

# **RUNNYMEDE BOROUGH COUNCIL**



## **RISK MANAGEMENT POLICY AND STRATEGY**

September 2009

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## Glossary

<b><i>Business continuity plan</i></b>	A series of arrangements that will be put in place to ensure that standards of service are maintained during a planned period of disruption.
<b><i>Contingency</i></b>	An action or arrangement that can be put in place to minimise the impact of a risk that has gone wrong.
<b><i>Countermeasure</i></b>	An action or process that is currently in place to contain a risk to an acceptable level or to reduce the threat.
<b><i>Impact</i></b>	The effect that a risk would have if it happens.
<b><i>Risk</i></b>	Something happening that may have an impact on the achievement of objectives. It includes risk as an opportunity as well as a threat.
<b><i>Risk assessment</i></b>	The approach and process used to prioritise and determine the likelihood of risks occurring and their potential impact on the achievement of objectives.
<b><i>Risk management</i></b>	A corporate and systematic process for assessing and addressing the impact of risks in a cost-effective way and having staff with the appropriate skills to identify and assess the potential for risks to arise
<b><i>Risk rating</i></b>	The classification (from A1 to F4) given to a risk, based on its likelihood and potential impact.
<b><i>Risk register</i></b>	A framework for documenting important information about each risk – e.g., a brief description, the objective it affects, its likelihood, impact and rating, and how it is being controlled.

## 1. Introduction and purpose

- 1.1 Risk management has been defined as a process whereby organisations methodically address the risks attaching to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities (*A Risk Management Standard* © AIRMIC, ALARM, IRM: 2002). As such, risk management is as much about identifying opportunities as avoiding or mitigating losses.
- 1.2 Management of risk is an integral part of management. Learning how to manage risk effectively enables managers to achieve improved outcomes by identifying and analysing the wider range of issues and providing a systematic way to make informed decisions.
- 1.3 The Council's record in managing risk is generally good. The Council has a strategic approach to service delivery, it codifies procedures and follows project management disciplines for major initiatives. However, it lacks a structured and documented process by which it evaluates significant risks facing the organisation which would help to inform and prioritise decisions.
- 1.4 A risk management strategy should be seen as part of strategic planning. The Council has aims and targets and needs to know how it plans to achieve them. The risk management strategy informs this process.
- 1.5 This document describes the processes that will be established to identify, assess, address and review and report on the Council's risks, and describes the principles underlying this approach.
- 1.6 Further useful information on risk management can be found in the following publications:-

Audit Commission, "Worth the risk - Improving risk management in local government", 2001:  
<http://www.audit-commission.gov.uk/nationalstudies/localgov/Pages/worththerisk.aspx>

*A Risk Management Standard* © AIRMIC, ALARM, IRM: 2002  
[http://theirm.org/New\\_pdfs/risk\\_management\\_standard.pdf](http://theirm.org/New_pdfs/risk_management_standard.pdf)

National Audit Office, "Supporting Innovation: Managing Risks in Government Departments", 1999: <http://www.nao.gov.uk/>

Standards Australia International, "Risk Management AS/NZS 4360:1999".



4360.pdf

SOLACE, "Chance or Choice: Risk Management".

## 2. Aim, principles and implementation

### Why have a risk management strategy?

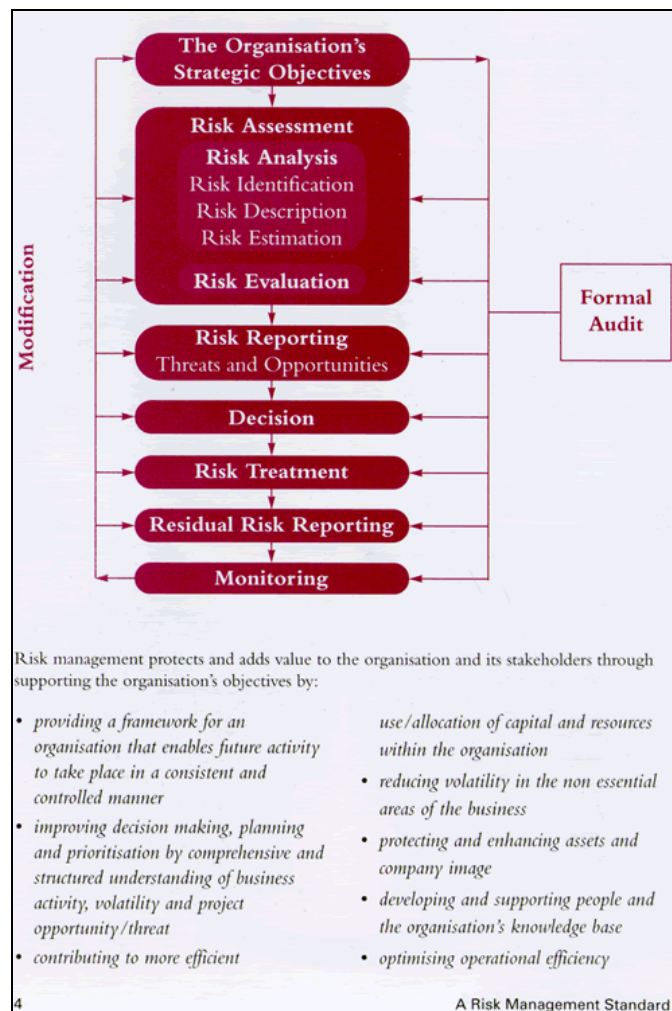
2.1 The Council has a Risk Management Strategy for the following reasons:-

- To provide a measure of assurance that it will **achieve its objectives**.
- To ensure that there is **consistency of approach** towards the identification and management of risk throughout the organisation
- To demonstrate that its practices achieve high standards of **corporate governance**.
- To ensure that **responsibility** for actions is clearly identified.

### Aim

2.2 The Council wishes to be seen as an organisation embodying good practice and to have respect from the public and its partners, striking a balance between risk and opportunity.

2.3 This strategy outlines how this aim will be delivered. The Risk Management Standard produced jointly by the Institute of Risk Management (IRM), the Association of Insurance and Risk Managers (AIRMIC) and ALARM (the National Forum for Risk Management in the Public Sector) includes the following diagram to illustrate the process that will be adopted.



**Implementation**

- 2.4 The Council will be invited to approve a Risk Management Policy that will provide the overall context in which risk management will be conducted throughout the organisation. This will include a policy on the Council's attitude to risk.
- 2.5 Directors' Management Team will co-ordinate the approach to risk management across the organisation and disseminate best practice through Departmental Management Teams (DMTs).
- 2.6 A risk site on the intranet will be created to maintain guidance on risk management, to contain the Council's risk register data and point to other sources of information.
- 2.7 Training will be undertaken to promote the awareness of risk throughout the Council.

**Roles and responsibilities**

2.8 These are set out in the table below.

Council will	<ul style="list-style-type: none"><li>- approve a risk management policy</li><li>- approve the Council's appetite for risk e.g. values that define the categorisation of each risk.</li><li>- approve a risk management strategy.</li><li>- receive a report at least annually identifying the key risks facing the Council.</li><li>- approve risk treatment measures.</li></ul>
Directors will	<ul style="list-style-type: none"><li>- co-ordinate the approach to risk management across the organisation and disseminate best practice.</li><li>- advise the Council on its key risks and risk appetite.</li><li>- co-ordinate the compilation of the risk register.</li><li>- determine action on key risks.</li><li>- monitor key risks.</li></ul>
DMTs will	<ul style="list-style-type: none"><li>- provide advice and support.</li><li>- disseminate best practice.</li><li>- co-ordinate the compilation of departmental risk registers.</li><li>- co-ordinate the monitoring of departmental risks.</li></ul>
Managers will	<ul style="list-style-type: none"><li>- identify risks faced by their service.</li><li>- compile an entry to the departmental risk register for each risk based on the corporate template.</li></ul>

### 3. Identifying Risks

- 3.1 The Council's objectives are derived from the Sustainable Community Strategy and Corporate Plan. This sets out the Council's core objectives and forms the basis of the detailed aims and targets for all services.
- 3.2 The Council's approach to risk management will be based on an analysis of risks that affect the achievement of its objectives.
- 3.3 The aim will be for risk assessments to be treated as an integral part of management. Proposals for new initiatives will include a risk assessment statement.
- 3.4 The main types of risk faced by the Council will be described in terms of the categories identified in the SOLACE publication "Chance or Choice", reproduced at Appendix A.
- 3.5 For each risk that is identified, a risk scenario form will be completed to describe the risk.

***Risk Scenario***

1. Vulnerability	Identify each activity which exposes the Council to risk.
2. Trigger	Define the action which precipitates a risk event occurring.
3. Consequences	Assess the consequences if the risk event were to occur, analysed in terms of the definitions in Appendix A

## 4. Assessing Risks

- 4.1 The risk assessment will involve identifying the consequences of a risk materialising and assigning a risk rating on the basis of this assessment.

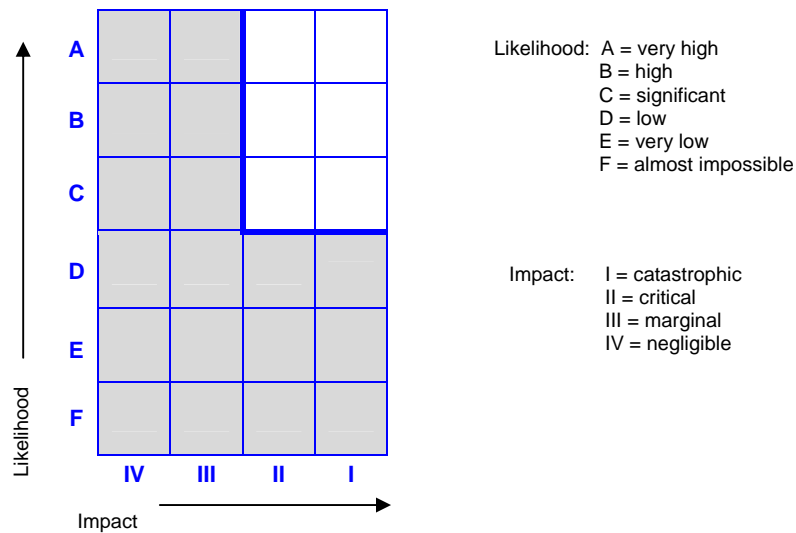
### Consequences

- 4.2 The consequences of the risks that the Council will encounter will be grouped into one or more of the categories described in Appendix A.

### Risk Rating

- 4.3 Priority needs to be given to those risks that are the most important. Each risk will be given a relative score, depending on a combination of its likelihood and its impact, based on the following risk rating matrix. The Council has assessed its appetite for risk and this is depicted in the shaded area.

**Risk Rating Matrix**



### Likelihood

- 4.5 The probability of the threat being realised will be expressed in terms of six descriptions from Very High (A) through to Almost Impossible (F) and in the context of existing controls being in place:

### Impact

- 4.6 The effect of the hazard or threat being realised will be expressed in terms of Catastrophic (I), Critical (II), Marginal (III) or Negligible (IV).

### Risk Profiling

- 4.7 Each risk will be plotted on the risk rating matrix. All risks that are identified above the Council's risk appetite (the risk tolerance line) will require some form of action.

## 5. Addressing risks

5.1 The response to a risk will be one of the following general approaches.

- **Transfer the risk:** this might be done through such things as conventional insurance or by asking a third party to take on the risk in another way;
- **Tolerate the risk:** the ability to take effective action against some risks may be limited, or the cost of taking action may be disproportionate to the potential benefit gained. In this instance, the only management action required is to monitor the risk to ensure that its likelihood or impact does not change. If new management options arise, it may become appropriate to treat this risk in the future;
- **Treat the risk:** most risks will be in this category. The purpose of treatment is not necessarily to terminate the risk but, more likely, to set in train a planned series of mitigation actions to contain the risk to an acceptable level; and,
- **Terminate the risk:** this is a variation of the 'treat' approach, and involves quick and decisive action to eliminate a risk altogether.

5.2 The risk register describes existing and additional activities to address the risk as well as outlining what action should be taken if the risk becomes an issue (i.e. contingency planning).

### **Countermeasures**

5.3 The risk register draws the actions together into a co-ordinated package and allow others to review the adequacy of existing controls, given the stated likelihood, impact and consequences.

### **Contingencies**

5.4 The Council already has an Emergency Plan. This strategy is not a substitute for the Emergency Plan which must be followed in the event of an emergency.

5.5 Contingency plans will be drawn up for all risks which have been assessed as having a potentially High impact.

5.6 Business continuity plans will be prepared to help keep the Council running during times of change or disruption. These will usually be for relatively isolated events, such as office moves or organisational change.

5.7 Disaster recovery plans will be prepared for serious events such as terrorist activity or a catastrophe. These will plan the Council's response to a major disruption to services, and how to deal with the potential additional demands that these events will cause.

## 6. Reviewing and reporting risks

- 6.1 Appropriate and effective review and reporting arrangements reinforce and support the Council's risk management activities. This allows up-to-date and accurate performance information to be passed to managers along with information on other performance measures.
- 6.2 Risk management is a dynamic process. New risks will be identified, while some will be terminated. Contingency plans and countermeasures will need to be updated in response to changing internal and external events, and the assessment of likelihood and impact will also need to be reviewed, particularly in the light of management actions.
- 6.3 The Directors' Management Team is responsible for keeping the main risks under regular strategic review. High-level information on risk will be integrated with other key performance data and presented to Committee with the service targets. Directors will develop key indicators to monitor the effectiveness of the internal controls that have been adopted.

### **Risk Register**

- 6.4 A Risk Register has been compiled so that progress can be monitored against the register to ensure that management interventions are having the desired outcome on risks. Departments will review their service risks regularly and report significant change. This updating process will be monitored by asking the following questions:
- how regularly is it happening in each department?
  - what level of input is the Director or Chief Executive having to this review?
  - how static is the register? Do the changes appear cosmetic and presentational or are they substantial, involving the identification of new countermeasures or additional actions? Are the additional actions being tackled?
  - is there an audit trail outlining the actions that have been taken and indicating their relative success?
  - is the Council register being made available to staff and is each department amending and refining their individual register entries in the light of risks and actions elsewhere?
  - what is the turnover in terms of new risks being identified and existing risks being terminated? What is the general trend in the rating of the risks that have been registered? Is the number of risks above the tolerance line decreasing?
- 6.5 This information along with the existing data will feed into the quarterly reviews of performance that are presented to Committee. It will also form the core of risk information that will feed into future business plans and Financial Forecasts.

### **Sharing good practice**

- 6.6 Where appropriate, the Directors' Management Team will review performance and practice in other organisations in order to learn from best practice elsewhere.

### **Achieving a risk management culture**

- 6.7 The National Audit Office publication, *Supporting Innovation: Managing Risks in Government Departments*, includes a series of detailed questions to be considered when reviewing the organisation's approach to risk management. These are grouped under the following six key headings:
- Do Councillors and Directors support and promote risk management?

- Does the Council's culture support well thought through risk taking and innovation?
- Are risk management policies and the benefits of effective risk management clearly communicated to all staff?
- Is risk management fully embedded in the Council's management processes?
- Is risk management closely linked to the achievement of objectives?
- Are the risks associated with working with other organisations assessed and managed?

6.8 This will be kept under review by the Directors' Management Team and conclusions reported at least annually to Committee.

## Categories of Risk

### STRATEGIC

Risks which need to be taken into account in judgements about the medium to long term goals and objectives of the council. These may be:

#### Political

associated with failure to deliver either local or central government policy, or meet the local administration's manifesto commitments.

#### 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 the consequences of proposed investment decisions.

#### Social

relating to the effects of changes in demographic, residential or socio-economic trends on the council's ability to deliver its objectives.

#### 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 on the council's ability to deliver its objectives.

#### Legislative

associated with current or potential changes in national or European law (e.g. the appliance or non-appliance of TUPE Regulations).

#### Environmental

relating to the environmental consequences of progressing the council's strategic objectives (e.g. in terms of energy efficiency, pollution, recycling, landfill requirements, emissions, etc).

#### Competitive

affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver Best Value.

#### Customer/Citizen

associated with failure to meet the current and changing needs and expectations of customers and citizens.

### OPERATIONAL

Risks which managers and staff will encounter in the daily course of their work. These may be:

#### Professional

associated with the particular nature of each profession (e.g. social work service concerns over children at risk; housing service concerns as to the welfare of tenants).

#### Financial

associated with financial planning and control and the adequacy of insurance cover.

#### Legal

related to possible breaches of legislation.

#### Physical

related to fire, security, accident prevention and health and safety (e.g. hazards/risks associated with buildings, vehicles, plant and equipment, etc).

#### Contractual

associated with the failure of contractors to deliver services or products to the agreed cost and specification.

#### Technological

relating to reliance on operational equipment (e.g. IT systems or equipment and machinery).

#### Environmental

relating to pollution, noise or energy efficiency of ongoing service operation.

Source: SOLACE, "Chance or Choice" page 14.