

# RISK MANAGEMENT STRATEGY

## INTRODUCTION

Most activities involve risks. If those risks do materialise, they may have an adverse effect on what the Council is trying to achieve. Therefore it needs to manage the risks that it faces. This paper sets out how the Council intends to approach the management of risk across the organisation.

All staff have a responsibility to manage risks. However, some staff have particular responsibilities for different categories of risk. Service managers have the major responsibility for operational risks to the services they are responsible for. Project managers and sponsors have the major responsibility for managing the risks on their projects. CMT and Heads of Service have the key role in managing strategic risks in collaboration with the Cabinet.

## THE NATURE OF RISK

*Likelihood* – by definition a risk is something that might or might not happen.

*Impact* – if a risk does happen, there will be an impact. That impact may be significant – for example it might jeopardise the project. Alternatively it might be relatively insignificant.

*Mitigation* – usually there is some mitigating action that can either eliminate a risk or, more typically, reduce the likelihood of it happening or the impact if it does.

*Costs* – taking mitigating action will have associated costs – even if it is only in terms of staff time.

*Benefits* – often the benefits of completing a project or providing a service are a given. However, the position can be more complicated when looking at options to achieve desired policy outcomes. Sometimes the benefits can vary depending on the choice taken.

*Risk Tolerance* – this can be either the maximum absolute level of risk that an organisation will accept, or the level at which the organisation is alerted to the risk.

The risk culture of an organisation is defined by approaches these different aspects.

If a risk materialises, it can have one or more of several different impacts:

- Financial loss
- Reduction or prevention of service provision
- Health and safety
- Objectives not achieved
- Reputational (which can have political impacts)
- Relationships/partnerships adversely impacted

Another way of categorising risk is between strategic, tactical and operational risks. It is not unusual to refer to project risks as a type of operational risk.

*Strategic Risks* – are those which may impact on the ability of the Council to achieve its corporate objectives.

*Tactical Risks* – are those which may impact on those activities that which support the implementation of actions to achieve those corporate objectives.

*Operational Risks* – are those that may impact on the day to day operations of the Council

*Project Risks* – are those that may impact on the ability of an individual project to deliver its objectives. These risks will usually be operational, but may be tactical.

## **RISK CULTURE**

The risk culture of an organisation can be categorised in a number of different ways. Typically the categorisation is based on the risk appetite of the organisation. Risk appetite has been defined as the “amount and type of risk that an organisation is prepared to seek, accept or tolerate.” One categorisation uses the following five approaches to risk:

- a. Avoidance – where risk is terminated. Usually this is only achieved by not undertaking an activity.
- b. Adverse – where the approach is to minimise risk, by taking mitigating action
- c. Cautious – where low levels of risk are accepted without mitigation, but medium and significant risks are mitigated
- d. Receptive – where there is a willingness to take risks where the risk warrants it, but with limits
- e. Unlimited – as d., but without limits

There is a strong relationship between the approach to risk and the level of controls an organisation operates. A risk adverse culture requires a significant level of controls, where as a risk receptive organisation requires far less.

The general view is that the Council is a risk cautious organisation. The need for controls are far more challenged in the risk cautious organisation and account taken of the costs impact of imposing those controls.

Significant risks are reviewed by the Corporate Projects Assurance Group where key projects have their own business case that has risks and mitigations identified, these use the grid method. The group includes the Chief Executive, the Deputy Chief Executive, the Monitoring and s151 officers and the procurement manager. Business cases are reviewed by this group before being progressed further within the organisation. These projects can be where there is major expenditure such as a capital programme scheme or a review of a service delivery such as the new ways of working programme.

It is important to note and accept that no organisation will, or should, have the same approach to all risks at all times. For instance, it would be inappropriate for the Council to behave unlawfully. Therefore, it should have a high level of controls to avoid the risks of acting unlawfully.

It is also true that risks will vary over time, both in terms of their likelihood and impact. Therefore, risks have to be managed – not just recorded for some types of risk.

## **STRATEGIC RISKS**

An organisation needs to ensure that it effectively manages its strategic risks. CMT have identified the Council's strategic risks, which are identified in Appendix 1, and these are reviewed and reported to the Audit Committee on a quarterly basis.

These include the New Town Hall, District Heat Network, LEP Infrastructure – Crawley Growth Programme, Delivering Affordable Housing, the Transformation Programme, Public Health and Council No Overall Control.

CMT has the responsibility for ensuring that there is effective management of strategic risks. The Head of Corporate Finance has a responsibility to satisfy themselves that effective management is in place and reporting to the Audit Committee.

Operational risks are managed at departmental level.

## **EXPECTATIONS OF STAFF**

All staff are expected to consider risks in what they do. For front-line staff, this will often focus on health and safety issues.

Managers are expected to actively consider the risks associated with the operations, projects and services for which they are responsible. It is expected that they will be able to articulate the risks that have been considered and actions taken to mitigate those risks. For significant risks it is also expected that this can be evidenced.

This expectation is not because it is vital to record significant risks. What is vital is to consider the risks and take appropriate action. However, it would be very unlikely that a significant risk would be properly considered and there being no evidence to reflect that consideration.

There is no prescription as to how this can be evidenced. One way is to create a risk matrix, and, for some projects, that would be recommended. However, it is recognised that in the real world discussions take place about risk on an ongoing basis. Therefore, the evidence may already exist in 1:1 or other meeting notes, reports, etc. There is no desire to add to these.

If managers have concerns relating to risk, they are expected to refer to their line manager or Head of Service. Heads of Service are expected to oversee the management of risk within their areas of responsibility. It is likely that they will be project managers or project sponsors for those projects that may have significant risks. In that capacity or in relation to operational matters they need to satisfy themselves that the approach being taken to risk is appropriate and in line with the Council's overall approach.

The Chief Executive and Deputy Chief Executive and Heads of Service share that responsibility. Together they are also responsible for making sure that Cabinet Members are made aware of significant risks within their portfolio responsibilities. This will normally happen within the Cabinet Members' portfolio briefings.

There is also a general responsibility to ensure that whenever Councillors are making decisions, they are aware of any significant risks that may affect that decision. This will typically be done through written reports. The standard report [template](#) includes a section on implications which includes risk.

## **SUPPORT FOR STAFF**

The Audit and Risk Manager has provided risk management training for managers and this is an ongoing exercise. This can be focused on particular services or functions.

The Audit and Risk Manager can also provide advice, as can Heads of Service. Useful external web sites on risk management include the Institute of Risk Management at <http://www.theirm.org>, CIPFA at [www.cipfa.org.uk](http://www.cipfa.org.uk) and the Chartered Institute of Internal Auditors (CIIA) at [www.iiia.org.uk](http://www.iiia.org.uk). Further information can be found on the Audit and Risk Section intranet page. Many local government professions provide advice on risk management related to particular services.

## STRATEGIC RISKS

The following have been identified as strategic risks for the Council:

- Failure to deliver key infrastructure projects as planned, on time and within budget, such as:
  - New Town Hall and District Heat Network
  - LEP Infrastructure – Crawley Growth Programme
  - Delivering an Affordable Housing Programme – supply and financial
  - Transformation Programme – financial, capacity and interdependencies
  - Disaster Recovery and Business Continuity
  - Move to the Cloud
  - Data Breaches
  - Health and safety breaches
  - A balanced budget is not achieved in the medium term resulting in an increased use of reserves, which is not sustainable.
  - Organisational Capacity, Recruitment, Retention and Succession Planning.
  - Challenges and Risks: Workforce capacity, resilience and health and wellbeing.
  - Climate Emergency.
  - National Waste Strategy (incl Food Waste).
  - Local Plan Failure to Adopt.
  - Brexit.
  - Port Health (Gatwick Airport).
  - Covid-19.
  - Council No Overall Control.
  - Water Neutrality

Title	Risk Management Strategy
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