Corporate Quarterly Performance/Risk Digest Report 3) Corporate Financial Monitoring Report 4) Project progress reports 5) Cabinet or other committee reports
Directorate Level Areas of risk and uncertainty identified from service, project or target delivery risk registers which • Cannot be managed by staff at that level and require a decision by the director or • Have been assessed as significant (Red or Amber)	1) Quarterly Directorate Management Team Meetings 2) Head of Service 1:1 with Director

Head of Service Level
    Areas of risk and uncertainty which:
    a) could impact on service priorities/targets
    b) could impact on several projects or operational areas across the service
    c) cannot be managed by individual projects or operational teams
	1) Service Risk Register
	2) Business Plans

Programmes/Projects Level Risks/uncertainties that impact on programme/project objectives and can be managed by the programme/project manager or programme/project board	1) Programme/Project Risk Register 2) Programme/Project Briefs/PIDs 3) Programme/Project Monitoring reports
Target Delivery Level Risks/uncertainties that impact on the delivery of specific targets	1) Delivery Risk Register 2) Delivery Plans

RISK AND UNCERTAINTY ASSESSMENT PROCESS
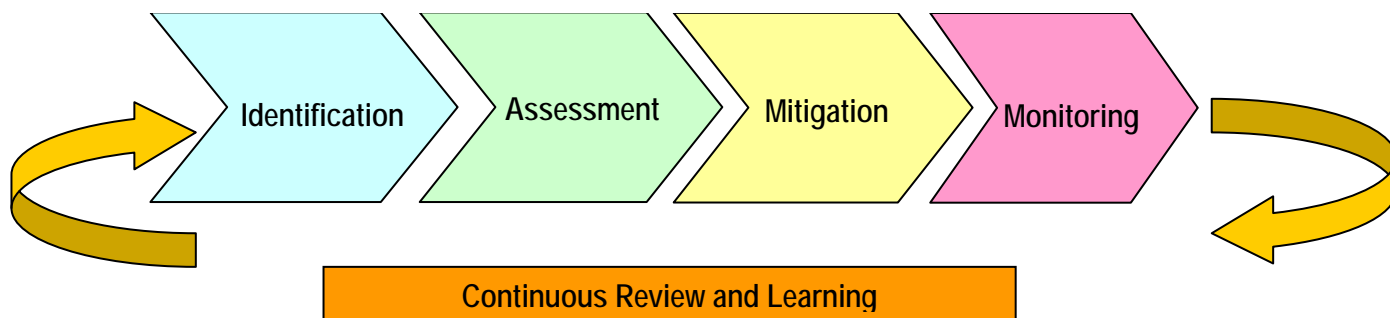
The Council's risk management process has been designed to enable a consistent approach to be followed at all levels from Strategic risks, Service Risks to Project Risks.
This provides the ability to identify the most significant risks to the Council arising from any of the areas above.

The key steps in the risk management process are as follows:


Step 1
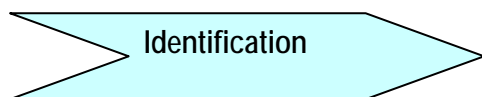
A Risk is:

An uncertainty which if it occurs would have a negative or positive affect on objectives/targets.

The starting point in any risk identification exercise is the objectives or targets. These could be corporate, service, team or project objectives.

A well defined risk will have a *cause* (situation that can give rise to an event) an *event* (the event or set of circumstances that could happen) and an *impact* (the effect or result of the event happening). Without these elements it will be difficult to assess the risk.

Each risk should be given a **Risk Owner** who is the most appropriate person to ensure that the risk is being managed effectively.

Step 2
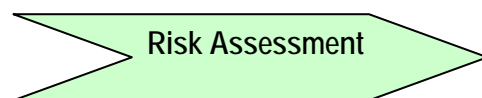
The risk assessment involves three elements..

1.   Impact Assessment
2.   Likelihood Assessment
3.   Mitigation Status

The **impact assessment** criteria is based on the impact the risk will have on the Council overall. This could be an impact on Performance, Finance or Reputation.
The **likelihood** of the risk occurring is the second dimension that will help prioritise attention to the risks.

The **mitigation status** is an assessment of whether the risk can be reduced any further or whether the level of risk remaining is acceptable to the Council. This is on the basis that risks can not all be eliminated and in some cases a benefit may outweigh the risk that remains.

There are three risk mitigation status:

1- Accept
2- Monitor
3- Treat

Any risk which needs to be treated will have to have a mitigation plan with a clear owner and target dates.

A risk that has the potential to have a significant impact on the Council needs to be brought to the attention of Directors in the first instance (risks falling into amber or red category below) and then the risks that fall into the red category will need to be reported to the Corporate Team.)

The criteria that defines the risks to be escalated at each level is shown below.

ESCALATION CRITERIA

Super Critical	4	amber	amber	red	red
Critical	3	yellow	amber	amber	amber
Major	2	green	yellow	yellow	yellow
Moderate	1	green	green	green	green
		1	2	3	4
		Unlikely	Possible	Probable	Very Probable

Likelihood

For Service Risks
Red   – Report to Director and then CT
Amber – Report to Director
Yellow/Green – Report to Head of Service

For Programme/Project Risks
Red   – Report to Programme Board then CT
Amber – Report to Programme Manager
Yellow/Green – Report to Project Manager

Step 3   **Risk Mitigation**
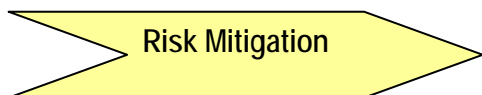
More often than not the risks identified are areas where there are some controls already in place or there is specific action in other plans that would help to reduce the level of uncertainty or risk. The effectiveness of controls already in place will need to be taken into account in the assessment of the risk (likelihood and impact) and the action already planned may affect the mitigation status in Step 3.

Where the existing controls or action are not considered adequate then a risk mitigation plan is needed. The following types of actions could be used to reduce the likelihood or impact of the risk.

Avoid – stop doing the activity or find a different way of doing it, introduce alternative systems/practices

Reduce – put procedures and controls in place to reduce the chance of a risk happening, or the frequency of it, or the severity of it; or formulating a contingency plan to reduce the impact of the risk where the likelihood is low but the impact is high.

Transfer – used where third parties are involved and indemnity clauses can be written into a contract

Tolerate the risk/uncertainty – in such circumstances the appropriate management action will be to monitor the risk to ensure its potential does not change. It will be tolerated at an acceptable level. Further mitigation may be required if circumstances change

Step 5   **Risk Monitoring**
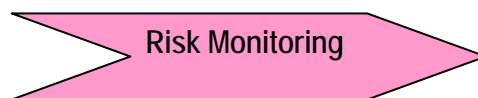
At each review stage (quarterly for Service Risks), there should be a review of all risks with a mitigation status of "monitor" or "treat" and any new risks that have emerged should be assessed and added to the risk register. The mitigation action should be updated in light of any action that has reduced the risk and any reason for changing a risk assessment noted.

The review of risks should be an integral part of the review of performance and financial monitoring.

CRITERIA FOR IMPACT/SEVERITY

Factor	Effect on Performance	Effect on Service	Financial	Embarrassment/reputation	Health & Safety	Failure to provide statutory duties/meet legal obligations	Effect on Project Objectives/ Schedule Deadlines
Super Critical	Significant deterioration in performance across key objectives/BVPIS which is not recoverable	Complete loss of services which the council cannot recover	The additional costs are so severe that the council cannot meet the costs from capital or reserves	The extent of the impact to the district is irreversible and the council will be remembered for years	Multiple fatalities	Public Enquiry/Judicial Review	More than one critical project severely fails to meet its objectives
Critical	Key strategic objective not achievable or more than 10% off track and not recoverable	Major loss of more than 1 service, including several critical areas of service and /or protracted period.	Revenue Costs over £500,000 Capital costs over £5m	Adverse and persistent national media coverage Adverse central government response, involving (threat of) removal of delegated powers Officer(s) and/or Members forced to resign	Death of an individual or multiple major injuries	Litigation/claims/fines from £500k +	Complete failure of project/ extreme delay – e.g. 3 months or more
Major	Key strategic objective more than 10% off track but can be recovered Mission critical BVPI will fall into bottom quartile or below 10% of target	Complete loss of an critical service area for a short period Major effect to services in one or more areas for a period of weeks	Costing between £100,000 and £500,000 Capital over £1m	Adverse publicity in professional/municipal press, affecting perception/standing in professional/local government community Adverse local publicity of a major and persistent nature	Major injury to an individual or moderate injury to several people	Litigation/claims/fines from £100k to £500k	Significant impact on project or most of expected benefits fail/ major delay – 2-3 months
Moderate	Mission critical BVPI falls but within 10% or Non critical BVPI performance falls below 10% or target	Major effect to a critical service area for a short period Adverse effect to services in one or more areas for a period of weeks	Costing between £25,000 and £100,000 Capital less than £1m	Adverse local publicity /local public opinion aware Statutory prosecution of a non-serious nature	Moderate injury to an individual or several people	Litigation/claims/fines from £25k to £100k	Adverse effect on project/ significant slippage – 3 weeks–2 months

CRITERIA FOR LIKELIHOOD/PROBABILITY

Note Risks should be assessed on the basis of whether they will occur within the next 1-3 years except for project risks which are within the timeframe of the project. The assessment should only take into account the controls, policies and procedures that are already **in place** or action that has been completed.

The likelihood is based on the risk event occurring with the level of impact

FACTOR	SCORE	DESCRIPTION
Very Probable	4	More than 75% chance of occurrence
Probable	3	40% - 75% chance of occurrence
Possible	2	10% - 40% chance of occurrence
Unlikely	1	Less than 10% chance of occurrence

Risk Status

Accept	• confident that actions taken/controls in place, incl. contingency plans are mitigating risk and uncertainty to an acceptable level OR • It is not cost effective to reduce the risk further • The risk is outside the control of AVDC and does not require specific monitoring
Monitor	• Action plans have not yet been completed • It is too early to tell if the risk has been reduced effectively as a result of recent action or controls OR • The risk is outside the control of AVDC but needs to be monitored
Treat	• Limited confidence in existing controls and further action or contingency plans need to be developed