

Craven District Council



Risk Management Strategy

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RISK MANAGEMENT STRATEGY

1 Introduction

This document sets out Craven District Council's Risk Management Strategy which aims to maintain and improve the effectiveness of risk management across the Council.

Effective risk management allows the Council to:

- Maximise the Council's opportunities whilst minimising the impact from risk
- Increase the Council's ability to achieving it's priorities and outcomes for residents.
- Constrain risks to acceptable levels
- Take informed decisions
- Ensure that we get the right balance between opportunity and risk
- Improve partnership working arrangements and corporate governance.

Risk management is a statutory requirement and an indispensable element of good management. Uncertainty and change when considered thoroughly however can also give the Council an opportunity to introduce new more innovative and effective ways of delivering services and act as a catalyst for developing services with better outcomes and fewer risks.

This Strategy explains the Council's risk management approach and the framework that operates to ensure that risks are effectively managed.

2 Risk Management Overview

- 2.1 The Council recognises risk as the chance or possibility of loss, damage, injury or failure to achieve our corporate objectives caused by uncertain actions or events.
- 2.2 Risk management is the adoption of a planned and systematic approach to the identification, evaluation and economic control of those risks which can threaten the assets or financial and organisational well-being of the Council. It is a means of minimising the costs and disruption to the Council caused by undesired events.
- 2.3 Risk Management is not about being "risk averse" – it is about being "risk aware". Risk is ever present and some degree of risk-taking is inevitable and desirable if the Council is to achieve its objectives. Risk management is about making the most of opportunities and about achieving objectives once those decisions are made. By being risk aware the Council is in a better position to avoid threats and take advantage of opportunities.
- 2.4 The Strategy has critical links to the following areas:-
- Council priorities
 - corporate governance arrangements
 - performance management
 - community focus
 - organisational structures and processes
 - standards of conduct
 - service delivery arrangement

3 Constituent Parts of Craven District Council's Risk Management Strategy

3.1 The aim of this strategy is to improve the ability to deliver strategic priorities by managing risks and as such the following elements are included:-

- A shared awareness and understanding within the authority of:
 - the nature and extent of the risks it faces
 - the extent and categories of risks regarded as acceptable
 - the likelihood and potential impacts of the risk materialising
 - our ability to reduce the impact on the organisation of risks that do materialise
- Regular and ongoing monitoring and reporting of risk including early warning mechanisms.
- Appropriate assessment of the cost of operating particular controls relative to the benefit obtained in managing the related risk.
- Annual review of the effectiveness of the systems of internal control in place, the results of which are reported publicly including an account of action that it is taking to address any significant concerns.

3.2 The process is ongoing and will become embedded in our culture delivering consistently higher levels of performance and improvement. We are not concerned to eliminate risk but aim to understand risk and manage it more effectively.

4 Benefits of Good Risk Management

In following the approach to risk management set out in this strategy the Council seeks to minimise the risks affecting the residents, including local businesses and partner agencies as well as visitors to Craven. The key benefits of our approach to risk management will be:-

- increased focus on what needs to be done (and not done) to meet objectives.
- more satisfied stakeholders
- better management of change programmes
- supporting innovation
- fewer complaints
- greater control of insurance costs, lower premiums etc
- potential quality improvements in service delivery
- enhanced ability to justify actions taken
- improved performance management
- improved financial performance
- protection and enhancement of the reputation of Craven District Council
- reduced incidence of mistakes

5 Range of Risks

Risk management covers the whole spectrum of risks not just those associated with finance, health and safety and insurance. There are two principal categories of risk that potentially face Craven. These are strategic and operational.

5.1 Strategic Risks

These are risks that are associated with the development of our key Council Priorities. These include:-

- Political: linked to possible failure to deliver key objectives or Government policy; community planning errors or omissions.
- Economic: our ability to meet our financial commitments. For example, poor budgetary control; inadequate insurance cover.
- Social: the risks relating to our ability to meet the effects of changes in demographic, residential or social economic trends; lack of development; failures in partnership working; crime and disorder problems.
- Technology: ability to use technology to address changing demands; business continuity, poor security and data management.
- Legislative and governance: the ability to meet the legislation; breaches of legislation.
- Environmental: relate to the environmental impact of our service delivery (e.g.energy efficiency, pollution, recycling etc).
- Best Value: the need to robustly review our service and deliver continuous improvement.
- Customers: not meeting customer needs; insufficient consultation; poor public relations; impact of policies (e.g. equalities).

5.2 Operational Risks

These are risks that are faced in the day to day delivery of services and include:-

- Professional: risks associated with the professional competence of staff; lack of training and development; over reliance on key personnel; ineffective change/project management; recruitment and selection issues.
- Financial: risks associated with ensuring good financial governance; failure of major project; internal and external audit requirements; failure to prioritise and allocate resources effectively; poor contract management; initiative overload.
- Legal: the need to ensure our actions are lawful; compliance with legislation (e.g. DPA); intervention by regulatory bodies / Inspectorate(s) and licensing.
- Physical: the need to ensure that our physical assets do not pose any risks to staff, Council Members or members of the public (e.g. fire hazards, health and safety, etc); safeguarding and accounting for physical assets.
- Contractual: those risks associated with the failure of our contractors to deliver services to an agreed cost and quality specification; compliance with procurement policies (internal/external); ensuring open and fair competition.
- Technological: risks associated with reliance on IT equipment.
- Environmental: risks associated with pollution, noise or the energy efficiency of ongoing service operations.

5.3 The above categories represent a brief outline of the major elements of risk facing Craven District Council. It is important to review the above risks and their potential impact on each other as well as trying to alleviate the individual categories of risk.

6 The Risk Management Process

6.1 The critical steps in the process of identifying and managing risk within the Council's activities are;

1) Understanding the Strategic and Operational Priorities

The starting point is to ensure a clear understanding of what it is the Council is aiming to achieve. Risk Management is about managing threats that may hinder delivery and maximise the opportunities.

2) Identifying risks

There is a need to identify potential risks that may arise if informed decisions are to be made about policies or service delivery methods. They may be general relating to the environment within which we work or specific relating to a key area of service delivery.

3) Analysing risks

Available data should be used to provide information to help assess the likelihood of any risk arising or the potential impact on our activities.

4) Profiling risks

Risks are profiled according to their likelihood and severity.

5) Prioritising action based on the approach to risk

Action determined based on tolerance and aversion to risk balanced against resource availability

6) Determining action on risk

Action based on whether the risk should be avoided, eliminated, reduced, transferred, or accepted.

7) Controlling risk

Once 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.

8) Monitoring and reporting on progress

Progress in managing risks monitored and reported to minimize losses and achieve actions

- 6.2 Within the Council the processes outlined above are undertaken by officers and Members, supported by a framework mechanism known as the “Craven Risk Assessment Model” or CRAM. This comprises the process and standard documentation shown in Appendix A. This helps identify and assess the risks facing the Council as a whole and within individual service units. Risks are scored, ranked and prioritised for the purposes of developing effective control or countermeasures to reduce or eliminate the risk(s) identified. From this a Risk Register is compiled for use corporately and for operational purposes.
- 6.3 All relevant documents, CRAM forms and guidance notes including the current Risk Register can be found in the Risk Management document library on the intranet.

7 Implementation

- 7.1 The Council’s Corporate Leadership Team has established a Corporate Risk Management Group (CRMG) with agreed terms of reference to develop this Risk Management Strategy and to advise, promote and review the mechanism(s) by which risk management is systematically embedded in the every day business of the Council. The Terms of Reference of the CRMG can be found at Appendix D.

The Corporate Risk Management group comprises the following officers;

- Procurement, Payments & Risk Manager
- VFM and Improvement Manager
- Leader of Council
- Corporate Health and Safety Advisor
- Strategic Manager – Planning & Regeneration
- Assets and Property Manager
- Corporate Head Financial Management
- Member of Internal Audit Team

- 7.2 The CRMG assisted by all Service Units assess the potential risks and their effect and pinpoint areas of weaknesses and interdependencies, differentiating between tolerable risks and those that require mitigation. This has been achieved by utilising the Craven Risk Assessment Model or CRAM (Appendix A). Initially each Service Unit carried out an assessment and scored risks within their activity area. A lead officer within each Unit was designated with the responsibility of ensuring this task is completed and compiled an initial Unit Risk Profile.

Once the Council’s risk profile has been established it is essential this is communicated throughout the whole organisation so that individuals can appreciate the risk potential in their area of service delivery and seek to reduce/eliminate it in accordance with the profile associated with that service.

- 7.3 The risk profiles from all Service units together with identified strategic risks form Craven District Council’s Risk Profile. The Corporate Risk Management Group has the responsibility of moderating and regulating the Risk Profile. The Risk Register is compiled from the top risks identified in the Risk Profile based upon a “risk appetite” recommended by the Corporate Risk Management Group and approved by Audit & Governance Committee.

- 7.4 Each risk featured on the Risk Register has an action plan completed by the responsible officer that identifies measures required to mitigate, lessen or remove the risk. Each action plan is linked to the service unit plans and budgets.
- 7.5 Internal Audit has a key role to play in challenging established risk management processes, challenging risk identification and evaluation, and more fundamentally, in providing assurance to officers and Members on the effectiveness of controls. This role should however be separated from the activity of establishing and operating risk management processes and control structures.

8 New Risks

The risk management process is continual and if any new risks are identified, a CRAM form can be completed at any time and submitted to the Corporate Risk Management Group. Committee Reports include a risk management section to ensure that consideration is given to any risk management issues that may arise.

9 Monitoring and Reviewing Processes

A framework of monitoring and reporting has been established as follows:

- Annual review of Risk Management Strategy by Corporate Risk Management Group and Council Leadership Team
- Annual review of Craven's Risk Profile by Service units and moderated by Corporate Risk Management Group
- Annual Review of the risk appetite by Corporate Risk Management Group
- 6 monthly monitoring of the Risk Register and Action plans by lead officers and CRMG
- 6 monthly reporting to Audit & Governance Committee on the risk management process and any changes taking place.
- The monitoring and review cycle is shown diagrammatically at appendix B

10 Gaining and Maintaining Competence

It is essential that Craven District Council has the right competencies to deliver effective risk management.

In a complex organisation such as a local authority it is important that a risk management agenda is clearly set at strategic level. Risk management is a core competency from which an organisation can build enhanced service delivery and secure the confidence of the community, staff, regulators and business. The ability to recognise and manage risk should be a prime consideration for those who direct corporate strategy and affairs. Sensitivity and receptiveness towards issues of risk need to become part of organisational culture.

This demands depth of experience and skill to identify, profile and take effective action on all types of risk.

In this sense, the traditional view of risk management as being bound up with insurance, worthy only of cursory attention on a once per annum basis, need to be

left behind. Risk management is dynamic. In broadest application it is concerned as much with optimising risk as it is with minimising it.

This requires competency to be built and risk management training to be provided for all involved in developing strategy and in operations.

11 Knowledge Management and Information Systems

Effective risk management depends not only on commitment, culture and the competence of individuals, but also on the sharing of knowledge and the availability of reliable data and information.

Craven District Council will need to ensure that its knowledge management and information systems facilitate effective risk management.

12 Responsibilities

It is vital that everybody understands the role they play in effective risk management. In other words every employee and Member of Craven District Council is responsible for ensuring effective risk management.

12.1 Elected Members

Members have the role of overseeing the effective management of risk by officers. In effect this means that they will review and agree the strategy, framework and process put forward by officers – as well as the priorities for action. They will also review the effectiveness of risk management.

Elected Members may also be involved in identifying, analysing and profiling risk and in determining the risk appetite and priorities for action. They may also be involved in providing reports to stakeholders on the effectiveness of the risk management framework, strategy and process.

12.2 Corporate Risk Management Group

The Corporate Risk Management Group's key role is to act as a source of guidance and advice and also to co-ordinate the overall risk management process.

12.3 Corporate Leadership Team

The Corporate Leadership Team has a crucial role to play in risk management. CLT takes a lead in identifying and managing the risks and opportunities facing the authority.

The Corporate Leadership Team determine the proposed strategy, framework and process, but also identify, analyse and profile corporate and cross-cutting risks associated with new policies and service delivery methods and with existing operations; and determine Craven's risk appetite and priorities for action.

The Corporate Leadership Team will also be involved in providing reports to stakeholders on the effectiveness of the risk management framework, strategy and process.

12.4 **Corporate Risk Officer**

The Council's Corporate Risk Officer is responsible for the management and the implementation of the integrated framework, strategy and process on behalf of the Council and its Council Management Team. This individual is essentially fulfilling a controlling and facilitation role – to ensure the processes are implemented and to offer guidance and advice.

12.5 **Strategic Managers /Managers**

Strategic Managers will extend the process cascaded from levels above to within their own service areas. Some risk actions and tasks will be cascaded to them from processes above, but there will be other risks that are specifically important to the service concerned and that will be identified through the completion of the CRAM process.

12.6 **Service Providers**

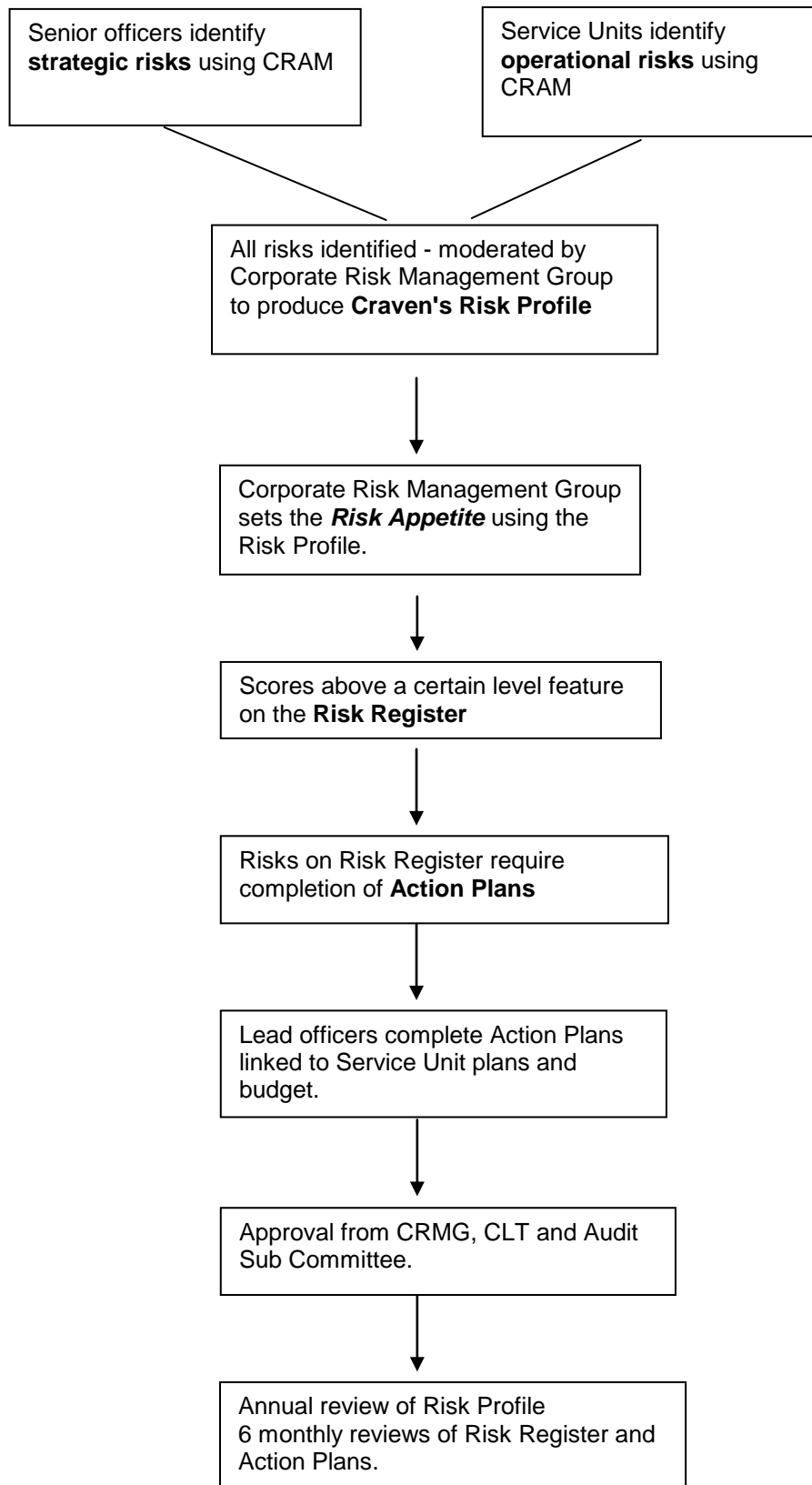
Individuals involved in service delivery, whether employed by Craven District Council or by its partners and contractors, have a crucial role too as they deal with risk on a daily basis. They not only need to carry out those tasks delegated to them in controlling risks but also need to have a more general awareness of risk issues and should be encouraged to feed views into the formal processes above them.

12.7 **Partners**

Craven District Council works with a wide range of partners in delivering its services. It is important that those partners are brought into the risk management framework. At times it will be appropriate for joint profiles to be undertaken. However, it is essential that accountabilities are adequately determined and that Craven District Council does not overlook any risks that may fall on it arising from its part in a joint venture. Even where there is transfer of operational risks, for example under a PFI, there will undoubtedly be some residual risks falling on the authority. It is not possible to outsource the risk management process.

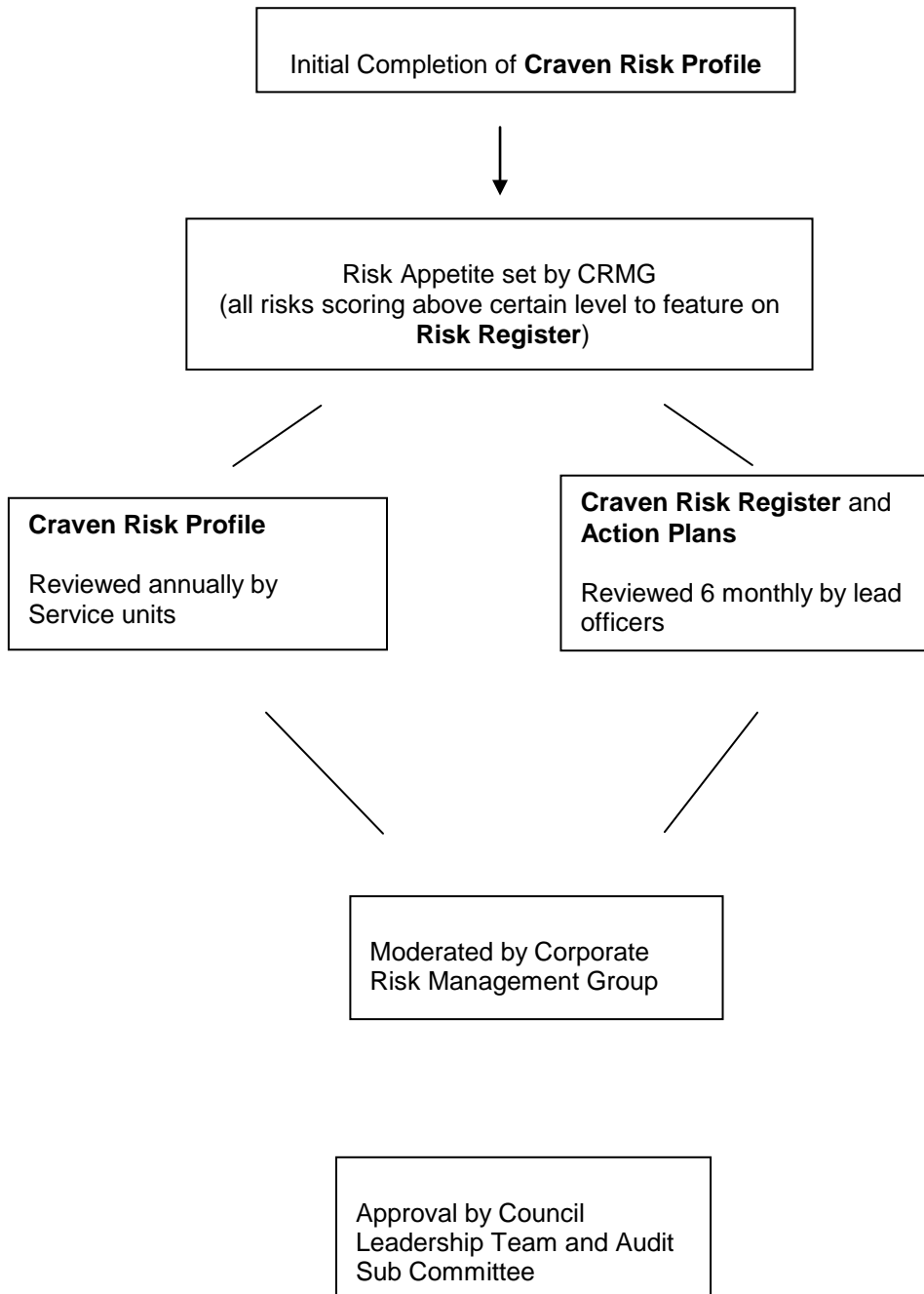
Appendix A

Overview of CRAM Process



Appendix B

Monitoring and Review Cycle



Appendix C: individual Roles and Responsibilities

	Elected Members	Corporate Risk Management Group	Corporate Leadership Team	Corporate Risk Officer	Strategic Managers	Service providers (employees, contractors and of partners involved in service delivery or support)
Framework, Strategy and Process	Agree framework, strategy and process	Providing advice and support to CMT and Members	Determining the framework, strategy and process	Providing advice and support		
Identifying Risk	Ensuring Risk Identification etc considered as part of Service Planning framework	Providing advice and support - moderator re CRAM	Identifying strategic and cross-cutting risks	Providing advice and support	Identify service risks – complete CRAM – link to service planning process & committee reports	Maintaining awareness of risks and feeding these into the formal processes
Analysing Risk	Analysing risk	Providing advice and support	Analysing strategic and cross-cutting risks	Providing advice and support	Analysing service risks per CRAM	Maintain awareness of impact & cost of risks & feed info and data into the formal processes
Profiling Risk	Profiling risk	Providing advice and support	Profiling strategic and cross-cutting risks	Providing advice and support	Profiling service risks	
Prioritising Action based on the Risk 'Appetite'	Determine risk 'appetite' and prioritising risk. Agree priorities determined by officers	Providing advice and support	Determining the risk appetite and prioritising strategic and cross-cutting risks	Providing advice and support	Prioritising action on service risks	
Determining Action on Risk		Providing advice and support	Determine action on strategic and cross-cutting risks. Delegate responsibility for control	Providing advice and support	Determine action on service risks Delegate responsibility for control	

cont	Elected Members	Corporate Risk Management Group	Corporate Leadership Team	Corporate Risk Officer	Strategic Managers	Service providers (employees of the council, of contractors and of partners involved in service delivery or support)
Controlling Risk		Providing advice and support		Providing advice and support		Controlling risk in their jobs
Monitoring and reporting on progress	Reviewing the effectiveness of the risk management process	Co-ordinating the results for reporting to the Corporate Management Team and elected Members	Monitoring progress on managing strategic and cross-cutting risks and reviewing the implementation of the risk management framework, strategy and process Reporting to elected Members	Co-ordinating the results for reporting to the Corporate Management Team and elected Members	Monitoring progress on managing service risks Reporting to the departmental management team	Monitoring progress on managing job related risks Reporting to the Service Manager
Reporting to external stakeholders on risk	Reporting to external stakeholders on the framework, strategy, process and effectiveness		Reporting to external stakeholders on the framework, strategy, process and effectiveness	Preparing draft reports for the Corporate Management Team and elected Members to issue		

Appendix D CRAVEN DISTRICT COUNCIL

Risk Management Corporate Working Group

Terms of Reference

Objective of Risk Management Corporate Working Group

To provide a forum responsible for developing, promoting and monitoring the Council's Risk Management Strategy and to oversee the continuation corporately of a systematic approach to risk management to ensure achievement of the Council's key Council Priorities and service specific objectives.

The Group will meet on a regular basis (minimum every 6 months) and be responsible for the following:

- Reviewing the Council's Risk Management Strategy for approval by Corporate Leadership Team and Members.
- Implementation of the Craven Risk Assessment Model methodology throughout the Council.
- To provide advice and support on the Risk Management Cycle (i.e. identifying, analysing, profiling, prioritising, and controlling risk.
- Co-ordinate the results of monitoring reviews and report on progress to CLT and Members as required and at least 6 monthly.
- To maintain the Corporate Risk Register and maintain an overview of operational risk registers providing help and advice to Service Units where appropriate.
- To act as a forum for Risk Management matters generally seeking to ensure compliance with best practice and sectoral guidance
- To help foster and promote a positive culture towards Risk Management within the Council
- To ensure Risk Management is considered in the corporate service planning processes and project management arrangements
- To undertake training on Risk Management and where appropriate arrange training/briefing sessions for staff and Members

Membership of the Risk Management Working Group

The membership of the Working Group comprises the following officers:

Claire Hudson	-	VFM and Improvement Manager
Carol Lee	-	Procurement, Payments & Risk Manager
Councillor Knowles Fitton -	-	Lead Member for Transforming Council
Bob Metcalfe	-	Corporate Health and Safety Advisor
David Smurthwaite	-	Strategic Manager Planning & Regeneration
Hazel Smith	-	Asset & Property Manager
Joanna Miller	-	Corporate Head Financial Management
Martin Helm	-	Internal Audit

Membership of the Group will be maintained under review and augmented as necessary from time to time in the light of specific projects/initiatives.

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