

## **RISK MANAGEMENT STRATEGY 2009-10**

Corporate Director (Resources)

### **1 Purpose**

- 1.1 This report sets out the updated Risk Management Strategy (Appendix A) and Improvement Plan (Appendix B) for consideration and comment by the Committee prior to approval by the Cabinet Portfolio Holder for Corporate Issues.
- 1.2 The Risk Management Strategy and Risk Management Improvement Plan were completely revised in September 2008 but are subject to an annual review.

### **2 Recommendations/for decision**

- |   |
|---|
| 2.1 To review and comment on the updated Risk Management Strategy and Improvement Plan. |
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### **3 Supporting information**

- 3.1 The risk management arrangements of the Council are a key part of the overall internal control arrangements of the Council and form part of the Annual Governance Statement.
- 3.2 The aims and structure of the strategy and framework are still relevant and therefore the only changes required were to the roles and responsibilities as result of organisational managerial changes.
- 3.3 The Improvement Plan has been updated to reflect actions that are planned for the forthcoming year.

### **4 Options considered**

- 4.1 None

### **5 Reasons for Recommendation**

- 5.1 To meet internal control and governance requirements and the requirements under the Use of Resources Key Lines of Enquiry.

### **6 Resource implications**

- 6.1 None.

### **7 Response to Key Aims and Objectives**

- 7.1 The Risk Management Strategy supports the achievement of the Council's aims and objectives by reducing the risk of unforeseen events impacting on objectives.

Contact Officer  
Background Documents

Evelyn Kaluza, Risk Manager  
Risk Management Strategy 2008-10, Risk Management Improvement Plan  
2009-10



# **Risk Management Strategy**

**2008-10**

*A framework for managing risk and  
uncertainty*

## Document Control Sheet

<b>Organisation</b>	Aylesbury Vale District Council
<b>Title</b>	Risk Management Strategy
<b>Author</b>	Evelyn Kaluza
<b>Approvals</b>	Directors Cllr Huw Lewis – Cabinet Member for Corporate Issues (Risk Management Champion) Audit Committee
<b>Distribution</b>	Directors and Heads of Service
<b>Filename</b>	Risk Management Strategy 2008-2010
<b>Owner</b>	Risk Manager
<b>Review Date</b>	September 2009

## Document History

<b>Revision No.</b>	<b>Originator of change</b>	<b>Date of Change</b>	<b>Change Description</b>
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	Evelyn Kaluza	Sept 09	Amendments to roles and responsibilities. Formatting of tables

# Aylesbury Vale District Council

## Risk Management Strategy

### Overview

1. This strategy describes the Council's approach to risk management and sets out, at a high level, the Council's commitment to improve its capability to manage risks and indicates how it should become part of everyday thinking, behaviours, processes and business practices.
2. Effective managers and employees at Aylesbury Vale District Council are already making key decisions about risk and opportunity as an integral part of what they consistently do on a daily basis.
3. The aims of this Strategy are:
  - To promote a common understanding of risk, both positive and negative
  - Confirm how risk management should be practiced
  - Outline roles and responsibilities across the council
4. 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.
5. The strategy is supported by the **Risk Management Improvement Plan** which sets out the specific improvements that will be made during 2009-10.

### Governance

6. 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.
7. The arrangements for managing risk across the Council do not stand alone. The following areas have important links to the strategy.  
Annual Governance Statement
8. 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

9. 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

10. 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.
11. 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.
12. Monitoring performance and risk together improves the likelihood of objectives and targets being achieved. The Quarterly Performance Digest to Scrutiny Committees now includes information on key risks.

## **Key elements of the strategy**

13. **Annex 1** sets out the basic framework of the strategy which is based on best practice and 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**)

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.

## Governance and monitoring arrangements

14. A summary of the roles and responsibilities for risk management are set out in **Annex 3**.
15. The main governance and monitoring roles that specifically relate to the strategy are set out below:
  - i) **The Audit Committee** has 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 corporate and service risks.
  - iii) **Scrutiny Committees** will receive information on the high and critical risks to the achievement of corporate plan objectives as part of the Quarterly Performance Digest.

## Identification, Escalation and Reporting Levels for Risk

16. A summary of the arrangements for the reporting and escalation of 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 corporate risks are clearly defined and owned by Corporate Board.
17. The corporate process for risk management is set out in **Annex 5**.

## Risk Management Improvement Plan

18. The Risk Management Improvement Plan sets out the key outcomes and targets for 2008-10 and includes actions for the forthcoming year.
19. The three main improvement outcomes are:

### **Leadership – Improving leadership and support for risk management**

Risk Management is reinforced and sustained through the attitudes and behaviours of Directors and Heads of Services. This will ensure that the culture of the Council is seen by managers as one that is not risk averse.

### **People - Management Skills and Capabilities**

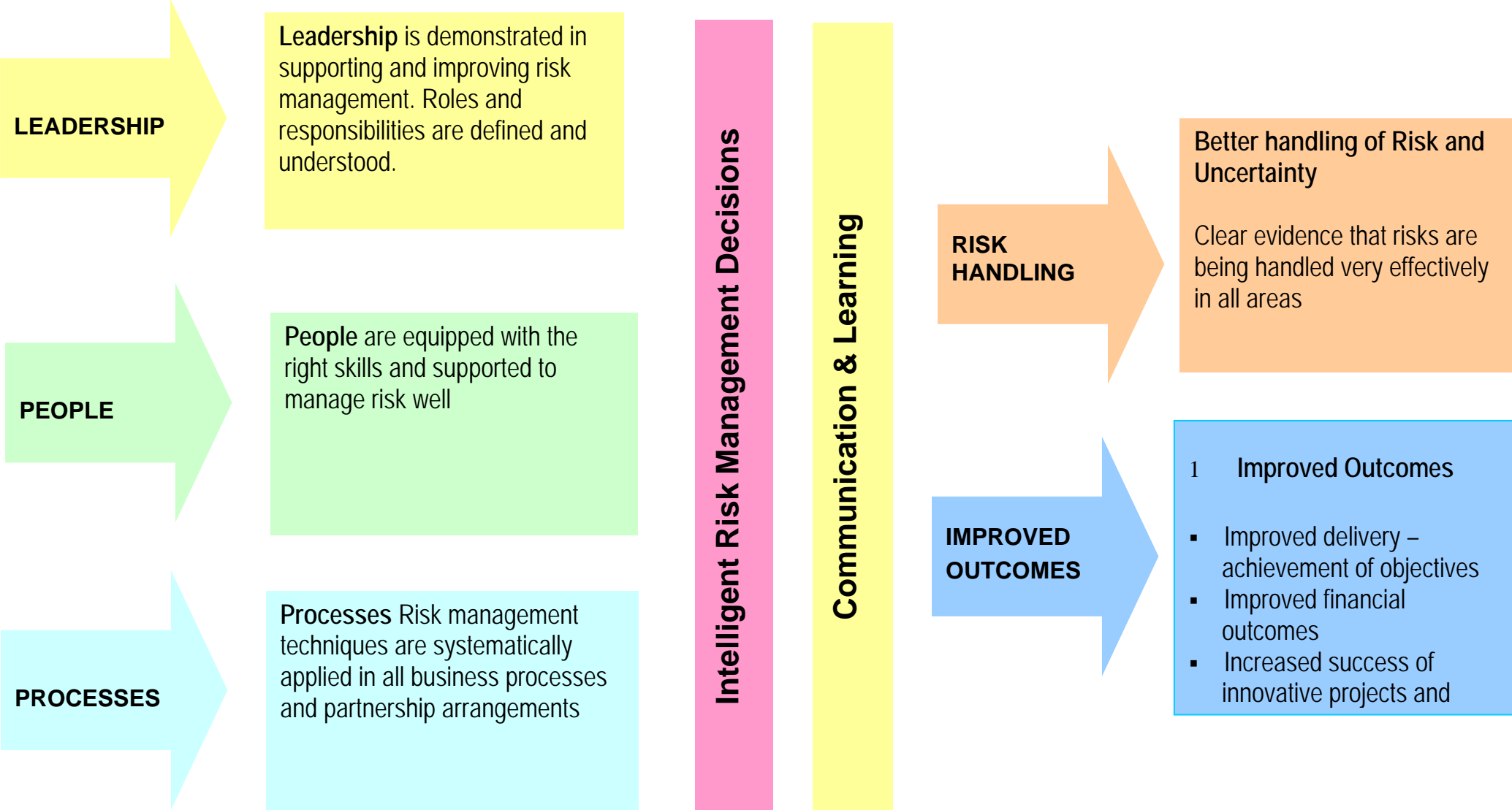
To improve the skills and capabilities of members and officers who have identified risk management responsibilities in order to increase their confidence and effectiveness in using risk management techniques to support decision making, plans and projects and place less reliance on a few individual experts

### **Processes – improving embedding risk management in key business processes**

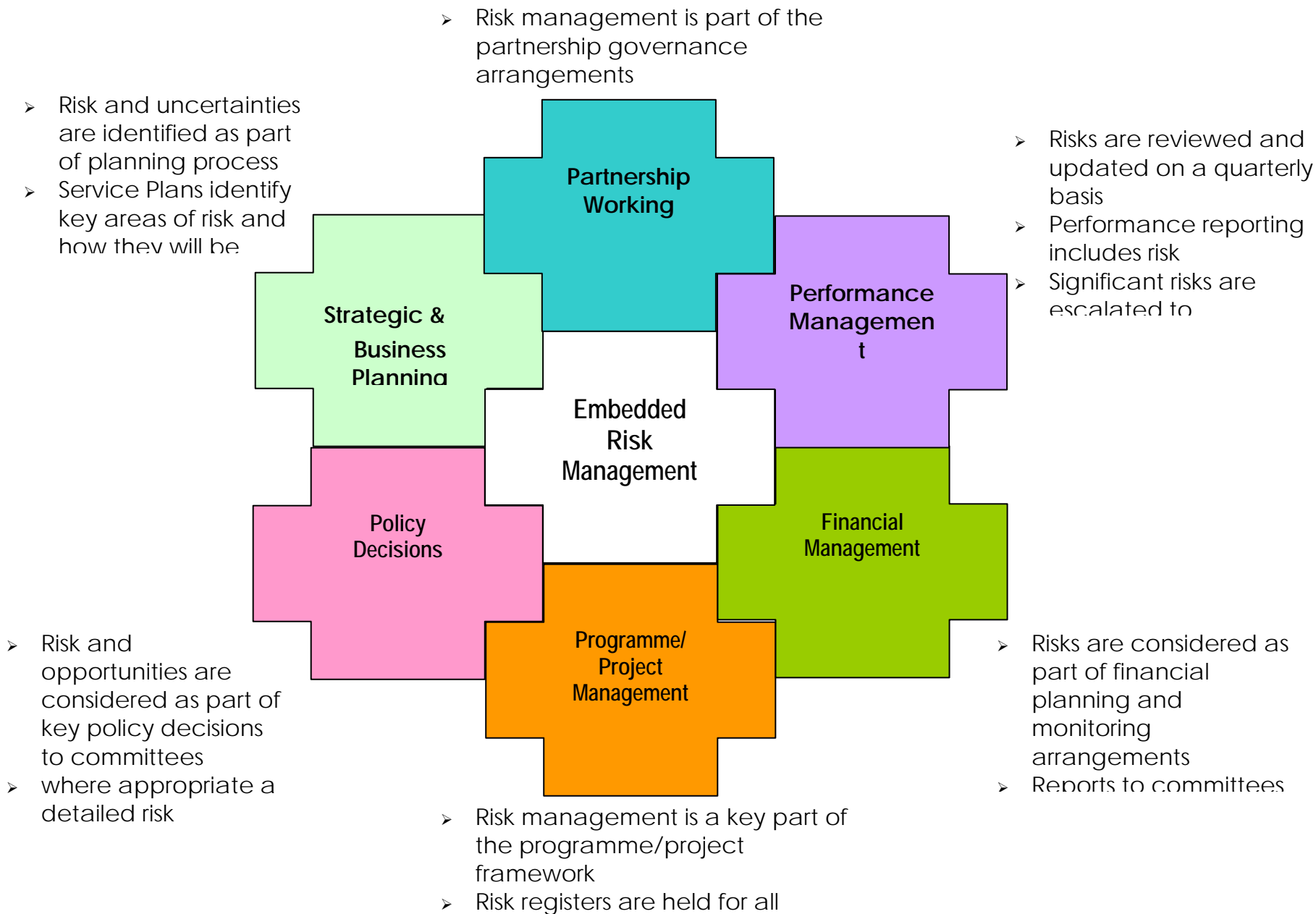
By increasing the range and quality of risk management tools and techniques used in planning, project management, partnerships, strategies and decisions the Council will be able to demonstrate continuous improvement in risk management and be identified as a benchmark site by other local authorities and public sector bodies



# RISK MANAGEMENT STRATEGY FRAMEWORK



## Key Processes where Risk Management is



## Monitoring and Assurance Roles

### Audit Committee

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

### 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

### 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

### 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

## 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 Board

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

### 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

### 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

## Supporting Roles

### Leads for Policy and Performance

Support the objectives of the risk management strategy by ensuring that risk management is embedded in the corporate

### Head of People & Payroll

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

### Head of Finance

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, Sustainability, Procurement, Project Management, Health & Safety. Support the risk management strategy by ensuring that risks in these areas are appropriately identified

# REPORTING AND ESCALATION LEVELS

**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

Strategic Partnership Risk Register  
Reports to Partnership Boards

## Corporate Level (Corporate Board)

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

Corporate Risk Register  
Corporate Quarterly Performance/Risk Digest Report  
Corporate Financial Monitoring Report  
Project progress reports  
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)

Quarterly Directorate Management Team Meetings  
Head of Service 1:1 with Director

**Levels at which risks are identified, assessed, managed and monitored**

**Documents and reports to show evidence**

## Head of Service Level

Areas of risk and uncertainty which:

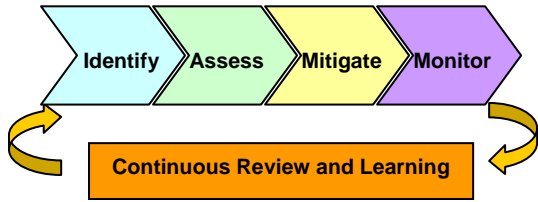
- a) could impact on service priorities/targets
- b) could impact on several projects or operational areas across the service
- c) cannot be managed by individual projects or operational teams

Service Risk Register  
Business Plans

<p><b>Programmes/Projects Level</b></p> <p>Risks/uncertainties that impact on programme/project objectives and can be managed by the programme/project manager or programme/project board</p>	<p>Programme/Project Risk Register</p> <p>Programme/Project Briefs/PIDs</p> <p>Programme/Project Monitoring reports</p>
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<p><b>Target Delivery Level</b></p> <p>Risks/uncertainties that impact on the delivery of specific targets</p>	<p>Delivery Risk Register</p> <p>Delivery Plans</p>
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# RISK AND UNCERTAINTY ASSESSMENT PROCESS

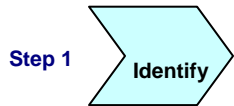


Each risk should be given a **Risk Owner** who is the most appropriate person to ensure that the risk is being managed effectively.

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.

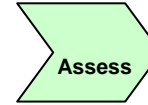
The key steps in the risk management process are as follows:



**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.



Step 2

The risk assessment involves three elements.

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

For most risks there will already be some controls in place to reduce the 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.

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 types of 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.

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

## ESCALATION CRITERIA

Impact	Super Critical	4	high	high	critical	critical
	Critical	3	medium	high	high	high
	Major	2	low	medium	medium	medium
	Moderate	1	low	low	low	low
			1	2	3	4
			Unlikely	Possible	Probable	Very Probable

### Likelihood

### Reporting Levels

#### For Service Risks

Critical/High – Report to Director and then Corporate Board  
 Medium/Low – Report to Head of Service

#### For Programme/Project Risks

Critical – Report to Programme Board then Corporate Board  
 High – Report to Programme Manager

Medium/Low – Report to Project Manager

**For Corporate Plan Risks**

Critical/High – Report to Corporate Board and Scrutiny Committees

**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.

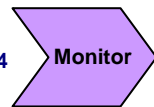
**Avoid** – stop doing the activity or find a different way of doing it, introduce alternative systems/practices

**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.

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

**Accept the risk/uncertainty** – in such circumstances the appropriate management action will be to monitor the risk to ensure its potential does not change. Further mitigation may be required if circumstances change.

**Step 4**



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 ASSESSMENT							
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 4	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 3	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/fin es from £500k +	Complete failure of project/ extreme delay – e.g. 3 months or more
Major 2	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/fin es from £100k to £500k	Significant impact on project or most of expected benefits fail/ major delay – 2-3 months
Moderate 1	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/fin es from £25k to £100k	Adverse effect on project/ significant slippage – 3 weeks-2 months

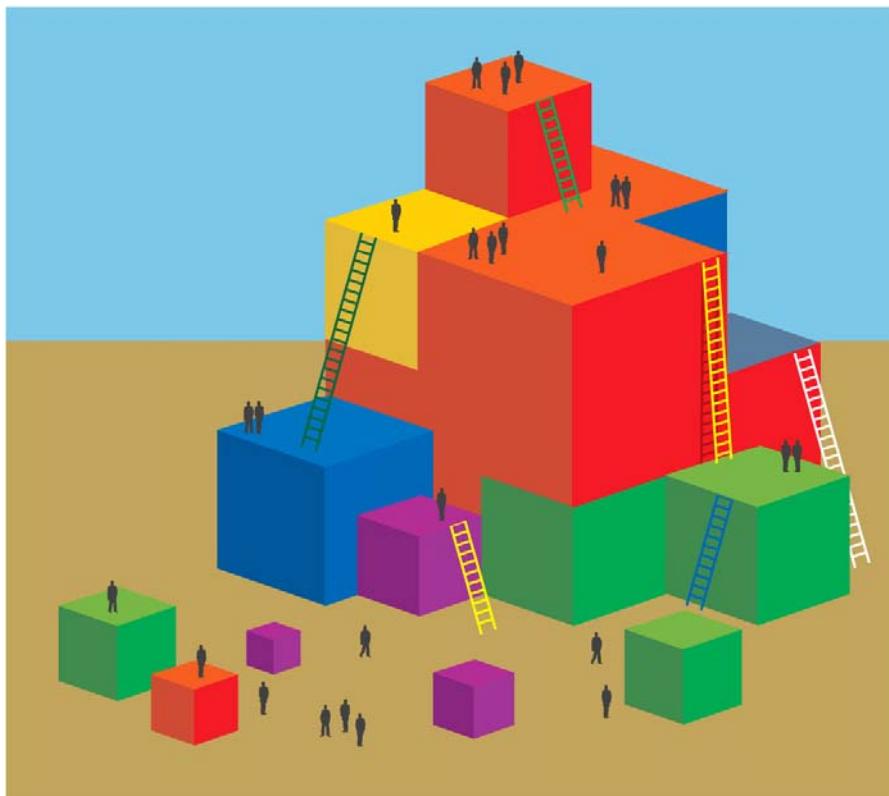
LIKELIHOOD ASSESSMENT	
<b>Very Probable 4</b>	More than 75% chance of occurrence
<b>Probable 3</b>	40% - 75% chance of occurrence

MITIGATION STATUS	
<b>Accept</b>	<ul style="list-style-type: none"> <li>confident that actions taken/controls in place, incl. contingency plans are mitigating risk and uncertainty to an acceptable level OR</li> <li>It is not cost effective to reduce the risk further</li> <li>The risk is outside the control of AVDC and does not require specific monitoring</li> </ul>
<b>Monitor</b>	<ul style="list-style-type: none"> <li>Action plans have not yet been completed</li> <li>It is too early to tell if the risk has been reduced effectively as a result of recent action or controls OR</li> <li>The risk is outside the control of AVDC but needs to be monitored</li> </ul>



<b>Possible 2</b>	10% - 40% chance of occurrence
<b>Unlikely 1</b>	Less than 10% chance of occurrence

<b>Treat</b>	<ul style="list-style-type: none"><li>• Limited confidence in existing controls and further action or contingency plans need to be developed</li></ul>
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# Risk Management Improvement Plan

**2009-10**

**Document Control Sheet**

<b>Organisation</b>	Aylesbury Vale District Council
<b>Title</b>	Risk Management Improvement Plan 2009-10
<b>Author</b>	Evelyn Kaluza
<b>Approvals</b>	Directors Cllr Huw Lewis – Cabinet Member for Corporate Issues (Risk Audit Committee)
<b>Distribution</b>	Directors and Heads of Service
<b>Filename</b>	Risk Management Improvement Plan 2009-10
<b>Owner</b>	Risk Manager
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**Risk Management Improvement No 1:**

**LEADERSHIP – Improving leadership and support for risk management**

**Outcomes/Rationale**

Risk Management is reinforced and sustained through the attitudes and behaviours of Directors and Heads of Services. This will ensure that the culture of the Council is seen by managers as one that is not risk averse.

**Targets/improvements**

- All directors and heads of service are active in challenging information they receive about risks and opportunities and ask for information when it is not automatically provided.
- Directors and heads of service support the objectives of the Risk Management Strategy and seek opportunities to demonstrate this.
- Directors and Heads of Service take the lead in developing and encouraging innovative solutions to the challenges facing the Council in order to demonstrate that well managed risk taking is essential to meet Councils aims.
- Directors and Heads of service encourage managers to raise risk issues and be open and honest without fear of blame

<b>Actions</b>	<b>Milestones/ Success Criteria</b>	<b>Timeframe</b>	<b>Lead Officer</b>
Cross challenge of service risk registers. Starting with pilot then roll out across all services	The quality of Risk Registers is improved. Directors and Heads of Service have an appreciation of risks across other services	Pilot – 30 Sept 09 Roll out by March 2010	Risk Manager
Directors and Heads of Service continue to challenge plans, projects and policy changes where evidence of risk management is not explicit	Increased evidence that risk management improvement is being driven by senior managers	ongoing	Directors /Heads of Service
Identify evidence where risk management has successfully contributed to successful projects or other outcomes	Increased evidence that risk management is contributing to outcomes	ongoing	Directors /Heads of Service

**Risk Management Improvement [No 2]:**

**PEOPLE - Risk Management Skills and Capabilities**

**Outcomes/Rationale**

To improve the skills and capabilities of members and officers who have identified risk management responsibilities in order to increase their confidence and effectiveness in using risk management techniques to support decision making, plans and projects and place less reliance on a few individual experts.

**Targets/improvements**

Members understand the role of risk management and can provide effective challenge when needed.  
 Increase the number of officers who know what risk management is, when it is needed and know how to do it.  
 Improve consistent use of risk management vocabulary

<b>Actions</b>	<b>Milestones/ Success Criteria</b>	<b>Timeframe</b>	<b>Lead Officer</b>
Development of Risk Management Tool to aid managers in the risk identification and assessment process	Less reliance on experts and Improved risk assessments in decision and project areas	March 2010	Risk Manager
Facilitate risk workshops for projects and partnerships	Increases the number of staff who understand the risk management process	ongoing	Risk Manager
Annual Risk Management training for Audit Committee	As knowledge increases more evidence of challenging risk management and its effectiveness	Dec 2009	Risk Manager
Managers below Heads of Service are identified who require risk management skills and appropriate level of training is provided.	An increase in the number of managers who are familiar with the risk management process and can apply it effectively to day to day business	September 2010	Risk Manager & Heads of Service

**Risk Management Improvement No 3:**

**PROCESSES – improving embedding risk management in key business processes**

**Outcomes/Rationale**

By increasing the range and quality of risk management tools and techniques used in planning, project management, partnerships, strategies and decisions the Council will be able to demonstrate continuous improvement in risk management and be identified as a benchmark site by other local authorities and public sector bodies.

**Targets/improvements**

- Reporting against performance and budgets always includes links to risks.
- Planning process uses risk information to drive plans and resources.
- Project Risk Management is effectively applied to a level where there are demonstrably fewer project failures and increased project successes.
- Partnership working is improved through better understanding and sharing of risks
- There is a range of techniques available to staff for undertaking risk and opportunity assessments.
- The analysis capability for risk registers is improved to include tracking interdependencies, cross cutting risks, and improved action planning.

<b>Actions</b>	<b>Milestones/ Success Criteria</b>	<b>Timeframe</b>	<b>By Who</b>
Develop use of performance plus for service plans and risk registers for at least one service	Service is monitoring performance and risks in one place	March 2010	Risk Manager/Policy & Performance Officer
Develop and obtain approval for joint finance performance and risk report	Integrated reports to scrutiny committees supporting decision making	March 2010	Policy & Performance Officer
Service and strategic risks under go a thorough review as part of the business planning cycle.	Risks are linked to business plan objectives and gaps are identified	Jan – March each year	Heads of Service
Review approach for corporate risk identification and monitoring and report recommendations to Corporate Board	CB understand and take ownership of corporate risks	30 September 2009	Risk Manager
Ensure that all major programmes and projects have risk registers and monitor	Risk registers proven to have impact on projects. Lessons	Ongoing	Project Manager/Programme

**RISK MANAGEMENT IMPROVEMENT PLAN 2009-10**

Appendix B

successes or failures to evaluate effectiveness of risk management	learned communicated to other project teams.		Board/CT
Joint Partnership risk registers developed where they do not exist for key partnerships.	Increased openness and transparency between partners	March 2010	Lead Officer/ Risk Manager