Appendix 5

Harlow Council

Risk Management Strategy

Version 3.11

May 2021

Appendix 5

Foreword

All of us manage risks in our daily lives almost unconsciously – assessing the speed of traffic when crossing the road, taking out insurance policies and making everyday decisions. However, risk and risk management can sometimes be seen as specialist subjects, requiring expertise outside 'normal' management experience. This can lead to risks being ignored altogether or a view taken that risk can be avoided by maintaining the status quo.

Innovation and good governance are not mutually exclusive. The next few years will present significant challenges for the Council in delivering its services. The difference between a thriving authority providing value for money and stagnation could be the willingness to embrace a risk taking culture while taking timely and appropriate action in the face of threats to objectives. Risk management is therefore an essential part of the Council's overall Governance arrangements. Because risk management is about achieving objectives, it needs to be integral to our decision making, an essential part of routine management and should be 'part of the day job' of all officers who are responsible for achieving objectives.

The Council's attitude to risk is to operate in a culture of creativity and innovation, in which key risks are identified in all areas of the business and the risks are understood and managed, rather than avoided. We should not be afraid of risk but we must proactively manage it. Ultimately, effective risk management will help us to meet future challenges and opportunities to deliver the most effective services, thereby improving our ability to deliver priorities and improve Harlow for residents, businesses and visitors

This Risk Management Strategy is designed to provide managers with the tools needed to manage risk effectively, providing the framework and process with which to manage risk in a systematic, consistent and effective way. The Strategy will be periodically reviewed as necessary to ensure that it reflects the Council's needs and remains challenging and responsive to Government direction and requirements.

Brian Keane
CEO
Harlow Council

Introduction

Harlow Council is committed to a proactive approach to risk management which is integrated into the policy framework, planning and budgeting cycles. The council recognises that there are risks involved in everything it does and that it has a duty to manage these risks in a balanced, structured and cost effective way. Risk cannot be totally eliminated and may at times need to be embraced as part of an innovative approach to problem solving and achieving best value. In essence, risk management is not about taking no risks at all. It is about being able to take calculated and controlled risks to improve the services that residents receive. The Risk Management Strategy outlines the framework, responsibilities and accountabilities for the systematic and consistent management of risk across the Council, partnership and collaborative activities.

The objectives of this Strategy are to:

- Identify the scope of risk management;
- Embed and integrate risk management into the culture of the Council;
- Assign roles, responsibilities and accountability for risk management activities within the Council;
- Raise the awareness of the need for risk management by all those connected with the Council's delivery of services;
- Reduce the impact, disruption and loss from an event and reduce where possible the financial impact of risk;
- Enhance realisation of opportunities and resulting benefits;
- Ensure consistency throughout the Council in the management of risk.

These objectives will be achieved by:

- Providing a pragmatic and standardised approach to risk management across the Council;
- Incorporating risk management considerations into all levels of business planning, including project and partnership arrangements;
- Skills training and development for all relevant managers, staff and Members in the effective management of risk;
- Regular monitoring and reporting of risk to identify trends and likely direction of risks for Councillors and Senior Managers to be aware of when making decisions.

What is Risk Management?

Risk is defined as the “effect of uncertainty on objectives” (ISO 31000). An effect is a positive or negative deviation from what is expected, and that risk is often described by an event, a change in circumstances or a consequence.

Risk management is the process followed to control the level of risk in business and service activities which could impact on the delivery and achievement of corporate priorities, principles and service objectives. In practice, risk management is the ongoing process of identifying threats and opportunities, implementation of measures aimed at reducing the likelihood of them occurring and minimising the impact if they do.

Risk management is a key component of corporate governance in maintaining a strong control environment. Because risk management is about achieving objectives it needs to be integral to the council’s decision making and core business processes such as business planning, budgeting and performance reviews.

Everybody manages risk – the Council’s risk management framework provides the necessary level of formality to allow risk managers to consider risk systematically as well as demonstrate and communicate what they are doing to manage risk.

Benefits of Risk Management

The following benefits are brought about by effective risk management:

- Achievement of objectives more likely
- Adverse (damaging) events less likely
- Costly re-work and fire-fighting reduced
- Capital and resources utilised more efficiently and effectively
- Quality of service improved
- Improved performance (Key Performance Indicators scores)
- Support of better planning
- Help better informed decision making
- Use risk management to support innovation
- More positive outcomes for stakeholders
- Provision of reassurance to stakeholders
- Help protect and enhance the Council’s reputation
- Reduction in insurance premiums and claim related losses

Risk Appetite

Risk appetite can be defined as the amount and type of risk an organisation is willing to accept in the pursuit of its objectives.

The council recognises that some level of risk needs to be accepted but it will vary according to the activities undertaken. Risk appetite is not a single, fixed concept and there will be a range of appetites for different risks which may vary over time. The Council's overall risk appetite and by corporate priority is defined in the Council's Risk Appetite General Statement. Escalation and reporting thresholds will be reassessed periodically to ensure risks are reported and reviewed within suitable defined limits.

The Council's current overall risk appetite is defined as moderate (see table below for definitions). This means the Council remains open to innovative ways of working and to pursue options that offer potentially substantial rewards, however, also carry a greater level of risk. The Council's preference is for safe delivery options, especially for those services required by statute.

Risk Appetite Definitions	
Avoid	No appetite. Not prepared to take risk.
Adverse	Prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return.
Cautious	Willing to accept some low risks, while maintaining an overall preference for safe delivery options despite the probability of these having mostly restricted potential for reward/return.
Moderate	Tending always towards exposure to only modest levels of risk in order to achieve acceptable outcomes.
Open	Prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk.
Hungry	Eager to seek original/creative/pioneering delivery options and to accept the associated substantial risk levels in order to secure successful outcomes and meaningful reward/return.

Roles and Responsibilities

Responsible Body	Role	Monitoring Period
CEO	Ultimate responsibility for the council's risk management strategy and its arrangements.	Quarterly
Senior Management Board (SMB)	Identify strategic and service risks during the annual corporate planning cycle. Review and manage risks in accordance with monitoring and reporting requirements. Set risk appetite.	Ongoing/ Quarterly
Elected Members (Audit and Standards Committee)	Monitor the effective development and operation of risk management in the Council. Understand, scrutinise, and endorse the Council's risk management strategy and monitor the Council's risk appetite.	Quarterly (in line with committees cycle)
Insurance and Risk Manager	Develop Risk Management Policy and document internal risk policies and structures. Report risks to SMB quarterly highlighting exceptions, cross cutting trends and themes for consideration.	Ongoing
Third Tier Managers	Identify and manage operational service risks. Identify and report changed circumstances/risks. Promote risk aware culture. Implement risk improvement recommendations within service departments.	Ongoing/ Quarterly
All Employees	Understand and implement the risk management process. Report inefficient, unnecessary or unworkable controls. Report incidents and near miss incidents. Co-operate with incident investigations.	Ongoing
Internal Audit Manager	Provide independent assurance of the Council's risk management arrangements, reporting on the efficiency and effectiveness of internal controls. Promote risk management as part of good governance.	Ongoing/ Annual

Training & Awareness

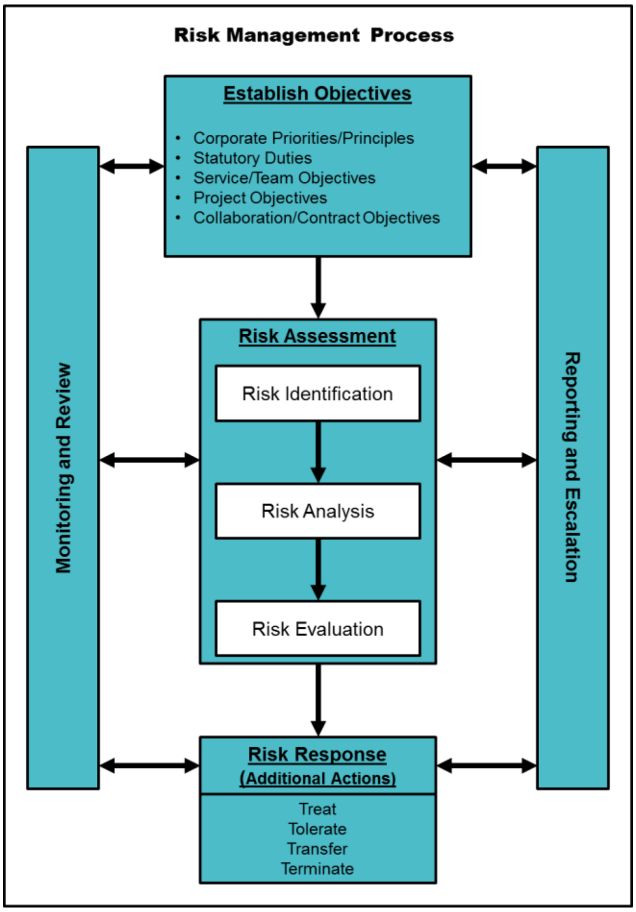
Risk management training is available via the Council's e-learning platform 'i-learn'. This should form part of the Council's induction process for line managers and other members of staff where appropriate. It may also serve for risk awareness sessions for existing staff.

Training on use of the Council's performance management system InPhase will include management of risks.

Members of the Audit and Standards Committee will be provided with periodic training and awareness regarding risk.

Awareness of the Council's risk management processes should be given as part of the Council's procurement process when tendering for goods and services. Invitations to Tender will require bidding organisations to confirm they will familiarise themselves with and comply with our risk management processes.

Risk Management Process



Harlow Council's systematic approach to risk management is primarily objective driven and runs in parallel with the Council's corporate, service and team planning process.

The Corporate Plan and ongoing statutory duties set corporate priorities, principles and service objectives. Associated risks are identified, analysed and evaluated.

Risks are reported in accordance with a defined risk escalation process and a proportionate risk response is required to manage risks within risk appetite.

Risks are managed and monitored via the Council's performance system InPhase. Managers should update risk registers on a real time basis. This means updating information about the risk as and when circumstances change as well as on a periodic basis.

The full risk management process is:

1. Establish Objectives

The annual corporate planning cycle begins with the development of the Corporate Plan. This outlines the Council's vision, priorities and goals to drive improvement over the coming three years. The corporate goals, underlying principles and statutory duties set the Council's objectives and drive formation of the Service Plans and their objectives.

Contracts and Service Level Agreements (SLA) will set the respective collaboration objectives.

2. Risk Assessment

Risk assessment follows a three stage process:

a. Risk Identification

Risks are identified as events or circumstances which could impact on achievement of objectives. Consideration should be given to the following:

- Have any of the risks previously identified significantly changed or are they still relevant?
- Are there any risks missing from the register?
- Is anything planned over the next 12 months that will give rise to a significant risk?

This process should involve as many of the decision makers as necessary. Logging your risk should take a proportionate amount of time and resource in relation to the magnitude of the risk. Risk owners should avoid logging their risks "just for the sake of it".

The description of risk should always be written as a causal statement "IF", "THEN". This is a critical part of risk management because it demonstrates cause and effect. However, the risk owner should not re-state failure of the objective as the risk.

Example: Objective: To arrive on time this morning. Risk might be described as "IF I oversleep, THEN I may arrive late."

b. Risk Analysis

Analysis sets the context of the risk, identifies the possible reasons why it might arise, the possible impacts, and sets out existing risk controls. The required information is set out as follows:

- Background - In addition to the risk description a short background narrative is required to set the context of the risk in relation to the objectives which may be impacted.
- Inherent likelihood comment – sets out the events or circumstances which will lead to the risk occurring before controls are put in place.

- Inherent impact comment – describes the impact of the risk before controls are put in place.
- Current controls – Sets out all current risk controls. These might include (but are not limited to) policies, procedures, training, preventative measures such as segregation of duties or restriction of access, or contract arrangements.

c. Risk Evaluation

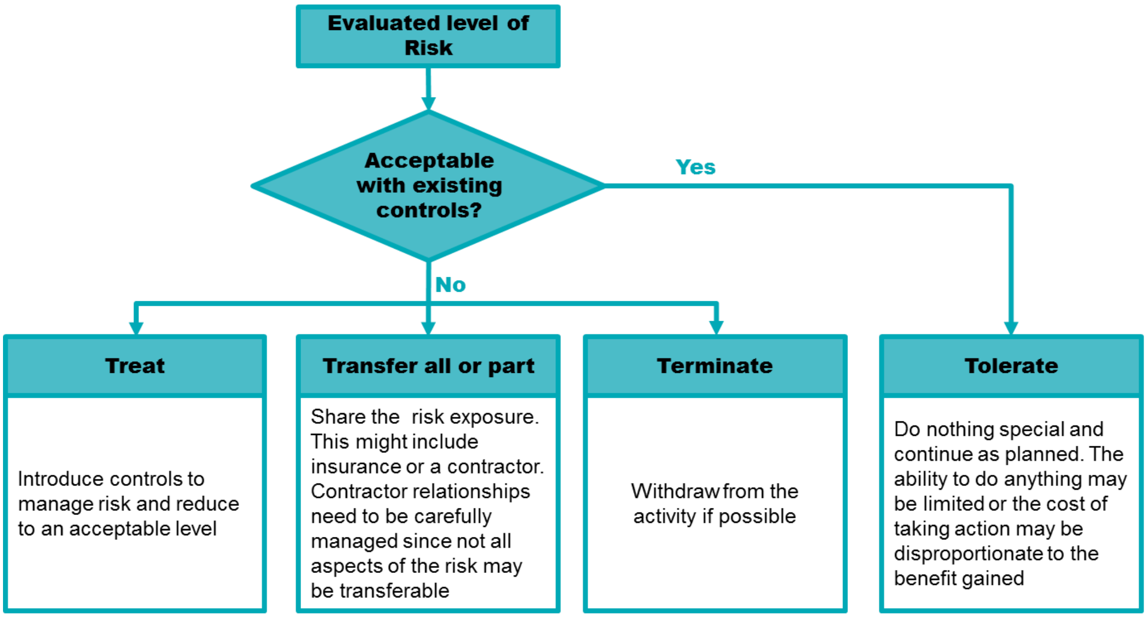
Each risk is scored by giving likelihood and impact ratings using the risk rating matrix shown in Appendix 1. The risks are scored in three stages using different assumptions:

i. Inherent score - original risk rating before controls
ii. Residual score – current risk rating with existing controls
iii. Foreseeable score –risk rating after application of specified additional controls - identified under risk response - and influence of external risk factors e.g. economic, political, natural

3. Risk Response

Having evaluated the residual risk, the course of action is determined by the Council's risk appetite. The diagram below outlines the risk response process.

Controls should always be proportional to the risk so that the resource and cost required does not outweigh the benefit of the control.



4. Monitoring and Review

Managing risks is not just about identifying and assessing risks and putting controls in place to mitigate the risks. Risks will constantly change and so a key stage of the risk management process is risk monitoring.
Risks are required to be updated quarterly to align with service planning and performance management monitoring and reporting. It is important that risk registers are kept up to date and accurate as this will form the means by which not only objectives are being monitored but also how risks are being managed.

Monitoring of strategic risks is undertaken by the risk owner with quarterly reviews by the Senior Management Board. Monitoring of service risks should be undertaken through management team meetings. Management should prioritise those risks, concentrating on high risks (red) and medium risks (yellow/amber) but also regularly review actions to ensure low (green) risks are being effectively managed and to identify any emerging risks.

The review of risk registers should consider:

a. Existing Risks

- Are the key risks still relevant?
- Has anything occurred which could impact upon them? E.g. changes in legislation, service delivery
- Are the risk ratings appropriate?
- Are the controls in place effective?
- If risk scores are increasing what further controls might be needed?
- If risk scores are decreasing can controls be relaxed without adversely affecting likelihood or impact ratings?

b. New Risks

- Has something new happened within the service, project, partnership or contract e.g. contract delivery issue, a new partner organisation to work with, a new project starting, a new or different way of delivering services?
- Has ongoing management review identified, for example, budget pressures, unexpected demand for a service or external factors such as changes in legislation or government policy?

It may be appropriate to close risks. However, when risks are closed from a register, there should be a record of the reasons for this decision and what has happened to the risk.

5. Reporting and Escalation

Reporting of risks should provide senior management and members with assurance that key risk exposures have been identified, assessed and mitigating controls evaluated or implemented. Senior Management Board is accountable for strategic risks and each Head of Service are is accountable for monitoring the risks within their service. Risk information is reported quarterly to the Senior Management Board and regularly to Audit and Standards Committee. Significant risks scoring 20 and above are reported to Cabinet through the quarterly Joint Finance and Performance Report.

Heads of Service are required to report on management of risk and effectiveness of controls within their service areas within their Annual Governance Statement declarations.

6. Future actions

This strategy provides a framework to manage risk. The ongoing challenge is to ensure that risk management is fully embedded and integrated into the council's culture. This will be taken forward as follows:

- Risk appetite will be reassessed to ensure it not only reflects the overall corporate risk appetite but also the risk appetite as it relates to each service.
- Risk management will be further embedded at departmental level.
- Risk culture will be regularly reviewed as part of a risk maturity assessment to document progress and identify further improvements.

Linking risk to other areas

Below are areas that deserve special note in relation to risks. Each have significant risks associated with them which may have a major impact across the Council. It is very important that risks in these areas are identified, assessed and prioritised.

Business Continuity Management

Business Continuity Management (BCM) is complementary to the risk management framework.

While risk management seeks to manage risk around the key services that the council delivers, service delivery can be disrupted by a wide variety of incidents, many of which are difficult to predict or analyse by cause.

By focusing on the impact of disruption, BCM identifies the services which the council must deliver, and can identify what is required for the council to continue to meet its obligations. Through BCM, the council can recognise what needs to be done before an incident occurs to protect its people, premises, technology, information, supply chain, stakeholders, reputation and importantly the services that the council delivers within Harlow. With that recognition, the council can then take a pragmatic view on the responses that are likely to be needed as and when a disruption occurs, so that it can be confident that it will manage any consequences without unacceptable delay in delivering its services.

Health and Safety

The Council has responsibilities under health and safety legislation to ensure the health, safety and welfare at work of employees and other people affected by the Council's business. Managing health and safety risks is an integral part of business risk management and the management of such risks should not be taken in isolation. Poor health and safety management can have a negative impact on other business risks such as reputation, insurance, business continuity and financial resources.

The effective management of health and safety risks, as with all significant corporate risks, is an essential part of the role of the relevant managers. The organisation and arrangements for managing health and safety within the Council are detailed in the Council's Health and Safety Policy documents.

Information Governance

Legislation such as the General Data Protection Regulation, Freedom of Information Act 2000, Environmental Information Regulations 2004, Human Rights Act 1998, Equality Act 2010 and Privacy and Electronic Communications Regulations 2003 , requires the council to have arrangements in place to manage and protect all information taking into account its security, storage, use, access and retention.

The Council can be subject to regulatory intervention and have fines levied by the Information Commissioner's Office (ICO) where there are failures to comply with relevant legislation.

While the Council has policies in place to address legal requirements, it has recognised the need to improve the council wide understanding of Information Governance and has set up an Information Governance Group (IGG), chaired by the Head of Governance. The group's role is to examine and monitor relevant legislation, advise on compliance and ensure suitable training and awareness to support the delivery of the requirements and legal obligations.

Insurance

Insurance acts as a risk transfer mechanism which reduces the financial risk to the Council. The Council transfers risks to an insurance company by contributing a premium. In the event of a financial loss, the Council is entitled to indemnity, subject to policy excesses and other terms and conditions that are in place.

The administration of the Council's insurance arrangements is undertaken by the Insurance Department within Finance. The department provides a comprehensive Insurance service including insurance provisions and other related insurance activities such as processing of claims.

Appendix 5

Appendix 1 – Risk Rating Matrix

Risk Rating Matrix

Likelihood							
Almost Certain	99% likely to happen or has happened on a regular basis over the last 12 months.	**5**	11	16	20	23	25
Likely	75% likely to happen or has happened at least once or twice in the last 12 months.	**4**	7	12	17	21	24
Moderate	50% likely to happen or has happened once or twice in the last 24 months.	**3**	4	8	13	18	22
Unlikely	20% likely to happen or has happened once or twice in the last 5 years.	**2**	2	5	9	14	19
Rare	5% likely to happen or hasn"t happened within the last 5 years.	**1**	1	3	6	10	15
			1	**2**	**3**	**4**	**5**
			Minor slippage	**Minor**	**Moderate**	**Major**	**Catastrophic**

Impact

	Minor slippage	**Minor**	**Moderate**	**Major**	**Catastrophic**
Financial	Loss/overspend under £10K	Loss/overspend £10K-£50K	Loss/overspend £50K-£250K	Loss/underspend £250K-£1M	Loss/underspend over £1M
Service	Marginal disruption to service capability	Short term disruption to service or marginal reduction in service.	Short term disruption to service or marginal reduction in service. Objectives of one department not met.	Short term loss of service or significant reduction service. Service objectives not met.	Medium/longer term loss of service. Failure to deliver at least one the Council's corporate objectives.
	Unlikely to cause complaint/litigation	Low potential for complaint/litigation	High potential for complaint with possible litigation	High potential for complaint with probable litigation	Litigation almost certain and difficult to defend.
Reputation	No adverse publicity	Minor adverse publicity	Significant adverse local publicity	Adverse national publicity/significant adverse local publicity	Significant adverse national publicity
Legal/Regulatory	Breaches of local procedures/standards	Breaches of regulations/standards	Breaches of regulations/standards	Breaches of law punishable by fines	Breaches of law punishable by imprisonment
Environmental/ Public Health	Incident with no lasting effect	Short term incident (days)	Short term incident (weeks)	Medium term major incident (1 month – 1 year)	Long term major incident (1 year +)
Health and Safety	'First Aid' level injury	Medical treatment required – short term injury	Medical treatment required – long term injury	Extensive permanent injury – long term absence	Fatality