

Chichester District Council

**Risk Management Policy
and Risk Management Strategy**

September 2014

Risk Management Policy

Introduction

Chichester District Council is aware that risk management is a fundamental issue for consideration in the delivery of its services and how it serves its community. It is a discipline that cuts across all of the council's activities and is a process that aims both to raise awareness and protect the council against potential risks and the consequences of those risk occurring.

However, some risks will always exist and cannot be eliminated. Against this ethos there is the clear understanding that risks need to be managed rather than avoided, and consideration of risk should not stifle innovation.

The council recognises that it has a responsibility to manage its significant business risks and supports a structured and focused approach to managing those risks as part of the corporate governance framework. This includes the adoption of this policy and strategy, as risk management is an integral part of its business processes, assists with decision making and achievement of key objectives, whilst also providing evidence of effective management and control in support of the Annual Governance Statement.

The council's Corporate Plan states that 'the Corporate Plan provides.... the opportunity to manage the Council's strategic risks and any significant risks that may impact on the community.' The Council will assist with managing community risks as part of the Local Strategic partnership, and play an active part in managing those risks which the Council is able to materially influence and have impact upon.

Objectives

The council is committed to implementing a proactive approach to risk management that is based on the following key principles:

- Risk management activity will be aligned to corporate and service plan aims, objectives and priorities. It will encompass all strategic and operational risks that may affect the council achieving its objectives.
- Risk management is key to achieving the council's Corporate Plan.
- The council will anticipate and take preventative action to actively manage risks rather than dealing with the consequences.
- Risk management is a process to assist in understanding risks and so contribute to improved decision making. The purpose therefore is not to design out risk at disproportional costs, but to manage it effectively.

- A consistent approach to the identification, assessment and management of risk will be embedded throughout the council.
- Any risk control and mitigation measures will be considered for their effectiveness as well as being appropriate, proportional, affordable and flexible.
- All council officers are responsible for the management of the risks that surround their role and adherence to the risk management framework. Managers also have a responsibility to ensure that their service areas have service continuity plans in place which are periodically reviewed and tested.

To achieve these key principles the management of risk is woven throughout the council's key governance frameworks and as such these are specific requirements for all officers to adopt a **formal** approach to risk management in the following areas:

Key decision making reports
Corporate, Directorate and Service planning processes
Programme and Project Management
Procurement Processes
Partnership working arrangements
Change management process

There are clearly defined roles and responsibilities and reporting lines within the Council for risk management.

Management of risk is a continuous and dynamic process and the Council's approach will be kept under regular review.

Risk Management Strategy

Overview

In order to manage risk Chichester District Council considers that a proactive approach in respect of its significant business risks will enable it to be in a stronger position to deliver the corporate priorities and serve its community.

Risk Management Framework

To achieve this, it is envisaged that members and officers develop an embedded enterprise wide risk management framework which gives a robust and systematic approach that aids the authority to:

- Help officers to fully understand the causes and impacts of the risks that they face, and in turn make more informed decisions on how best to manage risks.
- Allow officers to analyse and prioritise risks; helping inform decisions on the management, escalation and communication of risks.
- Creates a management tool which promotes discussion and helps reinforce officers' understanding of risks and how they will be managed; as well as encouraging the assignation of roles and responsibilities.
- Provide senior managers and members with the assurance that risks are being considered and managed across the organisation, and where 'need be' risks have to be taken; these are escalated for their input and guidance beforehand.

Key Risk Management Objectives

In order to realise the organisational benefits of managing risk and to deliver upon the remit of developing and embedding a risk management framework, the following objectives have been identified:

1. To maintain and review the risk management framework which takes into account new and emerging risk management practices in accordance with good practice.
2. To develop and maintain a service continuity planning framework that allows the council to continue to deliver its most important services in accordance with the Civil Contingencies Act 2004.
3. To actively manage risks and opportunities by identifying the risks in the delivery of the council's plans i.e. corporate, directorate and individual service plans. The risks identified should be assessed for likelihood and impact, along with identifying any mitigating controls, and should be allocated to a named officer (s) who is responsible for those risks and their mitigation controls.

4. To ensure that risks in the present and the future are considered and discussed as part of the council's key decision making processes.
5. To ensure that all programmes and projects in the council have a robust approach to risk management which includes risk identification, analysis, prioritisation, control, communication, review and escalation.
6. To ensure officers consider the management of risk within the procurement process.
7. To integrate and embed risk management throughout the working culture of the council by providing support, guidance and training to officers, and members where appropriate.
8. To monitor adherence to the Risk Management Framework and report on performance to the Corporate Management Team (CMT), the Corporate Governance and Audit Committee, and Cabinet.

Definition of Risk Management

CIPFA's Better Governance Forum's definition of risk is described as:

"Risk arises as much from failing to capture opportunities, as it does from a threat that something bad will happen."

This definition is complemented in the context of risk management as detailed in the British Standard 31100, which states;

"Risk management is as much about exploiting potential opportunities as preventing potential problems."

Risk Identification Process

Managers should concentrate on events that might affect the council's achievement of its objectives. Strategic risks linked to the Corporate Plan objectives and operational risks linked to service and project plans need (as a minimum) to be identified and monitored.

Roles and Responsibilities

In order to ensure the successful implementation of the Risk Management Strategy, there needs to be clear roles and responsibilities, with clear processes, which are set out in the risk management framework and also within this policy.

Group/Individuals	Role/ Responsibilities
Council	<ul style="list-style-type: none"> a. Agree the Risk Management Policy and Strategy b. Receive and act upon reports from Cabinet, and reports, recommendations and advice from Corporate Governance and Audit Committee
Cabinet	<ul style="list-style-type: none"> a. Considers the Risk Management Policy and Strategy and receive reports on them b. Hold the political responsibility for risk within each individual portfolio c. Identify a lead portfolio holder for risk management
Cabinet Portfolio Member Risk Champion	<ul style="list-style-type: none"> a. To champion risk management at a strategic level in the council from a member's perspective b. To promote and support the development and implementation of the Risk Management Policy and Strategy
Corporate Governance & Audit Committee	<ul style="list-style-type: none"> a. Consider corporate risks and control and monitoring arrangements b. Review Internal Audit priorities and risk assessments c. Report to full Council each year on corporate governance issues and internal arrangements to monitor and control risks
Strategic Risk Group	<ul style="list-style-type: none"> a. Consider strategic and operational risks, the associated controls, management and any mitigation. b. Review of previously identified strategic risks and any detailed consideration of any newly identified risks to be incorporated in the report to Corporate Governance & Audit Committee
Chief Executive & Lead Officer Risk Champion	<ul style="list-style-type: none"> a. Overall responsibility for ensuring that strategic risks are effectively managed within the council b. To champion risk management at a strategic level in the council from an officer's perspective c. To promote the development and implementation of the Risk Management Policy and Strategy d. Ensure that Risk and Performance frameworks are aligned so that corporate plans are appropriately monitored e. Act as the CMT Lead Officer for Risk Management f. Ensure that relevant staff and members are trained on risk management
Corporate Management Team	<ul style="list-style-type: none"> a. Contribute towards the identification and management of strategic and cross cutting risks b. Responsibility for effectiveness of risk management and assurance frameworks and any mitigation c. Regularly review the strategic risk register d. Quarterly monitoring of corporate risks and associated action

Group/Individuals	Role/ Responsibilities
Executive Directors and Chief Executive (Strategic Leadership Team (SLT))	<ol style="list-style-type: none"> a. To provide annual assurance on the effectiveness of controls in place to reduce risks within their services to an acceptable level. b. To maintain awareness of and promote the risk management strategy and policy to relevant staff.
Head of Finance and Governance	<ol style="list-style-type: none"> a. Applies strong internal controls in all areas of financial management, risk management and asset control. b. Promotes arrangements to identify and manage key business risks, including safeguarding assets, risk mitigation and insurance. c. To assist the Chief Executive in: <ul style="list-style-type: none"> • The development and implementation of the Risk Management Policy and Strategy • To ensure that Risk and Performance frameworks are aligned so that corporate plans are appropriately monitored • To ensure that relevant staff are trained on risk management
All Service Managers (Through Departmental Management Team meetings & CMT)	<ol style="list-style-type: none"> a. Contribute towards the identification and management of operational risks, incorporating in service plans b. Maintain awareness of and promote risk management policy and strategy to staff. c. Ensure that risks that have been identified are addressed and mitigated. Any that are scored as high/high using the 4 by 4 matrix to be addressed urgently. d. Ensure that risk management is incorporated into service and project plans e. Ensure that supplier and procurement risk is considered in their service plans
Internal Audit – Principal Auditor	<ol style="list-style-type: none"> a. To independently review and report to the Corporate Governance and Audit Committee on strategic and operational risk management, plus any review as part of the Annual Governance Statement.
All Employees	<ol style="list-style-type: none"> a. To manage risk effectively in their job and to highlight to management any risks arising and contribute to the control process to mitigate the risks to an acceptable level.

Different Types of Risks

Officers and members need to consider the different types of risks in relation to how the council delivers its services and how it serves its community e.g. strategic, operational or community risks.

Strategic Risks

Possible examples of strategic risk are as follows:

- **Political:** Linked to possible failure to deliver Council objectives or Central Government policy.
- **Economic:** Affecting the ability of the Council to achieve its commitments.
- **Social:** Relating to the Council's ability to meet the effects of changes in demographic, residential or social-economic trends.
- **Technological:** The ability to identify technological changes and using technology to meet changing demands
- **Legislative:** The ability to meet the legislative demands affecting the Council
- **Environmental:** Relating to the environmental impact of the Council's Service delivery

Operational Risks

Operational risks are those that could prevent achievement of operational objectives, as stated in service and project plans. Only those risks that are of a concern need recording and monitoring. However, these should include contingency or disaster recovery plans. Possible examples are:

- **Professional:** Associated with the professional competence of council officers and the recruitment and retention of staff
- **Financial:** Associated with the financial resources and related controls
- **Legal:** Relating to potential breaches of legislation, or other duties
- **Physical:** Related to physical damage, security, accident prevention and health & safety
- **Contractual:** Associated with the failure of the council's contractors to deliver services or products to the agreed cost and specification
- **Technological:** Associated with reliance on operational equipment
- **Environmental:** Associated with pollution, noise, energy
- **Customers:** Associated with the ability to engage all our customers and the identification of their changing needs and related issues of equality

Community Risks

Risk management has traditionally been an inward focused exercise which looks at the potential risks to the council and how they are managed. An alternative approach to measuring risk is to look at the significant impact on a community and the outcomes they may face. This is particularly evident in the partnership approach to service delivery with the customer as the focus point and not the individual organisation providing the service.

Cross Cutting Risks

All involved in the risk management process, should consider whether any corporate/operational activities result in risks with cut across other areas of the council. The relevant management should liaise to determine the appropriate method of treating any cross cutting risks.

Projects & Contract Risks

All new projects and contracts should have had their various risks considered before being approved. In the case of a contract, the relevant director is responsible for ensuring relevant risks have been considered.

Partnership Risks

Before any significant partnerships are entered into, their risks should be assessed, and where unacceptable, mitigating controls put in place. The partnership risks should be reviewed periodically, and assurances obtained about the management of these risks by named officers.

Financial Risk

Financial Risk e.g. loss of income or greater expenditure than anticipated is the primary risk identified and measured. However, this is just one of several different types of risk that can be measured. It is not just the impact of an event happening in financial terms that need to be evaluated, but also the potential damage that such an event could have upon other things such as the reputation of the council.

Governance and Compliance

A formal approach to risk management involves undertaking a risk assessment or detailing risks in a report. The council recognises that the approach to risk management should be proportionate to the level of risk present.

Compliance with the Risk Management Framework

This policy and strategy is just one part of the council's risk management framework, which also includes a 4x4 risk scoring system, risk assessment template, corporate risk register system, and service continuity plans. These will be held on the Corporate Management Team's smart phone devices and a hard copy is held remotely at the Careline.

The Risk Management Framework is set out in the attached schedule.

To ensure consistency it is important these roles are adopted across the council and that any variations or dispensations are kept to a minimum. To aid consistency in scoring risks using the risk assessment matrix, the severity of impact is set out in the following table:

Severity of impact matrix						
Score	Personal safety	Failure to provide statutory duties or meet legal obligations	Financial loss	Service disruption	Personal privacy infringement	Embarrassment or reputation
1 Minor	Minor injury or discomfort to an individual or several people	Litigation, claims or fines up to £5k	Loss of money or uninsured costs of less than £5k	1 day	Isolated individual personal detail compromised or revealed	Contained within section or unit
2 Significant	Severe injury to an individual or several people	Litigation, claims or fines between £5k to £10k	Loss of money or uninsured costs of less than £100k	2-3 days	Some individual personal details compromised or revealed	Local public or press interest
3 Serious	Major injury to an individual or several people	Litigation, claims or fines between £10k to £50k	Loss of money or uninsured costs of less than £500k	3-5 days	Many individual personal details compromised /or revealed	National public or press aware
4 Major	Death of an individual or several people	Litigation, claims or fines between over £50k	Loss of money or uninsured costs of more than £500k	5+ days	All personal details compromised or revealed	Executive Director forced to resign

Definitions of Likelihood:

Likelihood		
Score	Factor	Description
1	Unlikely	No occurrence in the last 2 years or for foreseeable future
2	Possible	No occurrence within the last 12 months anticipated within the next 12 months
3	Probable	At least one occurrence in last 12 months or anticipated within the next 12 months
4	Certain	At least one occurrence in last 6 months or anticipated within next 6 months

CDC Risk Matrix

Likelihood	4 Certain	4	8	12	16
	3 Probable	3	6	9	12
	2 Possible	2	4	6	8
	1 Unlikely	1	2	3	4
		1 Minor	2 Significant	3 Serious	4 Major
		Impact			

Further guidance on the use of the matrix is part of a future guide to be issued to officers and will be available on the staff intranet.

Monitoring, Reporting & Escalation

The Corporate Management Team is responsible for ensuring that the key risks on the strategic risk register are managed and the progress with the risk mitigation measures should be monitored at appropriate intervals. Executive Directors and Heads of Service are also responsible for ensuring that the key risks in the risk registers linked to respective Service Plans (SP) are managed. It is recommended that high risks feature as a standing item on DMT/Service Managers meeting agendas. CMT receives monthly reports on major projects and performance to monitor risks and will monitor the strategic risks on a quarterly basis.

On at least an annual basis, the strategic and Service Plan risk registers high risk items should be reviewed and where necessary risks re-prioritised by the Strategic Member Group and SLT. Risks should be amended so they reflect the current situation, obsolete risks should be deleted and new risks identified. This ensures that the risk registers and resulting risk mitigation measures are appropriate for the current service and corporate objectives. The review of the strategic risk register must be undertaken by Corporate Management Team and the SP registers must be reviewed and updated by the respective Executive Directors and Heads of Service with their management teams.

Reporting and escalating risks

As new risks arise they should be promptly recorded on the relevant risk register. Also the environment in which the risks exist will change making some risks more critical or others less important. Risk registers and matrices at each level should be updated to reflect these changes as they occur. If such risks require corporate ownership and management then consideration should be given as to whether they should be incorporated into the strategic risk register. If the management of such risks is more appropriate at a service level then it should be included in the respective SP/service risk register.

It is recognised that some service risks have the potential to impact on the corporate objectives. High risks from service risk registers should be reported to CMT where a decision will be taken on whether to prioritise any of these risks on the strategic risk matrix and include them on the strategic risk register.

Each service area will need to consider their operational risks to ensure their business continuity arrangements are robust. Executive Directors and Heads of Service should test their plans at least annually.

CMT/ Head of Finance and Governance will report the strategic and any service high risks to the Corporate Governance & Audit Committee and Cabinet, and an up to date risk register and matrix will be sent to Full Council.

Risk Management Framework

Who	Roles & responsibilities	Report Type	By Whom	Frequency
Council	Agree the Risk Management Policy and Strategy Receive and act upon: reports from Cabinet and Chief Executive; reports, recommendations and advice from Corporate Governance & Audit Committee	Annual Governance Statement and other relevant reports	Cabinet and CG&AC	Annually
Cabinet	Consider the Risk Management Policy and Strategy and receive reports on them Hold the political responsibility for risk within each individual portfolio Identify a lead portfolio holder for Risk Management	Risk Management Policy and Strategy and relevant reports	CGAC/Portfolio Holder	As requested
Corporate Governance & Audit Committee (CGAC)	Consider corporate strategic risks and control and monitoring arrangements Review Internal Audit priorities and risk assessments Report to Full Council each year on corporate governance issues and internal arrangements to monitor and control risks	Assurances on effectiveness of risk management Updates on corporate risk and action plans	Head of Finance and Governance Services	Bi-annually
Strategic Risk Group	Consider any strategic and operational risks, the associated controls, management and any mitigation.	Review of previously identified strategic risks and any detailed consideration of any newly identified risks. Workshop held with SLT & members.	Chief Executive	Bi-annually
Corporate Management Team (CMT)	Contribute towards the identification and management of strategic and cross-cutting risks Responsible for effectiveness of risk management and assurance frameworks and any mitigation Regularly review the strategic risk register Quarterly monitoring of strategic and operational risks and associated action plans	Reviews of policy, strategy and framework Corporate and service performance reports with operational and strategic risks	CMT assurance and risk updates Programme and Partnership boards performance	Quarterly
Strategic partnerships and allied groups	Responsible for the identification and management of risks within their given areas Local Strategic Partnership responsible for considering community risks in their wider sense	Task and finish groups report to LSP Reports on the management of risks Escalate high risks as required	Lead Officer Lead Member	Leader and Directors
HoS/Service Managers	Contribute towards identification and management of operational risks incorporated in service plans Maintain awareness of and promote risk management policy and strategy to staff Ensure risks have been identified and are addressed and mitigated Ensure supplier and procurement risk is considered in service plans	Report on those departmental/ service/ project risks that require consideration for escalation to the corporate Risk Register Review of risk registers and other risks as standing item at HoS meetings	HoS/Service Managers Project Boards	Quarterly or as required
Employees	Manage risk effectively in their job and report hazards/risks to their service managers	Report incidents/risks following procedures in corporate policies	All employees	As necessary/required