



## **Risk Management Strategy**

**20192020**

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## 1. Introduction

This document sets out a strategy for managing risk within Selby District Council. To ensure that the strategy remains focused and in keeping with the overall aims and objectives of the Council, there is a need to review it on an annual basis. As such this document has been reviewed in ~~December 2018~~December 2019.

Sound risk management, when embedded, achieves many benefits. These include assisting in setting priorities (by focusing on key risks), service planning and demonstrating to stakeholders and inspectors that the Council is continuously improving by managing areas of key concern at all levels.

The challenge is to effectively manage risk without significantly increasing workloads. This is achieved by ensuring risk management is part of existing processes rather than treating it as a separate function.

The objectives of the strategy are to:-

- Ensure risk management is part of all decision-making processes and that it is embedded through ownership, both at officer and Councillor level;
- To integrate risk management into the day to day activities of the Council;
- Manage risk in accordance with best practice and in response to changes in the internal and external environment;
- Create and maintain effective processes that will allow the Council to produce risk management assurance statements annually.

As with all business activities, when practicing risk management it is essential that the council's corporate priorities are considered at all times. The council has ambitions to make the district a **great place to do business**, a **great place to enjoy life** and a **great place to make a difference**, while **delivering value**.

## 2. What is risk management?

Risk management ~~and risk can be defined as~~ have been defined by the Institute of Internal Auditors (IIA) as:

**Risk management is a process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation's objectives.** ~~is the process by which risks are identified, evaluated and controlled.~~ **Risk can be defined as 'the possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.** ~~is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies.~~

Risk management is a strategic tool and is an essential part of effective and efficient management and planning. As a strategic tool, risk management identifies those issues that will act as a barrier to the Council achieving its objectives. Appendix 2 to this document sets out the main areas of risk.

The organisation's approach is to be **risk aware** rather than **risk averse** and to manage risk rather than to seek to eliminate it in all cases.

There are two types of risk:-

- **Direct threats** (damaging events) which could lead to a failure to achieve objectives.
- **Opportunities** (constructive events) which, if exploited, could offer an improved way of achieving objectives but which are surrounded by threats.

### 3. Why do we need a Risk Management Strategy?

There are two reasons why risk management is undertaken and a strategy is put in place to ensure that risk management is embedded within the decision-making framework.

Firstly, risk management is about identifying those situations that will prevent organisations from being successful in achieving their corporate and service-based objectives, as well as successfully completing projects. If these situations are effectively managed then the organisation is more likely to achieve its objectives. Risk management is good management and should be incorporated in all decision-making. However, risk management is not only about managing risk but also about identifying opportunities. By understanding the risks and rewards that those opportunities may create, the organisation will be in a position to make informed decisions commensurate with its risk appetite. Should the organisation decide to accept a level of risk, where this cannot be fully mitigated, the organisation should be prepared for unfavourable outcomes.

The second reason is that risk management is also an essential part of the Annual Governance Statement. The Annual Governance Statement comments on the Council's position in relation to risk management, corporate governance and internal control. This strategy underpins the approach to risk management in the Council.

### 4. What are the benefits of risk management?

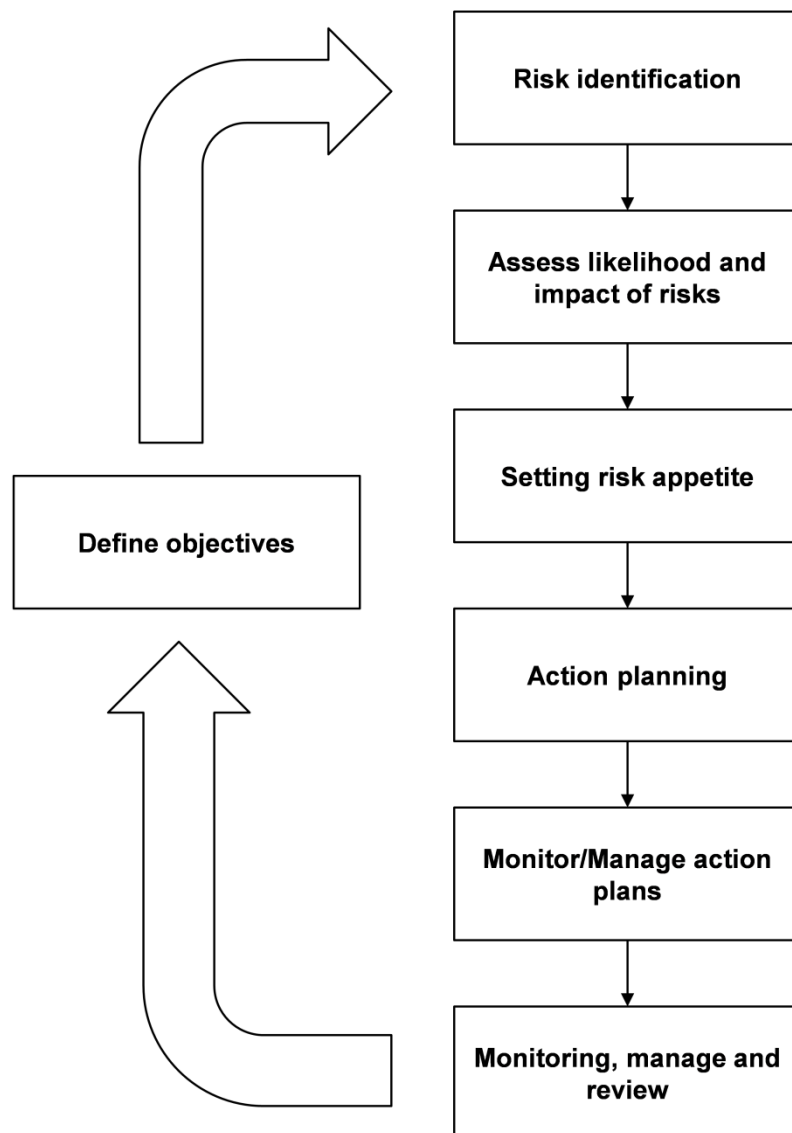
- Increased likelihood of achieving objectives by identifying the barriers to achievement – improved strategic management;
- Become less risk averse in innovation (because you understand) and hence are more innovative;
- Improved business planning and commercial awareness through a risk-based decision making process;
- Improved operational management;

- Improved customer service;
- Enhanced performance – feeds into performance management framework;
- Focus on doing what matters to make a difference.
- Providing assurance of demonstrable improvement and;
- Better governance and demonstration of it to stakeholders;
- Understanding and being prepared for incidents when they occur.

## 5. What is the Risk Management Process?

Implementing this strategy involves identifying, analysing, managing and monitoring risks. Risk management is a **continuous** process, which involves continual **identification, assessment and management** of the risks faced by the Council.

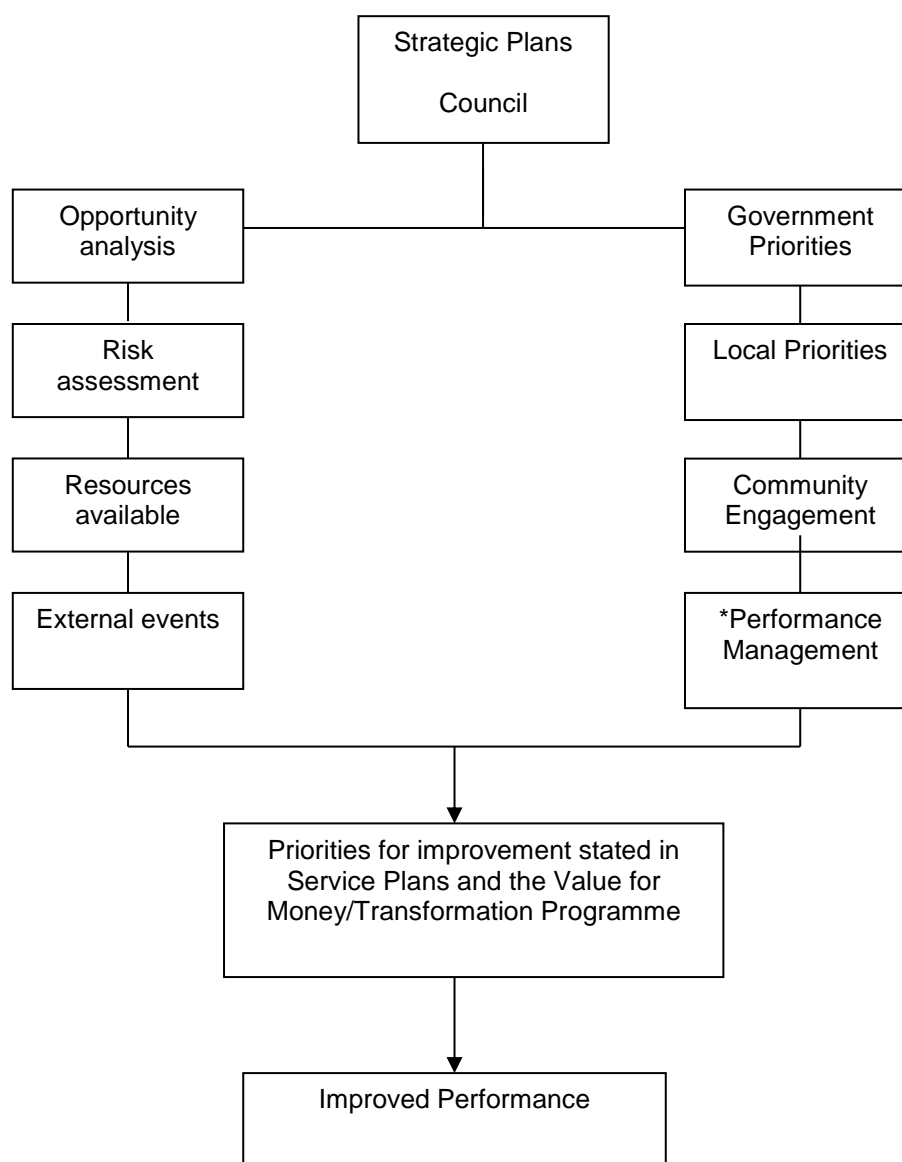
Figure 1: The Risk Management Process



## 6. Risk Management linking into Corporate Planning

The information resulting from the risk management process acts as one of eight key pieces of information that feed into the priorities of the Council.

Figure 2: Risk Management linking into priority setting



\*Risk management and performance management share similarities in process and purpose and should be integrated to ensure that the other is operating effectively. The information generated through the performance management process at both the corporate and service level should be considered when scoring and updating risks so that only the most up-to-date information is used.



## 7. Risk Strategy for Selby

The success of risk management depends on how well it links into existing processes. This strategy recognises the three main types of risk management undertaken within local government, namely:-

- Corporate Risk Management: those risks that have major consequences for the Council in achieving its overall goals.
- Service-Based Risk Management: those risks that impact on delivery of services including welfare issues, health and safety and asset management issues.
- Partnership and Project-Based Risk Management: those risks that impact on the delivery of partnerships, projects and major items of change management.

## 8. Risk Culture

Selby District Council aims to be open in its approach to managing risk and will seek to avoid a blame culture. The organisation is willing to take a measured risk in order to promote innovation and to take advantage of operating in a more business like manner. Lessons from events that lead to loss or reputational damage will be shared as well as lessons from things that go well. Discussion on risk in any context will be conducted in an open and honest manner.

## 9. Business Culture (Commercial Development)

The Council is required to adopt a more business-like outlook in some service areas. This may mean taking measured risks in order to drive the business forward. These are undertaken with a full understanding of the potential consequences and an alternative plan having been developed, should undesirable consequences occur. The Council therefore is clear to identify and measure risks associated with business decisions and to eliminate or control risks associated with business decisions.

The objectives will be achieved by:-

Ref	Action	Lead
1	Maintaining an up-to-date Risk Strategy.	Internal Audit/Chief Finance Officer (Officer Risk Champion)
2	Providing practical guidance to staff and Councillors.	Internal Audit
3	Including consideration of risk management within Service Plans.	Directors/ Heads of Service
4	Including risk management assessments in Committee reports.	Directors/ Heads of Service
5	Including risk management within financial procedure rules.	Chief Finance Officer (Officer Risk Champion)
6	Allocating specific responsibilities for risk to officers throughout the organisation.	Directors/Heads of Service
7	Appointing a Councillor Risk 'Champion'.	Audit & Governance Committee - Chair
8	Supporting the work of the Councillor Risk Champion.	Internal Audit/ Chief Finance Officer (Officer Risk Champion)
9	Review of risk management arrangements as part of the review of internal controls.	Internal Audit
10	Annual report to the Audit & Governance Committee reviewing the risk management process. Bi-Annually to the Audit & Governance Committee on review of the Risk Registers	Internal Audit
11	Maintaining contingency plans in areas where there is potential for risk to the business capability.	Directors/ Heads of Service
12	Improving the integration between performance management and risk management.	Directors/ Heads of Service
13	Providing risk management awareness training for Councillors and officers.	Internal Audit
14	Statement on risk management to be included in the Annual Governance Statement which forms part of the Statement of Accounts of the Council.	Internal Audit
15	Challenging the progress being made on the action plans relating to risk.	Audit & Governance Committee

## **10. Partnership Working**

The Council recognises both the benefits and the risks of partnerships and joint working. It seeks to manage these risks through agreeing partnership objectives, procurement arrangements, contracts and other agreements that identify and allocate risks to the relevant partners. To minimise the likelihood and impact of a significant failure in its partnerships, the Council encourages its partners to demonstrate that they have effective risk management arrangements in place and to disclose those arrangements when entering into partnership.

## **11. The movement of risks between Service Based Risk Registers and the Corporate Risk Register.**

The Council acknowledges that the review of Service Based Risk Registers may identify a risk that could have a significant impact on the Council. When identified, there needs to be a clear process by which the risk is assessed to ensure that it meets the criteria for inclusion onto the Corporate Risk Register. This process is carried out by the Extended Leadership Team (ELT). Reviews of the Service Based Risk Registers are timetabled to ensure that any emerging risks are taken into account when the Corporate Risk Registers are reviewed.

## **12. Risk Management in our Decision Making**

For risk management to be effective it needs to be considered in the decision making activities of the Council. Risks are articulated within the officer reports, including an assessment of risks associated with any recommendation being made. Formal consideration of risks is recorded within the Council's reporting templates.

## **13. Monitoring of Risk Trends**

The Council's exposure to risk over time is subject to change as its internal and external environments change. It is imperative that changes in risk scores (and thus the risk 'trend') are kept under review so it can be ensured that appropriate risk treatment measures are in place and in order to make a determination as to whether these measures are functioning effectively. To

facilitate this process, in reviewing the Corporate Risk Register, senior officers and Councillors will consider the direction of change in risk since the last assessment was undertaken.

#### **14. Annual review of Risk Management Strategy**

The Leadership Team (LT) will annually review the Council's risk management strategy in light of changing legislation, government initiatives, best practice and experience gained in adopting the strategy. Any amendments will be recommended by LT for approval by Councillors.

This strategy has critical links to the Council's:-

- strategic objectives;
- governance arrangements;
- community focus;
- organisational structures and processes;
- standards of conduct;
- service delivery arrangements;
- medium term financial strategy;
- Annual Governance Statement

**Risk management methodology****Appendix 1**

Implementing the strategy involves identifying, analysing, managing and monitoring risks.

**Stage 1 – Identification, analysis, profiling and prioritisation of risks****Identifying the risks**

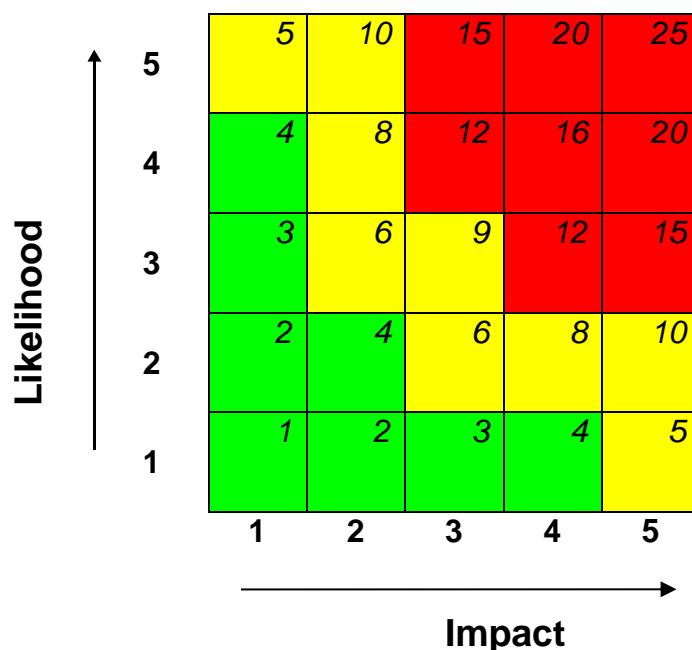
There are different methods to identify risks. Workshops and drop in sessions are facilitated for managers which encourage officers to share their concerns, problems and potential risks that they foresee. A review of published information such as service plans, strategies, financial accounts, media mentions, professional periodicals and inspectorate and audit reports are a useful source of information in the identification process.

When identifying risks the categories of possible risk areas presented in Appendix 2 should be used. They will act as a prompt and as a trigger for officers involved in the process. They will also ensure that a holistic approach to risk identification is taken and that the risk process does not just concentrate on operational, financial or legal risks.

**Analysis, risk profiling and prioritisation**

Following identification, the risks need to be entered onto the Risk Register(s) on the performance management system (Pentana) and evaluated. Risk Owners will review the risks identified and decide their ranking according to the likelihood of the risk occurring and its impact, should it occur. A matrix is used to plot the risks and, once completed, this risk profile clearly illustrates the priority.

Although the risk profile produces a priority for addressing each risk, determining the Council's appetite for risk can enhance this. All risks above the risk appetite cannot be tolerated and must be managed down, transferred or avoided. The appetite for risk will be determined by management. The risk profile used and risk scoring key are shown below:



Score	Likelihood	Score	Impact
1	Very Low	1	Negligible
2	Low	2	Marginal
3	Significant	3	Medium
4	High	4	Critical
5	Very High	5	Catastrophic

Using Pentana to manage and monitor risk allows the risks to be linked to projects, service plan actions and performance indicators.

Risks are then categorised as 'high (12-25)', 'medium (5-10)' or 'low (1-4)'.

**Risks falling within the high category require mitigating action.**

### Stage 2 - Action Planning

The potential for controlling the risks identified will be addressed through the management action plans. Most risks are capable of being managed – either through mitigation planning (managing down the likelihood), contingency planning (managing the impact) or a mixture of both. Relatively few risks have to be avoided or transferred, although there will be a greater tendency to transfer (insure) risks that have a high impact, but a low likelihood. Action plans will also identify the resources required to deliver the improvements, key dates and deadlines and critical success factors/key performance indicators.

A formal action plan is required for all high risks identified (at the original risk stage). The action plan should clearly identify the mitigating actions and controls in place to reduce the original risk.

Action plans should not be seen as a separate initiative but should be incorporated into the business planning process and included and linked to service plans on Pentana. The plans should be appropriate to the level of risk identified.

When prioritising risks, those located in the upper right of the risk profile are the priority risks to be managed. The risk scores can then guide the next level of priorities.

### **Stage 3 Management of risks**

All risks are managed by the senior officers and managers. Each risk has an identified owner and it is their responsibility to ensure that the corporate system (Pentana) is updated at regular intervals and in line with reporting timetables. They should also ensure that the corresponding mitigating action plans and controls are revised on the system as and when required.

## Categories of Risk

## Appendix 2

Risk	Definition	Examples
Political	Associated with the failure to deliver either local or central government policy or meet the local administration's manifesto commitment	New political arrangements, political personalities, political make-up
Economic	Affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance cover, external macro level economic changes or consequences proposed investment decisions	Cost of living, changes in interest rates, inflation, poverty indicators
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the council's ability to meet its objectives	Staff levels from available workforce, ageing population, health statistics
Technological	Associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures	E-Gov. agenda,  IT infrastructure,  Staff/client needs, security standards
Legislative	Associated with current or potential changes in national or European law	Human rights,  TUPE regulations etc.
Environmental	Relating to the environmental consequences of progressing the council's strategic objectives	Land use, recycling, pollution
Professional/ Managerial	Associated with the particular nature of each profession, internal protocols and managerial abilities	Staff restructure, key personalities, internal capacity
Financial	Associated with financial planning and control	Budgeting, level of council tax & reserves
Legal	Related to possible breaches of legislation	Client brings legal challenge
Physical	Related to fire, security, accident prevention and health and safety	Office issues, stress, equipment use etc.
Partnership/ Contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification	Contractor fails to deliver, partnership agencies do not have common goals
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value	Position in league tables, accreditation
Customer/ Citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens	Managing expectations, extent of consultation



**Roles and responsibilities****Appendix 3****The Executive**

The Executive should understand risks as presented to them through officer reports when making decisions. They should ensure that there is an appropriate consideration of risk in relation to the decision making process and that any decisions made clearly articulate the Council's risk appetite.

**Audit and Governance Committee**

Councillors have the role of overseeing the effective management of risk by officers. In effect this means that they will agree the Strategy, framework and process put forward by officers – as well as the priorities for action. They will also review the effectiveness of risk management. They may also be involved in providing reports to stakeholders on the effectiveness of the risk management framework, strategy and process. Councillors are ultimately responsible for risk management because the risks threaten the achievement of policy objectives.

**Leadership Team**

The Leadership Team are pivotal to the risk management process as they set the risk appetite for the organisation through the projects, initiatives and cross cutting activities that they endorse and champion.

**Officer Risk Champion**

The Officer Risk Champion (Chief Finance Officer) is responsible for the implementation of the integrated framework, strategy and process on behalf of the Council and its Leadership Team. The champion, assisted by Internal Audit, is essentially fulfilling a controlling and facilitation role – to ensure the processes are implemented and to offer guidance and advice.

**Supporting Services**

Other support functions, e.g. finance, human resources, health and safety, legal, IT, will also have a role in providing support and advice.

**Senior Officers**

Heads of Service and Lead Officers are responsible for managing Business Plan (Strategic) Risks, Service Plan Risks, Partnership and Project Risk and ensuring that risk activity and targets are achieved and updated on a timely basis.

**The Council - Partners**

The Council works with a wide range of partners in delivering its services. It is important that those partners are brought into the risk management framework. At times it will be appropriate for partnerships and shared services to be undertaken. However, it is essential that accountabilities are adequately defined and that the Council does not overlook any risks that may fall on it arising from its part in a joint venture. Even where there is transfer of operational risks, for example under a PFI, there will undoubtedly be some residual risks falling on the authority. It is not possible to outsource the risk management process.

**Internal Audit**

As well as providing the Risk Management Facilitation service documented above, the Internal Audit function provides independent assurance on the effectiveness of controls within the Council. As part of the production and presentation of the annual 'audit opinion' on the risk and internal control framework to the Audit & Governance Committee, Internal Audit comments on the appropriateness of the risk management process within the Council; as well as identifying areas of low assurance and associated actions required.

**All employees and Councillors**

The management of risk should be regarded by employees (at all levels) and Councillors as one of their fundamental duties. All employees and Councillors have a responsibility to understand the Council's strategy and appetite to risk management, as well as reporting any actions that the Council should take to mitigate any adverse consequences.

**The Importance of an Integrated Approach**

In essence, the framework detailed above should provide a consistent, integrated top-down meets bottom-up approach to risk management – embedding it into strategy and operations. Risk management must continue to be integrated and play a key role in the decision making process in the future.