RYEDALE DISTRICT COUNCIL

RISK MANAGEMENT

STRATEGY

2014-17

Revised December 2014

CONTENTS

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 2014.

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 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 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.

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

2. Risk Management Philosophy

The Risk Management Philosophy of the Council is to adopt processes which will identify measures and either eliminates or controls risks that the Council is exposed to.

It is acknowledged that not all risks will be identified nor eliminated, particularly those of a minor nature. However, all employees should understand the nature of principal risks in their business area.

3.   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 Strategic Objectives.
- 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).

4. 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.

5. 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

6. 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.

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.

7. 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.

Council Plan

Opportunity Analysis · Risk Assessment · Resources Available · External Events

Government Priorities · Local Priorities · Community Engagement · Performance Management

Priorities for Improvements stated in Service Delivery Plans and Value For Money Programme

Improved Performance

8. Risk 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.

The Councils Risk Management Objectives

The Risk Management objectives of the Council are;-

- To integrate risk management into the day to day activities of the Council;
- To identify and measure risks associated with business decisions;
- To eliminated or control risks associated with business decisions;
- To review risks in response to changes in the internal and external environment of the Council;

- To raise awareness of risk management within the organisation.

The objectives will be achieved by:-

Action Ref	Action	Lead
CSR 01	Maintaining an up to date Risk Strategy	Corporate services
CSR 02	Providing practical guidance to staff and Members	Corporate services
CSR 03	Including risk management issues within Service Delivery Plans	Heads of Service
CSR 04	Including risk management assessments in Committee reports;	Heads of Service
CSR 05	Including risk management within financial procedure rules;	Financial Services Manager
CSR 06	Allocating specific responsibilities for risk to officers throughout the organisation	Financial Services Manager
CSR 09	Review of risk management arrangements as part of the review of internal controls	Veritau
CSR11	Maintaining contingency plans in areas where there is potential for risk to the Council's business capability	Heads of Service
CSR12	Providing risk management awareness training for members and officers	Corporate services
CSR13	Statement on risk management to be included in the Annual Governance Statement which forms part of the Statement of Accounts of the Council	Veritau
CSR14	Challenging the status of risks within the Corporate Risk Register	O and S
CSR15	Challenging the status of risks within the Corporate Risk Register	O and S

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.

8. 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.

9. 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.

Appendix 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 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 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 underlined likelihood of the risk occurring and its underlined 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.
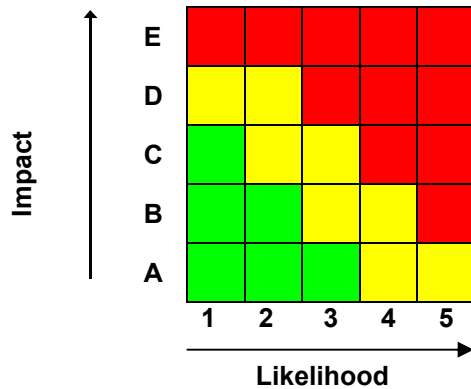
Although the risk profile produces a priority for addressing each risk determining the group's appetite for risk can enhance this. All risks above the appetite cannot be tolerated and must be managed down, transferred or avoided. The appetite for risk will be determined by management.

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

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.

Forward Plan for O and S Committee

Lead	Item	Date
Corporate Services	Significant Partnerships Risk Register	February 2015
Corporate Services	Corporate Risk Register and six monthly review of actions	February 2015 November 2015
VERITAU	Risk Management Statement in Annual Governance Statement	June 2015
Corporate Services	Annual review of the Risk Management Strategy	January 2016

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 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
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

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.

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

Corporate Services Team
The Corporate Services 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.

Heads of Service
Heads of Service 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