

Risk Management Policy

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Corporate Governance Group
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CDT

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CIPFA / SOLACE Guidance on Corporate Governance
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Policy Approval – Member Level:

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1. INTRODUCTION

Like every business, the Council faces numerous uncertainties. Risks are significant uncertainties that may affect an organisation's ability to achieve its strategic and operational objectives. A risk can be an opportunity or a threat. Risk Management is the planned and systematic process by which key risks are identified, evaluated and managed so as to maximise benefits and minimise potentially negative consequences to the Council and its partners.

Local government has seen and will continue to see unprecedented changes. This will lead to significant new risks, as the Council reviews its services and how they are delivered. The Council will respond to such uncertainty through its Risk Management arrangements.

Managing risks informs strategic and business planning, helping the Council meet Corporate Plan 2016/20 objectives, improving service delivery and enhancing value for money. There is an implicit statutory requirement for risk management. This is supported by the CIPFA / SOLACE Guidance on Corporate Governance¹ on which the Council's Local Code of Corporate Governance and Risk Management Framework are based, with additional guidance provided by the International and British Standard for risk management (BS ISO 31000).

2. POLICY STATEMENT & VISION

The Council recognises that some managed risk-taking is essential if it is to meet its objectives. The Council is committed to a 'risk aware' rather than a 'risk averse' culture. It is not the Council policy to manage all its risks – this would not be cost-effective. Instead the Council focuses its attention on managing only those risks that may significantly affect the achievement of its objectives. Risk Management is an enabler to 'right first time' strategic action rather than a barrier to delivery.

The aim is to integrate risk management throughout the Council so as to:

- provide early warning on key / emerging matters to enable transparent, timely decision-making and intervention at appropriate levels;
- support the management of strategic / BAU programmes, providing a holistic performance overview through a single, interlinked risk register;
- facilitate an effective, pragmatic use of resources and the generation of financial savings;
- provide assurance of a consistent, quality service by Officers to residents and the local community with regards to measuring, controlling and reporting risk across the Council at all levels;
- protect assets, people and the Council's reputation;
- support consistent good governance and internal control;
- ensure awareness and action by appropriate parties, thereby avoiding duplication / gaps and the dangers of silos and single points of failure.

¹ 'Delivering Good Governance in Local Government: Framework' (CIPFA, 2016 Edition)

All these factors help develop corporate maturity around risk management. They allow the Service Manager to provide an opinion on the adequacy and effectiveness of the Council's risk management arrangements.

3. CONTEXT OF THE RISK POLICY

This Policy covers all areas of Council activity and its relationships with external parties. This is because Risks affect both the Council and its communities, now and in the future. If risks are not managed effectively, they could affect performance levels, the efficient use of scarce resources (including finance and thereby reducing the amount available for service delivery), and / or damage the Council's reputation.

4. THE COUNCIL'S RISK CULTURE

The Council's risk culture is an accumulation of its shared values, beliefs, knowledge and ethical responses. It is influenced by the tone from the top, its vision and Corporate Plan, its constitution and the social and regulatory environment in which it operates. The Council's 'risk aware' culture draws on this, combining short-term responses to current risks with the long-term, iterative management of complex risk scenarios so as to ensure effective future service delivery to its communities. Everyone who works at the Council, Members and Officers, is responsible for ensuring effective risk management takes place.

The Council's approach to strategic risk management is overseen by the Corporate Management Team and the Audit and Risk Committee. Both groups have a governance role in ensuring delivery correlates with the Council's risk culture. The impact of the Council's risk culture allows it to be:

- dynamic and proactive;
- an influencer of managed change and continued improvement;
- open and transparent;
- a 'no blame' and supportive employer of choice with a committed, participative workforce.

5. OUTCOMES AND PRIORITIES

The Policy seeks to achieve the following Outcome and related Priorities so as to maximise opportunities and mitigate threats:

Outcome

'Risk management is integrated throughout the Council, in support of the Corporate Plan 2016/20.'

- *Priority 1: Embed a risk management culture:*
- *Priority 2: Embed effective risk governance:*

- *Priority 3: Embed a holistic corporate performance approach.*

Full details are provided in the 'Risk Strategy'.

6. LINKS TO OTHER CORPORATE POLICIES AND SERVICE FUNCTIONS

The following are linked to the Risk Management Policy:

- Local Code of Governance and Annual Governance Statement
- Governance Assurance Framework
- Corporate Risk Register
- Audit Policy
- Inspections Policy
- Terms of reference for the Audit and Risk Committee

APPENDIX 1 – RISK DEFINITION, TYPES & PROFILE

What are Risks?

Risks are significant uncertainties that may affect an organisation's ability to achieve its objectives. A risk can be an opportunity or a threat.

It's useful to define a risk in the format:

'There's a risk of X, due to Y, which may result in Z'

This links the causes and consequences of a potential event. It helps the user analyse the benefits and viability of risk actions so that those of greatest impact and merit are put into effect. In this way, an example of 'limited resources' could be defined more closely as:

'Threat of slippage in the project plan due to insufficient staff resources dedicated to delivery, resulting in time overruns or reduced output quality.'

This focuses attention on ways of maximising the impact of mitigating actions in support of outcome achievement.

In the same way, opportunities can be defined precisely, as below, and actions taken to maximise the likelihood of their success eg:

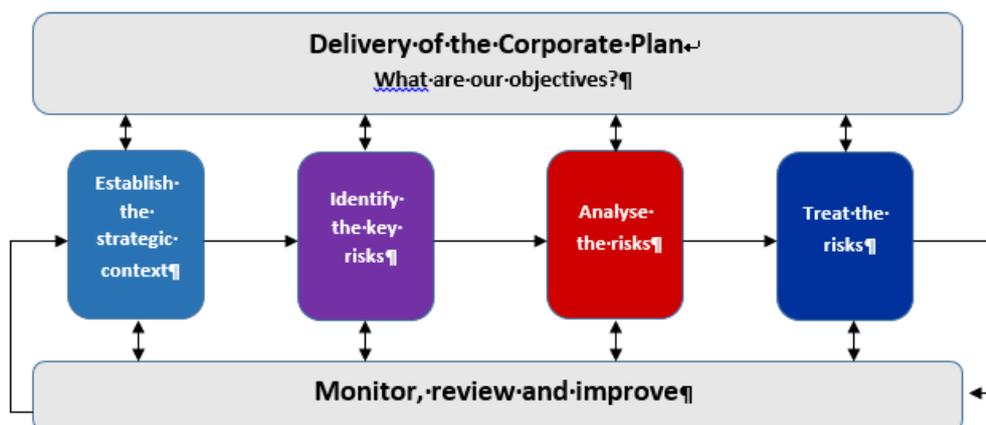
'An opportunity to develop Officer skills and experience via a Talent Management programme which will help the Council improve the effectiveness of its services to its community.'

Risks are managed in 4 key ways:

- Treat - deal with the risk;
- Tolerate - maintain the risk at an appropriate level;
- Transfer - use Insurance or contracts to hand over risk management arrangements to other organisations;
- Terminate – close the risk, where it's no longer of importance.

Risk Management at the Council

The Council works to identify risks before they develop and to mitigate them when they arise, so that the risks remain within tolerable levels. The Council recognises that by taking managed risks we can work innovatively to achieve our aims and deliver beneficial outcomes to our communities. Acceptable risk scores are allocated to differing risk categories, which determine the type and urgency of action required. 'Current' and 'target' risk levels are recorded in the risk register. Key steps are provided below.



Risk Types at the Council

The Council divides its risks into the groups below that are all maintained in the Corporate Risk Register as part of the service and business planning process:

Corporate Risks – These are the strategic, often cross-cutting, risks faced by the Council. Successful, regular management of the opportunities / threats will enhance the organisation’s ability to achieve its objectives. Conversely, if such risks are not managed successfully, they will have major negative consequences for the achievement of the Corporate Plan. Corporate Management Team (CMT) and the other Senior Managers are accountable for ensuring these risks are managed effectively.

Commission Risks – These are the key **Future:Basildon** risks, relating to the following programmes: *Creating a self-financing council; Developing our commercial arrangements, Working with the community & partners.* The relevant Commission Programme Manager is accountable for ensuring these risks are managed effectively.

Partnership Risks – There are two types of Partnership Risks:

- a) joint risk profiles that relate directly to the objectives and business of the partnership;
- b) risks that relate to the Council as a result of its involvement with the partnership eg impacting the Council’s reputation / finances / contractual obligations.

These risks are maintained on the Council’s Performance Management system by the Council’s lead within the particular Partnership. Relevant Senior Managers are accountable for ensuring the risks are managed effectively.

Project Risks – These risks relate directly to the objectives and delivery of a particular project. They form sub-sections within a particular Service. The risks are maintained on the Council’s Performance Management system by the relevant Project Manager; ultimate accountability lies with the appropriate Senior Managers.

Service Risks - These risks relate directly to the business of a particular Service, including the projects managed by that Service. The risks are maintained on the Council's Performance Management system as part of the service and business planning process. The risks are localized; they are not of a level significant enough for them to be classed as Corporate Risks. Relevant Senior Managers are accountable for ensuring their Service risks are managed effectively.

An additional risk type, **Operational Risk Management**, is managed by the Insurance Team. It concerns the review of day-to-day risks in service delivery and measures that can reduce insurance claims and risks to staff and the Community.

Risk Profile

A **Risk Profile** is an evaluation of an organisation's willingness to take risks as well as the opportunities and threats to which it is exposed. It includes the elements below.

Risk Appetite - the total amount and type of risk that the Council is willing to accept in the pursuit of its strategic objectives. The Council has to take some risks and avoid others, so that its work makes a significant difference. If the Council is clear about its risk appetite, staff can take it into account when making decisions.

Risk Tolerance - the relative level of risk which the organisation will accept, based on its risk appetite. This can vary over time and by area of work. The current, agreed, acceptable levels of risk for the Council are:

RISK CATEGORY	RISK SCORE SHOULD NOT EXCEED
COMPLIANCE / LEGISLATIVE / POLITICAL	4
HEALTH & SAFETY	4
FINANCIAL / ECONOMIC	6
SECURITY / PHYSICAL / ENVIRONMENTAL	6
SERVICE EFFECTIVENESS	6
REPUTATIONAL	8

The Risk Categories are the key areas from which the Council's opportunities / threats evolve. The Risk Score comprises the product of Impact and Likelihood ratings. Acceptable levels are reviewed by Senior Management on a regular basis.

Effective risk management also includes:

Risk Attitude: People's intentions to evaluate a risk situation in favourable / unfavourable ways and to act accordingly.

This can lead to **risk propensity** (positive reaction) or **risk aversion** (caution).

Risk Identification: The process of determining, documenting and communicating key risks.

Risk Perception: The subjective judgement that people make about the characteristics and severity of a risk.

APPENDIX 2 - GLOSSARY

Corporate Risk Register - This is the corporate database on the Council's Performance Management system, which contains the Council's key opportunities and threats, including newly developing ones ('emerging risks'). Each risk must include mitigating controls and actions to ensure effective management.

Risk Management Framework – This comprises the Risk Policy, the Risk Strategy and the Risk Toolkit. A Summary Toolkit has also been compiled to support users effectively. Together the Framework sets out:

- **how the Council manages risk** by maximising opportunities, encouraging innovation, minimising threats and adding value;
- **the current and planned, overarching actions** to manage threats and take advantage of opportunities;
- **the proactive work being undertaken** to ensure the Council makes appropriate decisions, based on an assessment of risk.

The Framework supports overall Corporate Governance at the Council, contributing positively towards the achievement of the Corporate Plan.

Risk Management Policy – This comprises the Council's vision and approach towards risk management, setting out what we want to achieve and why. It is accompanied by a Strategy that details the related course of action to attain key outcomes.

Risk Management Strategy – This focuses on the key actions being undertaken to support the Council and its Services in the effective and streamlined management of key risks. The Strategy forms part of the Risk Framework

Risk Management Toolkit – This is a practical guide for Teams on how to implement risk management effectively. It provides detailed information such as scoring mechanisms, risk categories, criteria for assessing risk impacts and likelihoods – with a related scoring matrix and guidance notes for assessing risks in committee reports.

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