

RYEDALE  
DISTRICT  
COUNCIL



# RISK MANAGEMENT STRATEGY

**2017-22**

**Revised July 2017**

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## **1. Introduction**

### **Approach and objectives**

Risk management is a planned and systematic approach to the identification, evaluation, prioritisation and control of risks and opportunities facing an organisation.

Ryedale District Council (RDC) recognises that effective risk management is an integral part of good corporate governance and as such should be a part of everyday management processes across the organisation. RDC is committed to ensuring robust risk management arrangements are in place and operating effectively at all times. The Resources & Enabling Services Lead will champion risk management, providing a management lead and ensuring that appropriate arrangements are maintained but the day to day management of risk sits with all Lead Officers and Risk Owners.

### **Specific arrangements**

RDC will establish clear roles, responsibilities and reporting lines for risk management and ensure a systematic way of:

- Identifying risk and risk owners
- Assessing risks in terms of likelihood and severity
- Assessing the need for mitigating actions
- Recording risks
- Regularly monitoring and reporting upon risk

### **Risk and risk management**

*“Risk is most commonly held to mean “hazard” and something to be avoided. But it has another face - that of opportunity. Improving public services requires innovation - seizing new opportunities and managing the risks involved. In this context risk is defined as uncertainty of outcome, whether positive opportunity or negative threat, of actions and events. It is the combination of likelihood and impact, including perceived importance.*

*Risk management covers all the processes involved in identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and reviewing progress. Good risk management helps reduce hazard, and builds confidence to innovate.”*

-HM Treasury

Taking risks is an inevitable part of most organisations. Attention needs to be focused on managing the risks to which the organisation is exposed. High

performing organisations consistently demonstrate strengths in leadership, financial management, performance management and risk management.

Risk Management can be defined as the culture, processes and structures that are key to the effective management of potential opportunities or threats to an organisation in achieving its objectives and delivering services. Risk Management is not about being risk averse, it is about being risk aware. It is about understanding and evaluating risks whether they are an opportunity or a threat and making informed decisions about how those threats are then managed in order to maximise the efficiency of its services.

The benefits gained in managing risk are improved strategic, operational and financial management, continuity of knowledge and information management processes, improved compliance and most importantly improved customer service delivery.

## **2. Risk Management at Ryedale District Council**

RDC strives for excellent management of risk in order to maintain good governance, meet its audit requirements and to sufficiently protect itself against the risks that arise in carrying out its functions. RDC's operations mean it is exposed to risks including health and safety, loss of money or funding, reputational risks in relation to delivery of projects and objectives and potential legal action. Various groups identify, assess, monitor and review the risks that RDC faces including:

The **Health and Safety Committee** meets quarterly to ensure health and safety systems are operating effectively.

The **Leadership Team** review the Corporate Risk Register periodically and Lead Officer led **Service Delivery Teams** will discuss the Service Risk Registers throughout the business year.

The **Audit Committee** provides a Member overview of the audit and risk arrangements in place.

**Programme Boards** will review project risks.

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 all 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.

**The objectives will be achieved by:-**

Action	Responsible
Maintaining an up to date Risk Strategy	Resources & Enabling Services Lead
Providing practical guidance to staff and Members	Lead Officers
Including risk management issues within Service Delivery Plans and Project Plans	Lead Officers
Including risk management assessments in Committee reports;	Lead Officers
Including risk management within financial procedure rules;	Resources & Enabling Services Lead
Allocating specific responsibilities for risk to officers throughout the organisation	Resources & Enabling Services Lead
Review of risk management arrangements as part of the review of internal controls	Veritau
Maintaining contingency plans in areas where there is potential for risk to the Council's business capability	Lead Officers
Providing risk management awareness training for members and officers	Corporate services
Statement on risk management to be included in the Annual Governance Statement which forms part of the Statement of Accounts of the Council	Resources & Enabling Services Lead
Challenging the status of risks within the Corporate Risk Register	Audit Committee
Maintaining the Corporate Risk Register	Lead Officers

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.

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

The Strategy has critical links to the following areas:-

- Our Strategic Aims.
- Our Corporate Governance Arrangements.
- Our Community Focus.
- Our Organisational Structures and Processes.
- Our Standards of Conduct.
- Our Service delivery arrangements.
- Our Medium Term Financial 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 successful involvement in partnerships and 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.
- 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. Risk Culture

Risk culture is a term describing the values, beliefs, knowledge and understanding about risk shared by a group of people with a common purpose, in particular the employees of an organisation or of teams or groups within an organisation.

“Risk culture” refines the concept of organisational culture to focus particularly on the collective ability to manage risk, but the wider organisational culture itself is an active backdrop determining, and itself influenced by, risk culture.

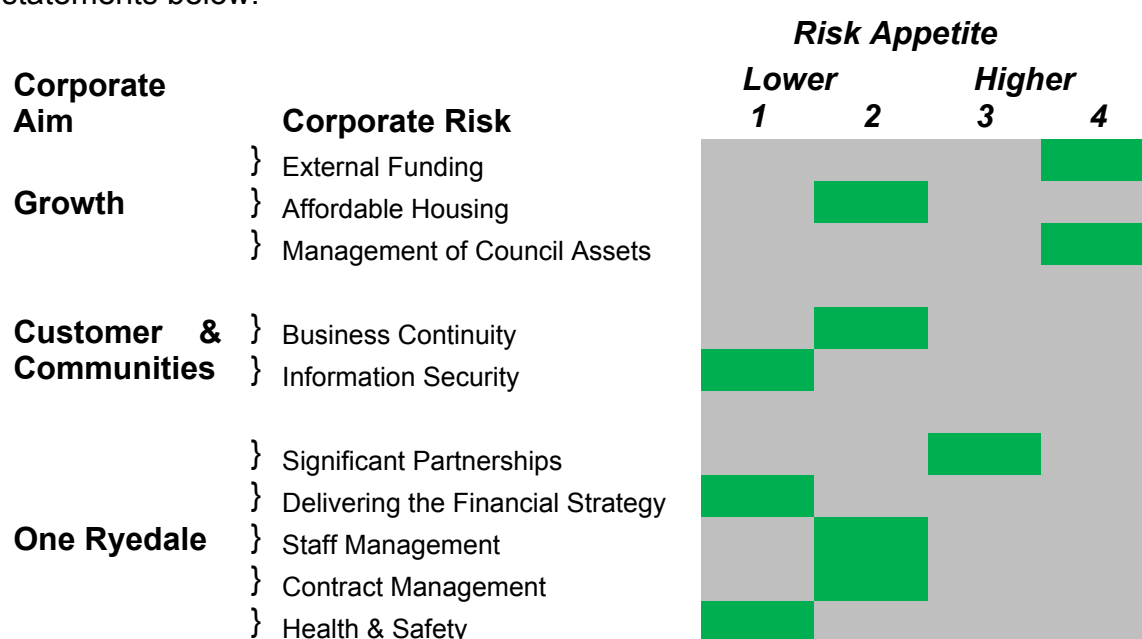
The Council will seek to influence the risk culture of the organisation through ongoing communication, training and appraisals.

## 6. Risk Appetite Statement

Risk appetite is the level of risk RDC is prepared to tolerate or accept in the pursuit of our strategic objectives. Our aim is to consider all options to respond to risk appropriately and make informed decisions that are most likely to result in successful delivery whilst also providing an acceptable level of value for money.

The acceptance of risk is subject to ensuring that all potential benefits and risks are fully understood and that appropriate measures to mitigate risk are established before decisions are made.

We recognise that the appetite for risk will vary according to the activity undertaken and hence different appetites and tolerances to risk apply. Our approach is to minimise exposure to compliance and reputational risk, whilst accepting and encouraging an increased degree of risk in other areas in pursuit of our corporate aims and risks as illustrated in the diagram and statements below.



The Council categorises its risk appetite into the following areas:

*Compliance & Regulation* – RDC recognises the need to place high importance on compliance, regulation and public protection and has no appetite for breaches in statute, regulation, professional standards, ethics, bribery or fraud.

*Operational/Service Delivery* – RDC accepts a moderate to high level of risk arising from the nature of the Authority's business operations and service delivery to deliver an appropriate level of service at value for money, whilst minimising any negative reputational impact.

*Financial* – RDC aims to maintain its long term financial viability and its overall financial strength whilst aiming to achieve its strategic and financial objectives subject to the following minimum criteria:

- RDC is required to set a balanced overall revenue budget by February every year and Lead Officers must then contain net expenditure within approved service totals;
- An appropriate level of unallocated general reserves; and
- Working within a set of Treasury management principles that seek to protect funds rather than maximise returns.

*Reputational* – It is regarded as essential that RDC preserves a high reputation and hence it has set a low appetite for risk in the conduct of any of its activities to avoid damage to that reputation through adverse publicity.

*Strategic Transformational Change* – The environment RDC works in is continually changing through both its internal operations and the services it provides. Change projects provide RDC with an opportunity to establish benefits for the longer term. RDC recognises that this may require increased levels of risk and is comfortable accepting the risk subject to always ensuring that risks are appropriately managed.

*Housing and Economic Development* – RDC has a continuing obligation to invest in the development of the area. To continue to be progressive and innovative in the work performed RDC is willing to accept a higher risk appetite whilst ensuring that benefits are assessed and risks are fully scrutinised and appropriately mitigated before developments are authorised.

*People and Culture* – RDC recognises that its staff are critical to achieving its objectives and therefore the support and development of staff is key to making RDC a fulfilling and supportive place to work. It has moderate to high appetite for decisions that involve staffing or culture to support transformational change and ensure RDC is continually improving.



## 7. Risk Management Process Overview

RDC follows a four-step approach to managing the risk it is exposed to (Annex 1). Firstly it **identifies** the risk, related to the appropriate department.

Then the risk is **assessed** in terms of the likelihood of the event actually occurring and the impact that such an event would have on RDC achieving its objectives.

Steps then must be taken to mitigate this risk- what can actually be done to stop this risk occurring or limiting the impact of the risk. This **treatment** needs then to be **monitored** and periodically **reviewed**. This process is repeated as the risks changes over time.



**Figure 1:** Diagram of the Risk Management Process

“Each public sector organisation's internal control systems should include embedded arrangements for identifying, assessing and managing risks. Risk management should be closely linked to the **business planning process**. Each organisation's governing body should make a considered choice about its desired risk profile, taking account of its legal obligations policy decisions, its business objectives, and public expectations of what it should deliver. This can mean that different organisations take very different approaches to similar risks.” -Scottish Government

Using Covalent, RDC divides the risks into two categories or *registers* (Figure 2). These are:

- Corporate Risk Register – contains the main on-going or long term risks to RDC on an organisation wide basis. These risks are owned and managed by the Head of Paid Service, Deputy Chief Executive and the Lead Officers.
- Service Risk Register – contains risks specific to the processes and actions for each department and team within RDC or a specific project or partnership arrangement. These risks should be managed by departmental managers, Lead Officers or designated project managers and could be time limited or on-going. Within each departmental risk registers there are subsections for Service Delivery, Projects and Partnerships

**Figure 2: Risk Registers**



The use of Covalent allows the principal of management by exception by clearly defining roles, actions and timescales. This is embedded in the management of risks.

Each department is recommended to have a manageable set of risks typically containing no more than ten (and ideally less than five) risks at any one time. This allows the manager to keep a focus on the top risks.

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

Management Team 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 Management Team for approval by Members.

## Annex 1

### Risk Management Methodology

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 SMT 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 categories highlighted in the risk appetite section 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.

##### Analysis, Risk Profiling and prioritisation

Following identification, the risks need to be entered into the Risk Register on Covalent and evaluated. 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:-

**Current Risk**

New Assessment | No assessment scheduled

Impact	Very Low	Low	Medium	High
Very High	Red	Red	Red	Red
High	Yellow	Yellow	Yellow	Yellow
Medium	Green	Green	Yellow	Yellow
Low	Green	Green	Green	Green

Likelihood

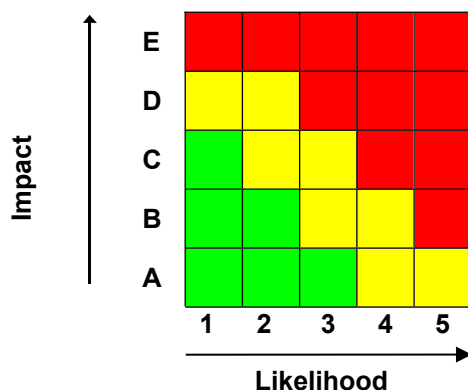
Impact: C Medium

Likelihood: 1 Very Low

Review Date: 24 September 2010

Risk Score: 3

Assessment: ICL1 Noticeable



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	Disaste

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

Risks are categorised as:

High 

Medium 

Low 

Risks falling within the medium and high categories require mitigating action. If these are existing service delivery plan actions they should be linked to the risk on Covalent. Alternatively, a new action should be set up in the service delivery plan and linked to the risk. The progress in delivering these actions can then be monitored using Covalent.

Covalent has an on-line help resource which can be viewed at this location:

<http://support.covalentcpm.com/webhelp/index.html?riskcentral.htm>

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 actions 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 on Covalent.

## Stage 3 Management of risks

Reports are generated from Covalent to present to Members. Covalent can also be accessed on-line by senior management, members and auditors.

### **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.

### **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/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 Management Team. The champion is essentially fulfilling a controlling and facilitation role – to ensure the processes are implemented and to offer guidance and advice.

### **Programmes, Projects & Performance Team**

The Team will support the development of risk management within the Council, developing the risk management process and integration through Covalent, and working with officers and members to monitor actions against identified risks.

The team will also lead on the development and management of the Corporate Risk Register, Significant Partnerships Register, Risk associated with Projects and will prepare the Annual Report of Risk Management and revision of the Risk Strategy.

### **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.

### **Lead Officers**

Lead Officers are responsible for managing their Service Risks, Partnership Risks (when they are the lead officer for the partnership) and Project Risk 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 (VERITAU)**

Veritau 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.

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