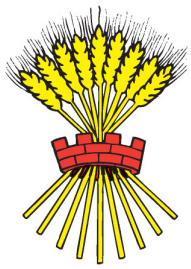
RYEDALE DISTRICT COUNCIL



RISK MANAGEMENT STRATEGY

2007 – 2010

Revised December 2008

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1. Introduction

This document sets out a strategy for implementing and embedding risk management within Ryedale 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 2008*.

Sound risk management, if embedded, will achieve many benefits for the Council. These include assisting in setting priorities (focusing on key risks), service planning and demonstrating to stakeholders and inspectors that the Council is continuously improving by managing areas of key concern, both at corporate and service-based levels. It should also be employed in the management of partnerships and projects.

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

The objectives of the strategy are to:-

- Further develop risk management and raise its profile across the Council
- Integrate risk management further into the organisational culture, service planning and performance aspects of the organisation
- Embed risk management through the ownership and management of risk as part of <u>all</u> decision-making processes, both at officer and member level
- Manage risk in accordance with best practice
- Create effective processes that will allow the council to produce risk management assurance statements annually

This strategy demonstrates how Ryedale District Council is meeting its responsibility to manage risks using a structured and focused approach.

2. What is Risk Management?

Risk Management can be defined as:

"Risk 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 the process by which risks are identified, evaluated and controlled"

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 Ryedale District Council achieving its objectives. Appendix 1 to this document sets out the main areas of risk for Local Authorities.

The Council'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 risks:-

- **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.

The Strategy has critical links to the following areas:-

- Our Medium Term Objectives.
- Our Corporate Governance Arrangements.
- Our Community Focus.
- Our Organisational Structures and Processes.
- Our Standards of Conduct.
- Our Service delivery arrangements.
- Our Medium Term Strategy.
- Our Annual Governance Statement (AGS).

3. Why do we need a Risk Management Strategy?

There are three main reasons why risk management is undertaken and a strategy is put in place to ensure that it is embedded within the Council's decision-making framework:-

- Risk management is about identifying those issues that will prevent Ryedale District Council from being successful in achieving its corporate and service-based objectives, as well as successfully completing projects. If these issues are successfully managed then Ryedale District Council is more likely to achieve its objectives. Risk Management is good management and should be incorporated in all decision-making of the Authority. Risk management is also about identifying risk-based opportunities.
- Corporate risk management is an integral requirement of the Comprehensive Performance Assessment and Comprehensive Area Assessment as such is an important element in demonstrating continuous improvement.
- Finally risk management is also an essential part of the Annual Governance Statement (AGS), which the Council has to produce annually. The AGS comments on the Council's position in relation to risk management, corporate governance and internal control. The strategy underpins the approach to risk management at Ryedale.

4. What are the benefits of risk management?

- Increases likelihood of achieving objectives by identifying the barriers to achievement - improved strategic management.
- Become less risk averse in innovation (because you understand) and hence more innovative.
- Improve business planning through a risk based decision making process.
- Improved operational management.
- Improved financial management.
- Improved customer service.
- Enhance performance - feeds into performance management framework.
- Focus on doing what matters to make a difference. Demonstrable improvement.
- Better governance - and demonstration of it to stakeholders

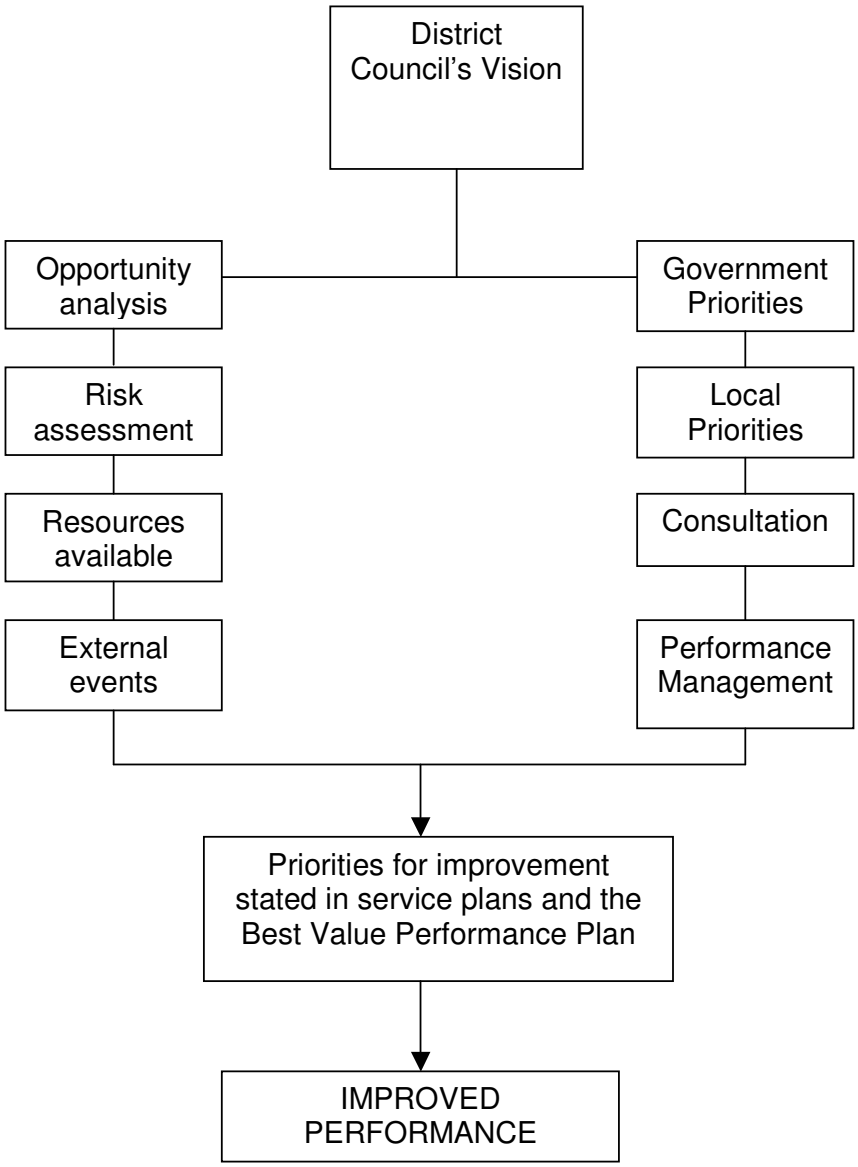
5. What is the Risk Management Process?

Implementing the 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. Appendix 2 to this document details the process.

Figure 1: The Risk Management Process

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



6. Strategy for Ryedale District Council

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

A number of issues have been borne in mind when setting this strategy:-

- The relative size of the authority.
- The current planning process/performance frameworks that have already been adopted.
- The need to ensure integration between service-based risk management and corporate risk management.

7. Partnership Working

The Council recognises both the benefits and the risks of partnership/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.

8. Annual review of Risk Management Strategy

CMT will annually review the Council's Risk Management Strategy in light of changing legislation, government initiatives, best practice and experience gained within the Council in adopting the strategy. Any amendments will be recommended by CMT for approval by Members.

Categories of Risk **Appendix 1**

Risk	Definition	Examples
Political	Associated with the failure to deliver either local or central government policy or meet the local administration's manifest 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
Techno-logical	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
Environ-mental	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

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

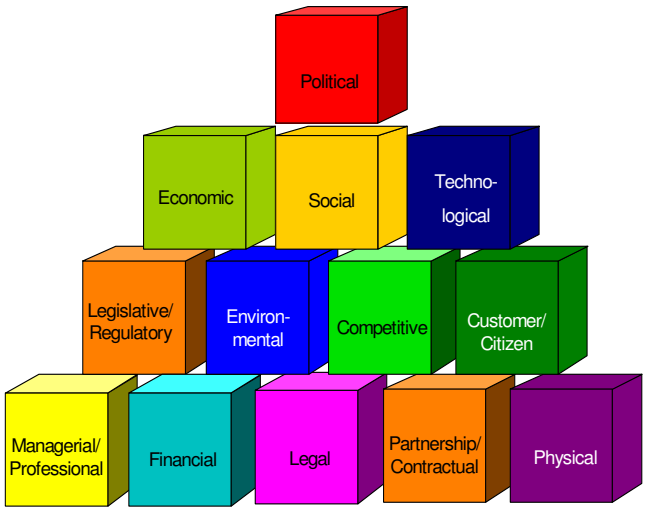
Stage 1 – Identification, analysis, profiling and prioritisation of risks

Identifying the risks

There are different methods to identify risks. Workshops should be held by the CMT/HoS and within service units encouraging officers to share their concerns, problems and potential risks that they foresee.

It is also recommended that a review of published information such as service plans, strategies, financial accounts, media mentions, inspectorate and audit reports are a useful source of information.

When identifying risks it is suggested that the following categories of possible risk areas be used. They will act as a prompt and as a trigger for officers involved in the process. They will 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. Examples of risks from each category can be found in Appendix 1.

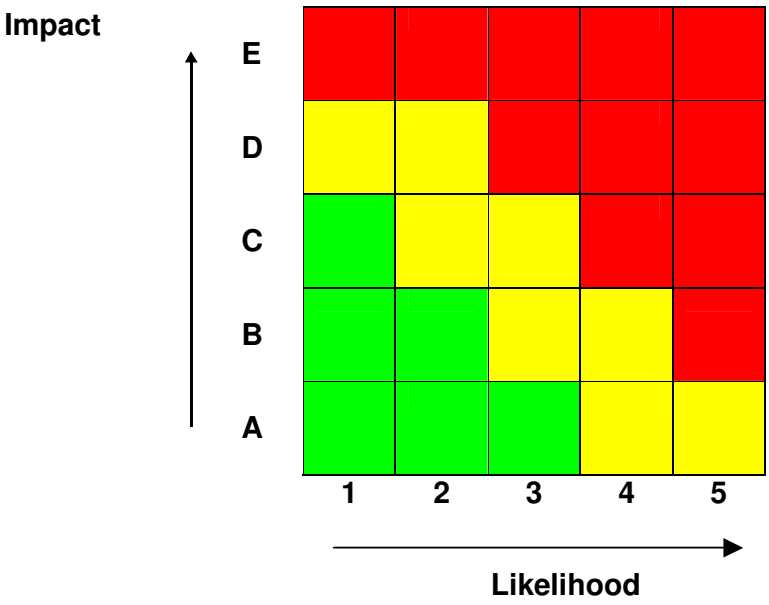


Analysis, Risk Profiling and prioritisation

Following identification, the risks will need to be entered into the Risk Register and then evaluated. The management will look at the risks identified and decide their ranking according to the likelihood of the risk occurring and its impact, if it did occur. A matrix is used to plot the risks and once completed this risk profile clearly illustrates the priority of each scenario.

Although the risk profile produces a priority for addressing each risk determining the group's appetite for risk can enhance this. All risks above the 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 by Ryedale and key is shown below:-



Score	Likelihood	Score	Impact
1	Very Low	A	Low
2	Not Likely	B	Minor
3	Likely	C	Medium
4	Very Likely	D	Major
5	Almost Certain	E	Disaster

The process has been developed further to allow integration into the *Covalent Software Risk Module* package. The software was chosen as it is already used by the Performance Team to record and monitor performance data and engender greater linkages between the disciplines of risk and performance management. To satisfy this migration to the new software there has been a need to revise the risk appetite so that risks are now categorised as high, medium and low whereby risks falling within the medium and high categories require mitigating action. The appetite and scoring are shown in the table above.

When prioritising risks those located in the top, right hand side box are the first priority or the most important risks to be managed. The risk scores can then guide the next level of priorities.

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/KPIs.

These plans should not be seen as a separate initiative but should be incorporated into the business planning process and included and linked to service delivery plans.

Roles and responsibilities **Appendix 3**

	Elected Members	Corporate Management Team	Officer Risk Champion/Int Audit	Support Services (HR, Legal etc)	Heads of Service	Ryedale District Council Partners
Framework, Strategy and Process	Agreeing the framework, strategy and process determined by officers	Approving the framework, strategy and process	Produce and coordinate the framework, strategy and process	Providing advice and support	Supporting the framework, strategy and process	
Identifying, Analysing and Profiling Risk	Ensuring Risk Identification etc considered as part of service Planning Framework	Identifying, Analysing and Profiling strategic and cross-cutting risks	Providing advice, support and training	Providing advice and support	Identifying, analysing and profiling strategic and service risks – update risk register – link to service planning process	Identifying and maintaining awareness of risks (Fed into the formal Ryedale RM process)
Determining Action on Risk		Determining action on strategic and cross-cutting risks Delegating responsibility for control	Providing advice, support and training	Providing advice and support	Determining action on strategic and service risks Delegating responsibility for control	

	Elected Members	Corporate Management Team	Officer Risk Champion/Int Audit	Support Services (HR, Legal etc)	Heads of Service	Ryedale District Council Partners
Controlling Risk			Providing advice, support and training	Providing advice and support		Controlling partnership risks
Monitoring and reporting on progress	Reviewing the effectiveness of the risk management process	Monitoring progress on managing strategic and cross-cutting risks and reviewing the implementation of the risk management framework, strategy and process Reporting to elected Members	Co-coordinating the results for reporting to the Corporate Management Team and elected Members	Providing advice and support	Monitoring progress on managing strategic and service risks Reporting to the departmental management team	Monitoring progress on partnership risks (advise appropriate persons to ensure this is captured in Ryedale's RM process)
Reporting to external stakeholders on risk	Reporting to external stakeholders on the framework, strategy, process and effectiveness	Reporting to external stakeholders on the framework, strategy, process and effectiveness	Preparing draft reports for the Corporate Management Team and elected Members to issue			

Elected Members

Members 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.

Members are ultimately responsible for risk management because the risks threaten the achievement of policy objectives.

Corporate Management Team

Corporate Management Team are pivotal to the Risk Management process as they set the risk appetite for the organization through the projects, initiatives and cross cutting activities that they endorse and champion.

Officer Risk Champion/Internal Audit

The Officer Risk Champion is responsible for the implementation of the integrated framework, Strategy and process on behalf of the Council and its Corporate Management Team. The champion 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.

Heads of Service

Heads of Service are responsible for managing strategic and their Service Risks and ensuring that risk activity and targets are achieved and updated on a timely basis.

Partners

Ryedale District 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 / shared services to be undertaken, however, it is essential that accountabilities are adequately determined and that Ryedale District 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 (NYAP)

The Internal Audit team from another partner Council provides independent assurance on the effectiveness of controls within the Council. In order to do this, the annual audit plan is designed to review key risks, as identified within the corporate risk register.

Internal Audit supported the embedding of the risk management process, and now provides evaluation of the risk management process and works with management to monitor actions against identified risks. Internal Audit also utilizes the risk register for monitoring management agreed actions from audit reports.

As part of the production and presentation of the annual Head of Internal Audit Opinion to the Overview and Scrutiny 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.

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.