Risk Management Policy & Strategy

June 2018

Folkestone & Hythe District Council

Risk Management Policy

1. Policy Statement

The Risk Management Policy of Folkestone & Hythe District Council (FHDC) is to adopt best practice in the identification, evaluation, and cost effective control of risks.

Risk is a factor of every-day life and can never be eliminated completely. FHDC is exposed to risk through threats to service provision, failure to deliver its strategic objectives and from the potential of lost opportunities.

All employees must understand the nature of risk and accept responsibility for risks associated with their area of authority. The necessary support, assistance and commitment of senior management will be provided.

Ultimately, effective risk management will help ensure the Council maximises its opportunities and minimises the risks it faces, improving our ability to achieve our strategic objectives and have an effective and sound system of governance in place. This framework will be particularly helpful in moving towards a more commercial approach.

2. Objectives

The council's risk management objectives are to:

1. Develop risk maturity and establish an appropriate risk appetite focussed on identifying, managing and mitigating risks which may prevent the Council from achieving its strategic objectives.
2. Manage risk in accordance with best practice.
3. Embed risk management in our normal management & business processes
4. Anticipate and respond quickly change.
5. Minimise the total cost of risk.

These objectives will be achieved by:

1. Establishing a risk management organisational structure to act in an advisory and guiding capacity and which is accessible to all employees.
2. Adopt processes, which demonstrate the application of risk management principles across the whole council.
3. Providing risk management training as necessary.
4. Devise and maintain contingency plans in key risk areas to secure business continuity where there is a potential for an event having a major impact upon the council's ability to function.
5. Have a proactive approach to managing and anticipating events before they happen through maintaining effective communication and the active involvement of councillors and officers.
6. Monitor arrangements continuously, learning from our mistakes and near misses.

3. Review period

In line with our policy to follow best practice, the Risk Management Strategy will be reviewed annually during Quarter 4 of the financial year so as to capture developments in relevant risk management approaches.

Section 2 – Risk Management Strategy

1. Introduction

1.1 Risk management will help identify and deal with key corporate risks facing the organisation in the pursuit of its objectives; it is a key part of good management, not simply a compliance exercise.

2. What is risk management?

2.1 "It is the 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 Strategy* by the Institute of Risk Management)

2.2 In layman terms, risk management is about ensuring that processes, projects, services and activities are delivered in the best possible manner, while reducing the probability of failure and maximising opportunities.

3. The benefits of good risk management

3.1 Good risk management supports the achievement of the council's objectives and has a crucial role to play in ensuring that Folkestone & Hythe District Council is well run. Risk management is about managing the threats that may hinder delivery of our priorities and core services, and maximising the opportunities that will help deliver them. It is important that risk management is aligned to the service plans, MTFS, Corporate Plan, policy making, performance management and strategic planning of the organisation.

3.2 The key benefits of a systematic approach to risk management are:

- Protects and enhances the reputation of Folkestone & Hythe District Council
- It provides a framework for future activity to take place in a consistent manner
- Contributes to a more efficient use of capital and resources
- Assists in the protection and enhancement of assets
- Optimises operational efficiency and focus

4. Types of risk – corporate, operational, project and partnership

4.1 Risk Management is integral to corporate planning, specific projects and service management. Categories of risk to be considered are:

4.2 Corporate risks

These are risks that need to be taken into account when looking at the medium to long term objectives of the council. Corporate risks would typically be identified and addressed within the council's Corporate Plan or Medium Term Financial Strategy (MTFS). These risks can be identified through the following sub-categories (this is not an exhaustive list but intended to provide guidance):

- Political – those associated with a failure to deliver either local or central government policy.
- Economic – those affecting the ability of the council to meet its financial commitments.
- Social – those relating to the effects of demographic changes on the council's ability to deliver its objectives.
- Technological – includes the consequences of internal technological failures on the council's ability to deliver its objectives.
- Legislative – those associated with current or potential changes in national or European law.
- Environmental – those relating to environmental consequences of progressing the council's Corporate Objectives.
- Competitive – those affecting the competitiveness of the service and/or its ability to deliver best value.
- Customer – those associated with the failure to meet the current and changing needs and expectations of customers.
- Reputation – those relating to public confidence and failure to recruit high calibre staff.

4.3 Operational risks

These are generally identified and managed by Assistant Directors, Heads of Service and Service Managers as part of their operational business remit. These are risks that managers and staff will encounter in the daily course of their work and can be identified through the following sub-categories:

- Professional – those associated with the particular nature of each profession.
- Financial – those associated with financial planning and control and the adequacy of insurance cover.
- Legal – those related to possible breaches of legislation, breach of contract, negligence, etc.
- Physical – those related to fire, security, accident, prevention and health and safety.
- Contractual – those associated with the failure of contractors to deliver services or products to agreed cost and specification.

- Technological – those relating to reliance on operational equipment.
- Environmental – those relating to pollution, noise or the energy efficiency of ongoing service operations.
- Human Resources – those relating to staff issues.

4.4 Partnership risks

Folkestone & Hythe District Council works with a range of partners to deliver services. It is important that those partners are brought into the risk management framework to ensure that risks to the council are not overlooked. Risks are identified and addressed in formal partnership agreements and contracts as appropriate. The primary risks are:

- Financial – failure to understand the potential financial liabilities associated with partnership arrangements.
- Reputation – loss of public confidence.
- Contractual – contract requirements not delivered.
- Legal – failure to understand the potential legal liabilities associated with partnership arrangements.
- Service failure – the associated risk of increased costs.

4.5 Project risks

Folkestone & Hythe District Council has a number of major strategic projects that require risk mapping. These projects will have inherent risks and opportunities. Where the project poses a significant risk or is of strategic importance to the delivery of the Corporate Plan an overall risk should be identified within the corporate risk register. The project itself should have a project risk register that is managed by the Project lead/ Project Sponsor and regularly reviewed by the wider project team.

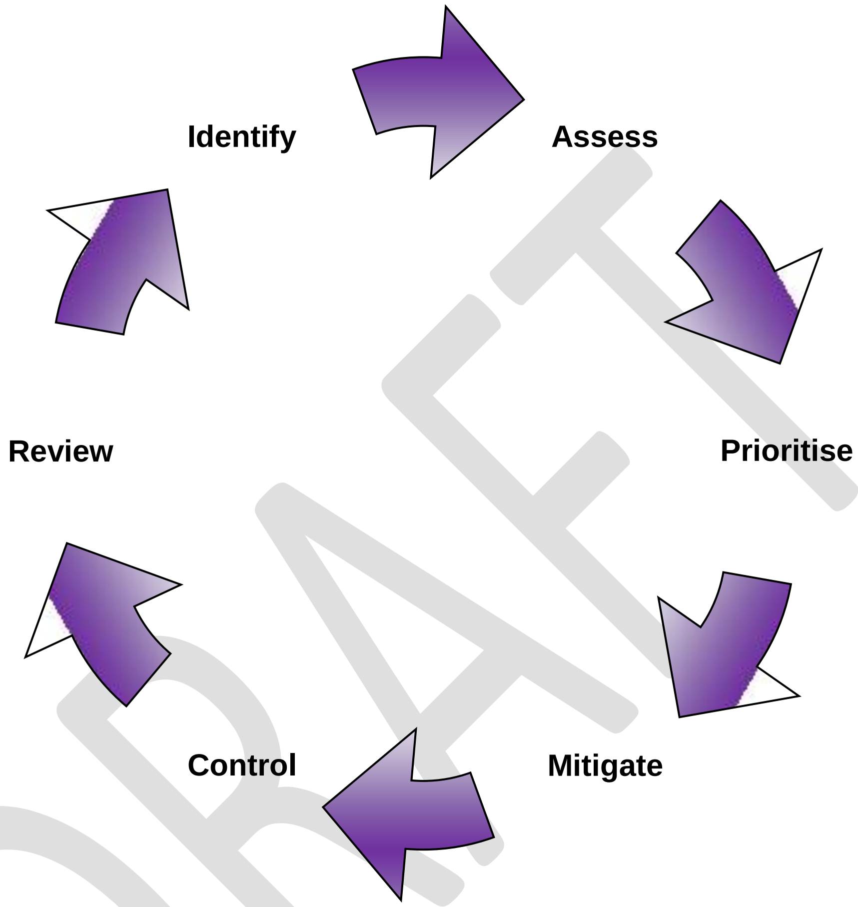
5. Risk management cycle

5.1 There are a number of steps in the cycle of identifying and managing risks within the council. These should be as follows:

- **Identify** – a need to identify the potential risks that may arise if informed decisions are to be made about policies or service delivery methods.
- **Assess** – available data should be used to provide information to help assess the probability of any risk arising or the potential impact on activities undertaken.
- **Prioritise** – action determined on the tolerance and aversion to risk, balanced against the availability of limited resources.
- **Mitigate** – should the risk be terminated, tolerated, treated or transferred.
- **Control** – once the appropriate action is determined for each risk, the process of controlling that risk can commence. This will either involve minimising/eliminating the risk and/or alleviating its potential impact.

- **Review** – 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.

5.2 The risk review cycle is captured in the diagram below, which emphasises the need for risk to be embedded as an ongoing process throughout the organisation (diagram 1):



6. Risk identifying, assessing and prioritising

6.1 Risk assessment is about asking:

- What can go wrong?
- What are the opportunities that may be missed?
- What is the likelihood of it going wrong?
- What is the impact should it go wrong?
- What can be done to mitigate the risk?

6.2 This approach can be applied to decisions made every working day, at all levels of the council. However, to ensure appropriate risk management is embedded throughout the organisation formal risk identification is also necessary to capture the key risks faced and identify appropriate mitigation.

6.3 Risks are scored out of four for their likelihood and potential impact. These two figures are multiplied together to give the risk score. This is shown in the Risk Scoring Matrix below. The risk scores then provide an overall ranking for each risk.

6.4 Risk Management Matrix (diagram 2)

Likelihood	**Very Likely (4)**	**Moderate (4)**	**High (8)**	**Extreme (12)**	**Extreme (16)**
	Likely (3)	**Low (3)**	**Moderate (6)**	**High (9)**	**Extreme (12)**
	Unlikely (2)	**Very low (2)**	**Low (4)**	**Moderate (6)**	**High (8)**
	Rare (1)	**Very low (1)**	**Very low (2)**	**Low (3)**	**Moderate (4)**
		Minor (1)	**Moderate (2)**	**Significant (3)**	**Severe (4)**
	Impact				

6.5 The definitions of likelihood and impact are outlined below, these are intended as guidance:

Likelihood

Rating	Score	Likelihood
Very Likely	4	More than 85% chance of occurrence Regular occurrence Circumstances frequently encountered
Likely	3	More than 65% chance of occurrence Likely to occur within next 12 months Circumstances have been encountered
Unlikely	2	31%-65% chance of occurrence Likely to happen within next 2 years Circumstances occasionally encountered
Rare	1	Less than 30% chance of occurrence Circumstances rarely encountered or never encountered before

Impact

Rating	Score	Impact
Severe	4	Loss of service for a significant period Fatality to an employee, service user or other Failure to meet major corporate objective Breach of law Financial loss in excess of £500k
Significant	3	Financial loss in excess of £250k Intervention in running a single service area Significant or disabling injury Failure to achieve a high profile major service objective Breach of contractual arrangement
Moderate	2	Service interruption Injury to employee, service user or other Financial loss between £50k-£250k Adverse media coverage/ high levels of service user complaints Failure to achieve a service objective
Minor	1	Minor service disruption/ short term inconvenience Financial loss less than £50k Isolated service user complaints Failure to achieve a team objective

6.6 Once risks have been scored, decisions can be made on the appropriate mitigating action (see Section 7 below).

7. Mitigating actions to control the risk

7.1 Once a risk has been identified analysed and profiled, there are four ways to control the risk:

- **Treat** – identify and put in place mitigating actions that reduce the risk to an acceptable level.
- **Transfer** – the risk is transferred partially or fully to a third party (e.g. contractual agreement/ insurance) to share the risk exposure. This may have a cost attached and whilst the financial risk may be transferred, a reputational risk may remain with the authority.
- **Tolerate –** Some risks can be tolerated without any further action being taken. For some risks, no further action may be possible or the cost may be disproportionate to the potential benefit gained (consideration should be given to a contingency plan for handling the impact if the risk crystallises).
- **Terminate –** stop the activity or function that gave rise to the risk (where possible).

7.2 If the option is to treat or control the risk, then a decision needs to be made on the best control to put in place. Controls need to be proportionate to the risk and need to give reasonable assurance that the loss will be confined to within an acceptable level for the authority.

8. The Corporate Risk Register

The council's Corporate Risk Register is the core element of the arrangements laid out in this strategy as it represents an articulation and assessment of key risks facing the organisation. As such only the key risks identified in the council's Corporate Plan and MTFS would typically be included in the Corporate Risk Register. In addition where appropriate emerging or changing operational or partnership risks identified by Heads of Service that have a significant bearing on the organisation will be discussed with CLT (Corporate leadership Team) to determine whether these risks need to be included on the Corporate Risk Register. A more details explanation of this process is provided in Section 9 (below).

The diagram below (diagram 3) outlies the risk management journey outlined in this strategy and relationship to the Corporate Risk Register:

9. Responsibility and ownership of risk management

Clear identification of roles and responsibilities is paramount to ensuring the successful adoption of risk management and its embedding into the culture of the council. This strategy supports the roles and responsibilities as outlined in the Financial Procedure Rules, Section C.1. In addition this section sets out how these responsibilities are to be applied.

9.1 Cabinet and Elected Members

Cabinet and Elected Members are to oversee the effective management of risk throughout the council. As such Cabinet will review the council's Risk Policy and Strategy and Corporate Risk Register annually in Quarter 2 of the financial year (following these documents being reviewed by the Corporate Management Team and Audit and Governance Committee in Quarter 1). It is also expected that relevant risks are discussed at monthly Portfolio Holder Meetings with Corporate Directors.

9.2 Corporate Leadership Team

The council's Corporate Leadership Team (CLT) are to ensure that the council manages risk effectively through the development and embedding of the Risk Management Strategy plus monitoring its implementation and development. CLT will review the council's Risk Policy and Strategy and Corporate Risk Register annually in Quarter 1 of the financial year, ahead of these documents going to Cabinet and Audit and Governance Committee.

CLT will undertake a formal quarterly review of the corporate risk register but will also actively consider emerging or changing risks on a regular basis.

9.3 Assistant Directors/Heads of Service

The Assistant Director – Strategy, Performance & Communications will have overall accountability for overseeing the council's risk management framework and ensuring that the ownership and governance arrangements outlined within this strategy are adhered to.

Assistant Directors and Heads of Service are to manage risk effectively in their service areas. It is also their role to consider risks to services being delivered in partnerships and to work with partnerships to develop partnership risk registers. As such it is expected that Heads of Service work with their Managers and Team Leaders to develop and maintain Operational Risk Registers for their business unit, as well as lead or commission project/partnership risk registers where appropriate. Heads of Service will also be responsible for determining when operational risks reach such a level that they should be escalated to CLT for consideration of their inclusion in the council's Corporate Risk Register.

Heads of Service & Assistant Directors are responsible for ensuring their risk registers remain current and relevant and are encouraged to have emerging risks as a standing item on their Team Leader meeting agendas.

9.4 All Council Staff

All council staff are expected to manage risk effectively in their day-to-day tasks and to liaise with their line manager to assess areas of risk within their role. Also council staff should also be familiar with the council's Risk Management Strategy and to comply with Health and Safety procedures. If any staff member feels they require training on either Risk or Health and Safety they are to raise this in their monthly one-to-one with their Team Leader. Staff should also take responsibility to escalate risks to their manager so appropriate controls can be agreed.

9.5 Audit and Governance Committee

Audit and Governance Committee are to consider the effectiveness of the authority's risk management arrangements, and to seek assurance that action is being taken to mitigate those risks identified. As such an update on the Corporate Risk Register will be presented at each Quarterly Audit and Governance Committee. In addition Audit and Governance Committee will review the council's Risk Policy and Strategy and Corporate Risk Register annually in Quarter 1 of the financial year, ahead of these documents going to Cabinet.

11. Governance and Reporting

In line with the responsibility and ownership details outlined above the following diagram (diagram 4) details the governance and reporting timetable arrangements for both the Risk Management Policy and Strategy and the Corporate Risk Register.

Risk Policy and Strategy

- **Annual review by CLT**
- **Annual Review by Cabinet**
- **Annual Review by Audit & Governance Committee**

Corporate Risk Register

- **Quarterly review by CLT**
- **Quarterly review by Audit & Governance Committee**
- **Annual review by Cabinet**
- **Emerging/changing risks reviewed at monthly SMT**

Operational Risk Registers

- **Ongoing – maintained and reviewed regularly by Managers and Heads of Service**
- **Key risks discussed at Portfolio Holder Meetings**

10. Supporting Documents

10.1 Corporate Risk Register 2018/19 (file path)
10.2 Financial Procedure Rules, Section C.1 (file path)

Folkestone & Hythe District Council- Risk Register layout

Risk ID	Risk Name	Risk Owner	Risk Description /Trigger	Actions in place	Pre-mitigation Score			Mitigation scheme (Tolerate, Treat, Transfer, Terminate)	Proposed Actions	Timeframe	Post-mitigation Score		
					Likelihood	Impact	Total				Likelihood	Impact	Total