



APPENDIX B

# **Corporate Risk Management Strategy 2015/16**



### Approval History

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### Document Author

Version	Authors	Role
V1.0  (an update of an earlier version prepared prior to KR assuming responsibility)	Kathy Riches	Head of Internal Audit and Risk
V2.0	Kathy Riches	Head of Internal Audit and Risk

### Document Governance

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## Corporate Risk Management Policy Statement

In the coming years Central Bedfordshire Council will face considerable challenges as a result of having to provide effective services to our communities and citizens, with significantly less resource. In order to achieve its objectives the Council will continue to need a strong focus on risk management – to mitigate the threats and make the most of the opportunities that we face.

The Council believes that risk is an inherent feature in all areas of our organisation. Some risks will always exist and can never be eliminated: they therefore need to be appropriately managed. Effective management of risk is therefore at the heart of the Council's approach to delivering cost effective and valued services to the public as well as adhering to corporate governance requirements. Consequently, all Officers and Members are required to understand their risk management responsibilities, as defined in the Risk Management Strategy.

### **The Council's objectives will be achieved by:**

**establishing clear roles, responsibilities and reporting lines within the Council for risk management;**  
**incorporating risk management into the Council's decision making processes;**  
**embedding a consistent, best practice approach to risk management across the Council; and**  
**monitoring risk management arrangements on a regular basis.**



**Richard Carr**  
Chief Executive

Michael Blair  
Chair of Audit Committee

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## Introduction

Risk management is important. It ensures that we successfully deliver our services whilst protecting the interests of our stakeholders. However, the resources that we have with which to manage risk are finite. Therefore the aim of this strategy is to identify how Central Bedfordshire Council (CBC) will manage risk in a way that helps us meet our objectives, is in line with best practice and satisfies internal control requirements whilst remaining as 'light touch' as possible.

The purpose of the Central Bedfordshire Council Risk Management Strategy is to:

**describe our approach to risk management;  
define how risk should be managed across all areas of the Council in order to help us meet our strategic objectives; and  
explain how we intend to improve our risk management processes throughout 2015/16 and beyond.**

This Risk Management Strategy has been produced using Institute of Risk Management and HM Treasury guidance, and has taken into account other good practice guidance, such as the Information Commissioner's Office (ICO) guidelines and CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption.

## Vision

The Council recognises that we live in an uncertain world, where the people, environment and communities of Central Bedfordshire may be at risk. Risk management is a framework by which the Council can view, manage and respond to risk, both threats and opportunities, in a robust, systematic and documented way.

The vision for risk management within CBC is to underpin our self-confidence and pride in our services by ensuring that management of risk is inherent within our work practices and culture to help successfully deliver current and future strategic objectives.

## Culture

We expect successful risk management to facilitate the following outcomes:

**Delivery of our strategic objectives  
Meeting planned financial outcomes  
Maintenance and improvement of our reputation as a Council and leader of the community**

In order to achieve this, it is important that a culture of openness and honesty is encouraged when looking at what could potentially go wrong. Risk owners need to set out to construct proportionate responses to the risks that we face. In order to do this they will need to be aware of all internal and external factors that might affect each risk. With this in mind all risks should be managed within the following context:

**An open, ‘no surprises’ culture where well managed risk taking is encouraged.**

**It is the responsibility of all staff to identify and raise risks, not just risk managers or senior staff.**

**Managers at all levels will lead by example to encourage the right behaviours and will ensure their staff have a clear understanding of how to assess risks, when they should escalate risks and how risk management is embedded into existing management processes.**

**Risks will be recorded and managed using transparent and stable processes.**

**Risk management action should also be embedded into other aspects of the Council including delivery of objectives, service design, policy making, project/programme management, protecting the council against fraud, business continuity and health and safety.**

## **What is Risk Management?**

A ‘risk’ can be defined as an uncertain event that, should it occur, will have an effect on the achievement of objectives. A risk is measured in terms of a combination of likelihood and the magnitude of its impact on objectives. In all types of undertaking there is the potential for events and consequences that constitute threats to success (negative impact) or opportunities for benefit (positive impact). Therefore ‘risk management’ can be defined as the way in which we identify and manage the threats and opportunities that face the organisation. The focus of good risk management is the identification and treatment of these risks, with the objective to add maximum sustainable value to all of our activities.

Risk management is also a set of attitudes and skills to help staff, councillors and our partnerships make full use of opportunities by mitigating the uncertainty factor. It is a continuous process, because the environment and the context in which we operate are always evolving. Consequently, the decision making process that addresses the risks and opportunities that surround us needs to be continuously informed. Risk management should work quietly in the background – nobody external to the process needs to know it’s there, because anything that might go wrong is effectively identified and mitigated.

Effective risk management ensures that the organisation, its governance and its services are resilient in adversity. By considering the ‘what ifs’ we can ensure that, if something does go wrong, we are prepared and able to deal

with it in the most appropriate manner. Good risk management can help the Council to:

**Have increased confidence in achieving our desired outcomes**  
**Effectively contain threats to acceptable levels**  
**Take informed decisions about exploiting opportunities**  
**Give our stakeholders increased confidence in the fact that we are successfully managing the delivery of our objectives**

## **Why Manage Risk?**

There are a number of reasons why the Council encourages good management of risk. These fall broadly into three categories:

### **Because it helps us to improve the work we do and the services we deliver**

Risk management is an indispensable element of good practice. Its implementation improves our ability to deliver services to the highest quality, to make effective decisions, to improve organisational learning and to safeguard our customers.

A well presented, well managed risk register is a useful way of drawing together, in one document, the potential obstacles to delivering our services across the whole organisation. It also identifies the relative importance of these obstacles and assigns responsibilities for reducing the likelihood/impact if they do occur.

### **Because it helps us manage the Council**

Embedding a culture of risk awareness within the Council helps us to identify, understand and manage the threats and opportunities that we face on a day to day basis. The benefits to be gained from good risk management include:

**Improved strategic and operational management**  
**Better management of our finances**  
**More effective business planning**  
**Prevention of fraud**  
**Lower insurance premiums**  
**Improved statutory compliance**  
**Increased organisational learning**

In addition, the strategic Risk Register helps inform the Strategic Audit Plan.

## Because we have to

The Council has adopted a Corporate Governance Framework. The framework, which is signed by the Chief Executive and Leader of the Council, is made up of the systems, processes, culture and values by which the Council accounts to, engages with and leads the community. Good risk management is an integral part of this. The framework lays out our responsibility to ensure that risk management is embedded into the culture of CBC. When the Annual Governance Statement is signed at the end of the year evidence must be provided to show that the Council actively engages in risk management.

The Audit Committee requires us to manage risk effectively. The purpose of the Audit Committee is to provide independent assurance on the adequacy of the risk management framework and the associated control environment. Without adequate risk management processes in place the Committee will be unable to discharge its responsibilities. The Audit Committee is also required to approve the Risk Management Policy Statement.

## Who Manages Risk?

Everybody carrying out work on behalf of CBC has a responsibility to manage risk. The table below details roles and responsibilities for risk management for all individuals.

Role	Responsibility
Leader of the Council and the Executive	The Leader has responsibility to ensure the work of the Executive and Full Council is conducted in accordance with Council's approach to management of risk.
Chief Executive	The Chief Executive takes overall responsibility for the Council's risk management performance and in particular is required to ensure that:  <b>Decision making is in line with Council policy for management of risk</b> <b>Adequate resources are made available for the management of risk</b> <b>Management of risk performance is continually reviewed</b> <b>There is an understanding of the risks facing Central Bedfordshire Council</b>
Members	Members should take reasonable steps to consider the risks involved in the decisions taken by them, and have an understanding of the risks facing Central Bedfordshire Council. They should be confident that the levels of risk tolerated are appropriate and proportionate to the costs involved their mitigation.
Audit Committee	The purpose of the Audit Committee is to provide independent assurance on the adequacy of the risk management framework and the associated control



Role	Responsibility
	environment. The committee should agree and endorse the Corporate Risk Management Strategy, and review and scrutinise its implementation and effectiveness.
Corporate Management Team (CMT)	<p>CMT has the responsibility for creating the environment and structure for risk management. Therefore they should:</p> <p><b>Approve the Corporate Risk Management Strategy and related policies</b>  <b>Have an understanding of the risks facing Central Bedfordshire Council</b>  <b>Identify strategic risks and manage the Strategic Risk Register on a periodic basis</b>  <b>Maintain an understanding of the management of risks and its benefits</b>  <b>Promote and oversee the implementation of the Corporate Risk Management Strategy</b></p>
Directors	<p>Directors have primary responsibility for managing risk on a day to day basis. They should:</p> <p><b>Promote risk awareness</b>  <b>Ensure Directorate risk registers are maintained and allocate resources to control/minimise risk</b>  <b>Ensure that risk management roles and responsibilities are included within appropriate job descriptions</b>  <b>Understand the risks facing CBC</b></p>
Chief Finance Officer	The post of CFO, as defined by the constitution, has statutory duties in relation to the financial administration and stewardship of the Authority. The CFO has the responsibility to report breaches of financial governance (including risks) to the Audit Committee.
Assistant Directors/Group Managers/Heads of Service/Chief Officers	<p>Assistant Directors/Group Managers/Heads of Service/Chief Officers should:</p> <p><b>Promote risk management and ensure that the strategy is implemented effectively across services</b>  <b>Establish training requirements</b>  <b>Understand the risks facing CBC</b>  <b>Ensure that all employees are aware of the risk assessments appropriate to their activity</b></p>
All Staff	<p>Put quite simply, management of risk is the responsibility of every employee. All staff should:</p> <p><b>Understand that risk management and risk awareness are a key part of the organisation's culture.</b>  <b>Read, understand and follow the Risk Management Strategy</b>  <b>Identify risks and report to line managers and/or risk coordinators as appropriate</b></p>
Risk Coordinators (Directorate)	The Risk Coordinators (Directorate Representatives) will bring together risk management across the council,

Role	Responsibility
Representatives)	disseminate best practice and ensure a consistent approach to risk management is taken.
Partners and Contractors	The Council expects third parties upon which it relies (including contractors, consultants, partners and associates) to comply with the risk management policies and procedures and to have their own systems in place to mitigate risk.
Internal Audit and Risk	<p>Internal Audit and Risk will provide assurance on the implementation of the Corporate Risk Management Strategy and the robustness of the Council's management of risks.</p> <p>In addition, Internal Audit and Risk is responsible for coordination of corporate risk management within CBC. This will include:</p> <ul style="list-style-type: none"> <li><b>Development and implementation of an effective framework for managing risk</b></li> <li><b>Development of the Corporate Risk Management Strategy</b></li> <li><b>Promoting, supporting and overseeing its implementation</b></li> <li><b>Monitoring and reviewing the effectiveness of the Corporate Risk Management Strategy</b></li> <li><b>Identifying and communicating risk management issues</b></li> <li><b>Assisting services in risk management activity through training and/or direct support</b></li> <li><b>Championing risk management at strategic and operational levels.</b></li> </ul>

## How we Manage Risk

This section of the strategy lays out the processes that are in place to ensure that risk is managed properly. It is important to note that the approach taken has been identified as proportionate to the organisation. In managing risk it is essential that we respond to the challenges we face, and not create any overly bureaucratic processes.

It is the responsibility of Directors to ensure that risk is effectively managed within their business units. This strategy suggests a flexible approach to the management of risk, and Directors should set the direction within their areas of responsibility. However, because of the requirements identified in the 'Why Manage Risk - Because we have to' section above, there are some parameters to this flexibility. These are as follows:

### **Directors and their staff should use Risk Registers and the JCAD Risk Management System**

When used badly risk registers are bureaucratic and burdensome, but when used correctly they are an extremely useful management tool that can really drive good decision making. We will use the JCAD Risk Management System to record scores and mitigating actions. This is important for a number of reasons:

**JCAD RISK is an easy to use online system. It will help ensure that we can easily record and share knowledge and understanding of risks around the organisation without putting bureaucratic processes in place.**

**It will help us with corporate reporting. The Corporate Management Team (CMT) will review major operational risks facing the organisation on a quarterly basis.**

**It is open and transparent. CMT, as stewards of the Council, need to have confidence in our risk management processes.**

**It will help us ensure that there is some consistency in our approach to risk.**

**Effective use of JCAD will help us ensure that (and provide assurance on) the required mitigating activity is being undertaken.**

Each Director should give a suitably placed member of staff the responsibility of being 'risk coordinator'. One of the responsibilities of the risk coordinator will be to ensure that risks are recorded and updated as necessary on JCAD.

## **Directors and their staff should follow Risk Scoring Guidance**

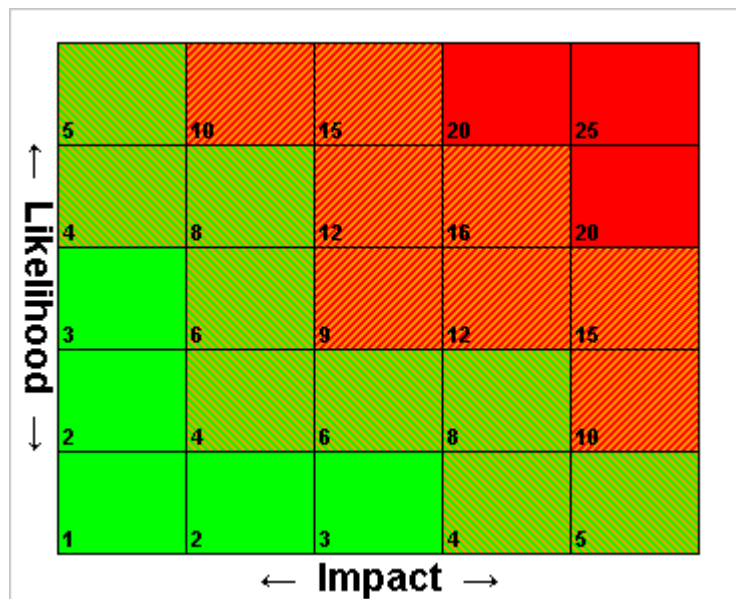
Consistency is an important element of risk management – especially for those such as CMT who need a holistic view of the risks that we face as an organisation. The CBC risk scoring guidance is contained at Annex 1 of this document. It is the responsibility of risk coordinators to ensure that the risks faced by each Director are entered into JCAD and scored appropriately using the guidance.

Assessment of the risk using the scoring guidance should be the first step in understanding what mitigation is required. The higher the score the more urgency should be placed on getting mitigating actions in place.

The matrix below shows the actions that should be taken by Directors and their staff depending on the residual scoring (i.e. post control) of their risks. The dotted line through the middle shows our tolerance to risk. As a general rule any risks that fall into the green or amber/green squares are acceptable. No further mitigating action is required – anything that falls in here is at an acceptable level of risk. Having said this, some thought should be given to the cost of the control measures that keep the risk at such a low level. Do we have to be so risk adverse? Would it be acceptable to have a higher risk exposure if it meant cost savings?

Any risks that fall to the right of the tolerance line reflect an unacceptable level of risk and further mitigating action is required in order to reduce the level of

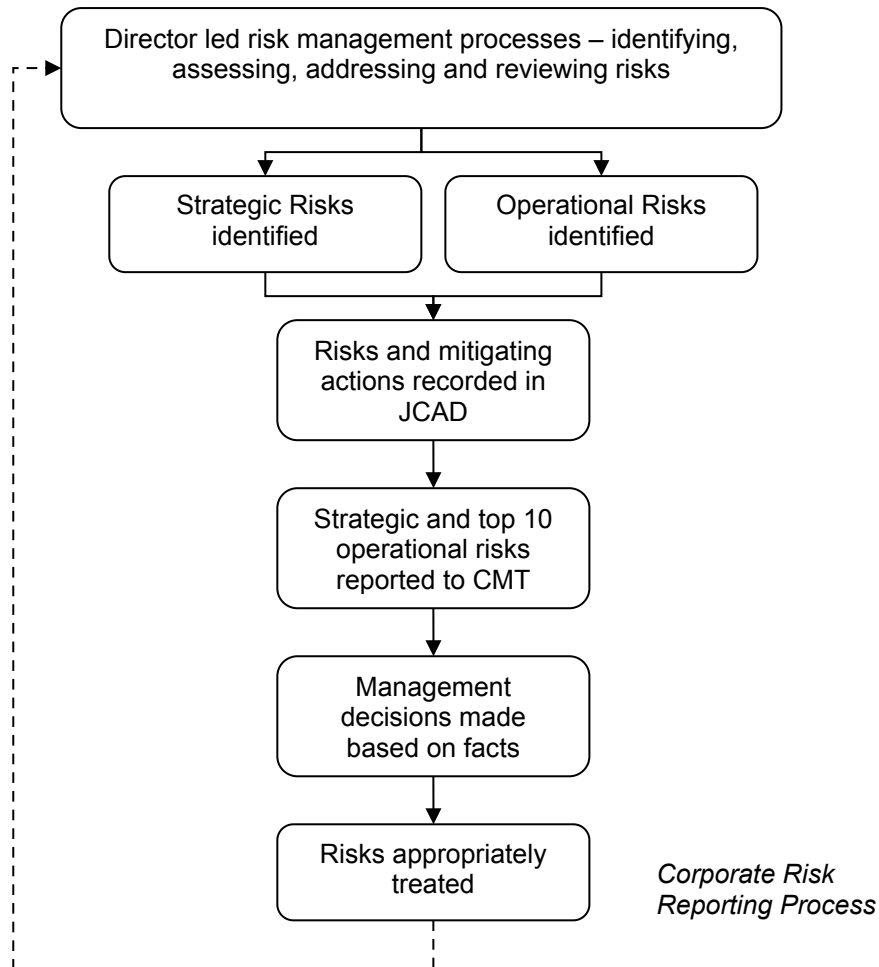
residual risk. Any risks that fall into the red sectors of the matrix represent the highest level of risk facing CBC, and immediate action is required to reduce the residual score to a more appropriate level.



**Directors and their staff should comply with corporate reporting requirements**

The reporting of risk to CMT on a quarterly basis is important. An assessment of identified risks needs to be fully integrated into the strategic and key operational decision making processes of CBC. For example, when planning fundamental changes to service provision or large capital investment programmes, CMT need to be confident that they understand the full impact. This will minimise the chance of investing unwisely, incurring unacceptable organisational costs, damaging our reputation, or failing to provide the required services.

An effective risk management process helps us achieve this. In line with the aim of maintaining a ‘light touch’ risk management process, the additional requirement on Directors and their staff for corporate risk reporting will be minimal. Directors and their staff will be using the JCAD system to manage their risks. The top Council wide risks with the highest residual exposure will be taken from JCAD to form part of the quarterly risk report. The strategic risk register (which is maintained by Internal Audit and Risk) will form the second part of the report, which will be sent to CMT on a quarterly basis. This process is highlighted in the diagram below.



The Audit Committee will also receive a quarterly risk report. This will ensure that the Committee has an overview of the way in which risk is managed within the Council, and enable Committee Members to discharge their risk management responsibilities.

### **Directors should ensure that risk training is provided to appropriate staff**

All members of staff are required to have a good understanding of the processes involved in managing risk. Therefore each Director will need to ensure that their staff have an appropriate level of risk management training. The level of training required will vary from post to post, and it will be for Directors to define which employees require more advanced training. As a minimum each Directorate should ensure that:

- induction training includes staff responsibility in risk management;
- risk coordinators have a fuller understanding of risk management, and are able to use the JCAD system; and
- appropriate responsibility for risk management is defined in job descriptions.

Some limited support and advice on training is available from Internal Audit and Risk.

## **How we will Improve Risk Management in 2015/16 and beyond**

**Corporate risk reports will continue to be submitted to CMT on a quarterly basis**

**Periodic reassessments of the strategic risks facing the Council will be undertaken in response to both local and national initiatives and events JCAD will be further developed as a risk management tool.**

**Risk Management will continue to be further embedded within CBC through the Risk Coordinators (Directorate Representatives) who will also continue to meet as a group to bring together risk management across the council, disseminate best practice and ensure a consistent approach to risk management is taken. The risk Management strategy will be periodically reviewed and updated to ensure it reflects current best practice.**

## **Support & Further Guidance**

Annex 1 sets out risk scoring guidance

Annex 2 sets out guidance for identifying and managing risks, including risk types

Some support and guidance is also available from Internal Audit and Risk. If you need any assistance you can contact us:

by telephone: 0300 300 6155;

or by email: [kathy.riches@centralbedfordshire.gov.uk](mailto:kathy.riches@centralbedfordshire.gov.uk)

Further guidance on the management of Information Risks is contained in the Information Risk Management Process Notes, available on the Intranet and Internet. If you need any assistance with regard to Information Risks, you can contact the FOI and Privacy Specialist.

By telephone: 0300 300 4968

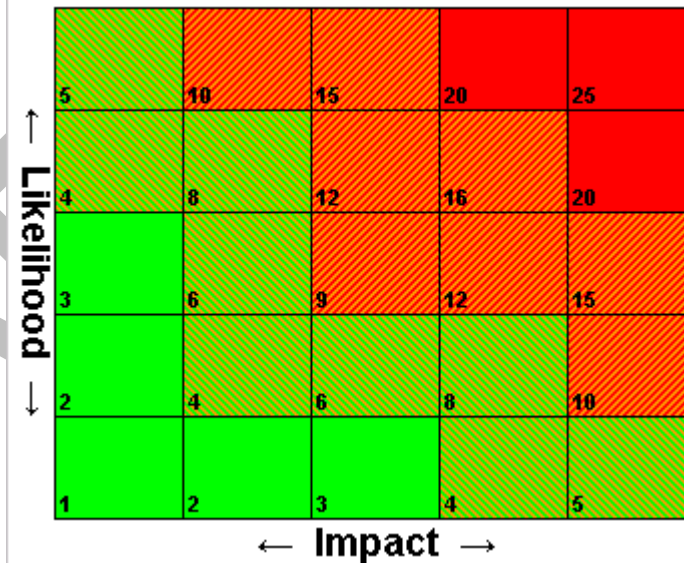
Or by email: [sean.dykes@centralbedfordshire.gov.uk](mailto:sean.dykes@centralbedfordshire.gov.uk)

Further information on managing project risks is included within the supporting guidance for Project Commissioning, available on the Intranet.

## Annex 1 – Risk Scoring Guidance

### Assessing Impact

	Impact Title	Example Description
5	Catastrophic	Total system dysfunction, total shutdown of operations, financial loss over £5m, key person resignation/removal, sustained adverse publicity in national media, fatality or permanent disability
4	Severe	All operational areas of a location compromised, other locations may be affected, financial loss up to £5m, sustained adverse publicity in national media, greater than 6 months absence for more than 5 people (single event)
3	Major	Disruption to a number of operational areas within a location and possible flow on to other locations, financial loss up to £1m, significant adverse publicity national media, greater than 20 days absence for more than 5 people (single event),
2	Reasonable	Some disruption manageable by altered operational routine, financial loss up to £250k, significant adverse publicity in local media, short term absence for up to 5 people (single event)
1	Low	Minimal interruption to service, financial loss up to £100k, Minor adverse publicity in local media, short term absence for up to 5 people (single event)



<b>Very Severe</b>	Unacceptable level of risk. Immediate further action required. Flagged to CMT
<b>Severe</b>	Level of risks not tolerable. Further mitigating action required. Represents a high level of risk to CBC
<b>Tolerate</b>	Risk tolerable. Risks can be controlled through existing measures

## Assessing Likelihood

	Description	Likelihood of Occurrence
5	Almost Certain	Likely to occur each year/over 60% chance of occurrence
4	Likely	Likely to occur every 3 years/up to a 60% chance of occurrence
3	Possible	Likely to occur every 5 years/up to a 40% chance of occurrence
2	Unlikely	Likely to occur every 10 years/up to a 20% chance of occurrence
1	Rare	Likely to occur every 10+ years/up to a 10% chance of occurrence

<b>Managed</b>	Tolerable level of risk. Consideration should be given to the cost of control measures, and whether they are all necessary
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## **Annex 2 – Guidance for Identifying and Managing Risk**

### **Identifying Risks**

A key part of the risk identification process is understanding the sources (root cause) of a particular risk. Some of the key areas are listed below;

#### Types of Risk

<b>Strategic</b>	Failure to deliver a key strategic objective
<b>Operational</b>	Risks that relate to the delivery of a service or project
<b>Information</b>	Risks that relate to loss or inaccuracy of data systems or reported information
<b>Reputation</b>	Risks that relate to the Council's brand image
<b>Financial</b>	Risks that relate to insufficient funding, losing monetary resources or incurring unacceptable liabilities
<b>HR/People</b>	Risks associated with employees, management and to the well being of the public
<b>Regulatory</b>	Risks related to regulatory environment
<b>Contractual</b>	Risks related to the management of service contracts
<b>Technological</b>	Risks related to the use of technology/systems as part of service delivery
<b>Partnerships &amp; Communication</b>	Risks related to communication with and between a range of external and internal audiences
<b>Health &amp; Safety</b>	Risks associated with stakeholder welfare
<b>Fraud</b>	Risks related to unlawful activities

## 6 Key Questions for Identifying Risks

- What do you want to achieve, what will stop it being achieved?
- What is the potential cost to time, money and performance?
- How likely is it to happen?
- What are the impacts of each risk?
- What is the source of the risk?
- What can be done to reduce/control the risk?

## Methods of Managing Risks

Once the risk has been identified, a decision then needs to be made about what action or controls will be undertaken to ensure effective management of the risk. There are certain methods for managing risk:

- **Avoid** - remove risk completely
- **Reduce Likelihood** – putting controls in place
- **Reduce Impact** – putting controls in place
- **Transfer the risk** – the financial cost through insurance or outsource to specialised company
- **Accept the risk** – only when impact and likelihood are low

When deciding on controls and actions it is important that the cost should be proportionate to the risk to ensure that there is a benefit to be gained.

The actions and controls which are implemented should be reviewed regularly by the person designated to that risk to ensure its effectiveness.