

Risk Management Strategy 2019 - 2023

Version 2.2

February 2019

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Definition of Risk

Risk is defined as the uncertainty of outcome, whether positive opportunity or negative threat, of actions and events.

A local authority's purpose is generally concerned with the delivery of service or with the delivery of a beneficial outcome in the public interest. The delivery of these objectives is surrounded by uncertainty which both poses threats to success and offers opportunity for increasing success.

Definition of Risk Management

Risks have to be assessed in respect of the combination of the likelihood of something happening, and the impact which arises if it does actually happen. Risk management includes identifying and assessing risks and then responding to them.

Risk is unavoidable, and every organisation needs to take action to manage risk in a way which it can justify to a level which is tolerable. The amount of risk which is judged to be tolerable and justifiable is the "risk appetite".

TDC's Appetite for Risk

Risk appetite is best summarised as "the amount of risk an organisation is willing to accept".

In order for TDC to deliver its strategic aims, it is recognised that it will have to take and manage certain business risks. It is recognised that senior management's approach towards risk management has the greatest impact on organisational appetite.

It is not realistic for TDC, with its diverse range of services, to have one definitive application of risk appetite across the entire organisation. Instead, risk appetite is determined with reference to the strategy for service delivery in each particular area. That said, examples of risks that would be seen as intolerable are those that are likely to:

- Adversely affect the safety of employees or our customers.
- Have a negative impact on our reputation.
- Endanger the future operations of the council.
- Lead to breaches of laws and regulations.

Roles and Responsibilities

All senior leaders, employees and partner organisations have a role to play in ensuring that risk is effectively managed. Risk management is only considered to be truly embedded when it functions as part of the council’s day to day operations. In order for this to be achieved, it is vital that clarity exists to determine the various roles and responsibilities of individuals involved throughout the council in the risk management process and this strategy formalises those responsibilities. The table below outlines the key responsibilities for each group/stakeholder.

Stakeholder	Responsibilities
Member Risk Champion	<ul style="list-style-type: none"> ● Lead responsibility to provide member input into strategic risk management issues ● Sounding board for changes to the Strategy and member training.
Governance & Audit Committee	<ul style="list-style-type: none"> ● Responsibility for the operation of the risk management system, including consideration of the council’s risk appetite. ● Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.
	<ul style="list-style-type: none"> ● Ensure that risk management and internal control systems are in place that are adequate for purpose, and are effectively and efficiently operated.
Section 151 Officer	<ul style="list-style-type: none"> ● Active involvement in all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered.
CMT (Corporate Management Team)	<ul style="list-style-type: none"> ● To ensure the council manages risks effectively through the Risk Management Strategy and actively consider, own and manage key strategic risks affecting the council through the Corporate Risk register. ● Keep the council’s Risk Management Strategy under regular review and approve and monitor delivery of the annual risk work programme. ● Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability. ● Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.

<p>SMT (Senior Management Team)</p>	<ul style="list-style-type: none"> ● Ensure that effective risk management arrangements are in place in their areas of responsibility to minimise the council’s exposure to risk and uncertainty. ● Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability. ● Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.
<p>All staff members</p>	<ul style="list-style-type: none"> ● Identify risks and contribute to their management as appropriate. Report inefficient, unnecessary or unworkable controls. Report loss events or near-miss incidents to management.

Guidance & Training

CMT will ensure appropriate training is delivered to ensure that senior managers have a thorough understanding of risk. This training will be supplemented by training which will be delivered to directorates and business units if requested and where capacity allows.

Risk management e-learning is mandatory for all managers with responsibility for a risk register.

Attendance at training sessions will be monitored to ensure that risk management capability is consistently embedded across all areas of the council. Training will also be evaluated by attendees to facilitate continual improvement.

Identifying a Risk

Risks should be considered under the following headings:

- **Corporate** - those which could impact across the whole council including those relating to partnerships. These should be assessed by CMT and the Member Risk Management Champion and then reported to the Governance and Audit Committee on a regular basis.
- **Service** - those resulting from the council’s activities focusing on risks arising from the people, systems and processes through which we operate. These are considered within the council’s service plans. In some instances operational risks may escalate to become corporate.
- **Project** - those associated with achieving a project within the required time, costs and resources, regardless of its size. Risks and opportunities associated with the project

must be clearly identified and managed. (Further information can be obtained from the Project Management Toolkit).

Risk Assessment

Once identified, risks need to be assessed and assigned a score. It is important to rate a risk before and after mitigating actions are taken into account. The ratings are a reflection of their impact and probability – the combined outcome of this produces the risk rating.

When rating a risk, whether it is at a corporate, service or project level, it is important that all impacts are considered - e.g. political, social, reputational, legal and environmental. **Particular consideration needs to be given to the financial impact of a risk.** The ‘risk matrix’ below is the tool we use to assign a score:

			Impact			
			Minor	Moderate	Major	Critical
			1	2	3	4
Probability	4	Almost Certain	Medium (4)	High (8)	Very High (12)	Very High (16)
	3	Likely	Medium (3)	High (6)	High (9)	Very High (12)
	2	Possible	Low (2)	Medium (4)	High (6)	High (8)
	1	Unlikely	Low (1)	Low (2)	Medium (3)	Medium (4)

Mitigation and Control

The purpose of addressing risks is to remove organisational uncertainty by constraining threats. Any action that is taken by the organisation to address a risk forms part of what is known as an “internal control”. There are four key aspects of addressing risk:

APPROACH	DESCRIPTION
Terminate	A decision is made not to undertake the activity that is likely to trigger the risk. Where the risks outweigh the possible benefits, terminate the risk by doing things differently and thereby removing the risk.
Transfer	Share the exposure, either totally or in part, with a partner or contractor, or through insurance. Any partnership will need to be carefully monitored as it may not be possible to transfer all risks and certain aspects may remain, such as loss of reputation.
Treat	The most common approach is to introduce preventative actions (called control measures) to reduce the probability or impact if the risk occurs and maximise the potential for success.
Tolerate	The ability of an effective action against some risks may be limited or the cost of taking such action may be disproportionate to the potential benefits gained, which might mean the risk is worth taking..

Once a mitigating action has been taken into account the risk should be rated again.

Risk Escalation

In the event that mitigating actions aren’t able to reduce a risk to an acceptable level then the risk should be escalated to a more senior level via the pre-agreed procedure. The risk owner will initially be responsible for either deciding on a course of action or escalating. Similarly it should also be clear where a risk can be delegated to a lower level for action.

Monitor & Review

Few risks remain static. New issues and risks are likely to emerge and existing risks may change. Having identified the risks, assessed them and put control measures in place, it is essential that they are routinely monitored.

Risk management needs to be seen as a continuous process. It is essential that the incidence of risk be reviewed to see whether it has changed over time. Risk management is a dynamic process – new risks will be identified, some will be terminated and control measures will need

to be updated in response to changing internal and external events. The assessment of probability and impact will also need to be reviewed, particularly in light of our own management actions.

Risk Process Timeline

<u>Stage</u>	<u>Who</u>	<u>When</u>
E-mail to be sent to HOS (with deadline) to update Service Level Risk Registers	Insurance Officer	6 weeks before G&A committee deadline
Reminder sent to HOS (if app.) to update registers	Finance Manager	4 weeks before G&A committee deadline
E-mail sent to Directors to review their service level registers and update corporate level risk registers	Insurance Officer	3 weeks before G&A committee deadline
Reminder sent to Directors (if app.) to update registers	Finance Manager	2 weeks before G&A committee deadline
Reports to HOS/S151 ready for SMT Review	Finance Manager	1 weeks before G&A committee deadline
CMT Review	S151 Officer	3 days before G&A committee deadline
Governance & Audit Committee report deadline	N/A	N/A