Three Rivers District Council

Risk Management Strategy

July 2024

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1. Purpose Of The Strategy

1.1 Three Rivers District Council is a complex organisation, delivering a range of priorities against a backdrop of financial constraint and the need to demonstrate continuous improvement, efficiency, and customer focus. The management of risk, including the risk bought about by opportunity, is essential to ensure the achievement of our objectives.

1.2 The effective management of risk is a key component to demonstrating good corporate governance.

1.3 Employing a systematic approach to identifying, analysing, and mitigating risks enables the Council to strike a balance between embracing innovation and maintaining prudent risk management.

1.4 This strategy aims to establish a structured framework for the Council's risk management practices. By improving the management of risk, we will be better able to achieve our objectives and ensure best value in the services we provide.

2. Our Vision And Objectives

2.1 The Council's vision is "Three Rivers: A great place to live, work and visit".

2.2 The four objectives in the Framework are outlined below, and we shall work with public, private, and voluntary services to achieve these.

   1) Provide responsive and responsible local leadership.

   2) A great place to do business.

   3) Sustainable Communities.

   4) Net Carbon Zero and Climate Resilient.

2.3 The full Framework can be found here.

3. Background

3.1 Effective risk management is fundamental to sound management practices and informed decision-making.

3.2 Risk management is embedded within both the Council's project management and decision-making frameworks.

3.3 This strategy outlines the Council's ongoing commitment to enhancing its risk management protocols, aligning with its overarching objectives of demonstrating robust corporate governance and prudent corporate management.

3.4 Definitions.

- **Risk** is the effect of uncertainty on objectives. Effect can be positive as well as negative and is the combination of the likelihood of an event occurring and its consequences.

- The process that is used to manage risk is known as **Risk Management**.

- **Risk Appetite** is the amount and type of risk that an organisation is prepared to pursue, retain, or take. This is not just concentrating on the negatives, but also the benefits that taking calculated risks can bring to achieving our priorities.

- The level of risk the Council is prepared to expose itself to is known as the **Risk Tolerance**.

- **Control Measures** are the actions taken to mitigate the likelihood and impact of a risk.

4.   Risk Management Strategy Objectives

4.1   The objectives of the Council's risk management strategy are:

4.1.1   To identify and assess potential risks that could impact the organisation's objectives, projects, or operations.

4.1.2   To evaluate the likelihood and potential impact of identified risks on the organisation, allowing for informed decision-making and prioritisation of resources.

4.1.3   To develop and implement strategies to mitigate, minimise, or eliminate identified risks to an acceptable level, thereby reducing the likelihood of negative consequences.

4.1.4   To recognise and capitalise on opportunities that may arise from effectively managing risks, such as innovation, strategic partnerships, or competitive advantages.

4.1.5   To ensure compliance with legal, regulatory, and industry standards, thereby reducing the organisation's exposure to legal liabilities and reputational risks.

4.1.6   To build organisational resilience by proactively addressing potential threats and vulnerabilities, enabling the organisation to adapt and thrive in a dynamic environment.

4.1.7   To provide decision-makers with accurate and timely information regarding risks, enabling them to make well-informed decisions that align with organisational vision, objectives, and values.

4.1.8   To foster a culture of accountability and transparency within the organisation, where individuals and teams take responsibility for managing risks within their areas of responsibility.

4.2   Good risk management is the key to the Council achieving all its objectives.

4.2.1   Additionally, it is a legal obligation - the Accounts and Audit Regulations 2006 state that the Council must publish an Annual Governance Statement alongside the Annual Statement of Accounts, detailing its risk management arrangements.

4.2.2   The objectives of a Risk Management Strategy are typically achieved through several key actions and processes.

4.2.3   Use various techniques such as risk assessments, brainstorming sessions, historical data analysis, and expert input to identify potential risks across all areas of the organisation's operations, projects, and objectives.

4.2.4   Using Risk Assessments to evaluate the likelihood and potential impact of identified risks, using qualitative or quantitative methods to prioritise risks based on their severity and significance to the organisation.

4.2.5   Develop and implement strategies and controls to reduce, mitigate, or eliminate identified risks to an acceptable level. This may involve implementing internal controls, contingency plans, risk transfer mechanisms (such as insurance), or process improvements.

4.2.6   Continuously monitor and review the effectiveness of risk management activities, ensuring that risks are managed appropriately and in accordance with the organisation's risk tolerance and objectives. Regular reviews allow for adjustments to risk management strategies as the organisation's risk landscape evolves.

4.2.7   Establish clear communication channels to ensure that risk information is

effectively communicated across the organisation. This includes reporting on risk exposures, mitigation efforts, and risk management performance to relevant stakeholders: Joint Leadership Team, Senior Leadership Team, Corporate Management Team, Members, employees, and external partners.

4.2.8   Integrate risk management considerations into decision-making processes at all levels of the organisation. This ensures that risks and opportunities are considered when making strategic, operational, and project-related decisions, helping to maximise value and minimise potential negative impacts.

4.2.9   Provide training and awareness programs to employees at all levels of the organisation to build a risk-aware culture and ensure that individuals understand their roles and responsibilities in managing risks effectively.

4.2.10 Adopt a culture of continuous improvement within the organisation by regularly reviewing and refining risk management practices and processes based on lessons learned, best practices, and changing internal and external factors.

5.   Key Features Of The Risk Management Framework

5.1   The risk management process entails identifying, evaluating, and continuously   managing risks to reduce them to an acceptable level, whenever feasible. However, not all risks can be mitigated adequately. In such cases, the focus shifts to ensuring robust controls and conducting regular monitoring. It is essential to ensure that control measures are proportionate to the risks they aim to mitigate.

5.2   Heads of Service and Project Leads have the responsibility to continually identify risks, maintain, review Operational Service, and Project Risk Registers.

5.3   Risk consideration is also integral to reports submitted to Committees. Officers with delegated decision-making authority must ensure thorough risk assessment when exercising this authority.

5.4   The Council maintains a Strategic Risk Register, which captures high-level strategic risks. A strategic risk is defined as one that could significantly hinder the achievement of one or more objectives outlined in the Corporate Framework.

5.5   The risk management cycle involves several key stages, as outlined below. Detailed procedures for scoring and recording risks are provided in Appendix A and Appendix B.

5.5.1   Stage 1: **Identify the Risks**

5.5.1.1 Outlining risks faced by the organisation in pursuit of its objectives and priorities.

5.5.1.2 Maintaining a Strategic Risk Register, cataloguing major strategic risks to the Council.

5.5.1.3 Maintaining a Financial and Budgetary Risk Register, noting significant financial risks to the Council.

5.5.1.4 Managing departmental Operational Risk Registers, listing service-specific risks for each department.

5.5.1.5 Recording project risks in Project Risk Registers.

5.5.1.6 Incorporating risks impacting goal attainment in the risk management segment of all committee reports.

5.5.2   Stage 2: **Assess and Score the Risks**

5.5.2.1 After identifying potential risk areas, the impact and likelihood are assessed to generate an **inherent** risk score, reflecting the risk without any mitigating measures. See Appendix A for the impact and likelihood scoring matrix.

5.5.2.2 Having evaluated the risk without controls in place, list the key controls / actions that will reduce the risk of non-achievement. Re-evaluate using the risk matrix to arrive at the **residual** risk score.

5.5.2.3 This whole risk process records the controls that are required to be put in place to reduce the likelihood of the risk occurring and the impact upon Council objectives and will include such actions as:

Tolerate	The Council may tolerate a risk where: • The risk is effectively mitigated by internal controls, even if it is high. • The risk cannot be mitigated cost effectively. • The risk allows for greater benefits. These risks must be monitored, and contingency plans should be put in place in case the risks occur.
Treat	The aim of addressing a risk is to proceed with the associated activity while reducing the risk to an acceptable level. This is achieved by implementing control measures, either through containment actions (which decrease the likelihood or severity of a risk and are applied proactively) or contingency actions (implemented after the risk occurs to minimize its impact, requiring prior planning).
Terminate	Doing things differently and therefore removing the risk. This is particularly important in terms of project risk. This may be difficult to achieve with the Council's strategic risks.
Transfer	Transferring some aspects of the risk to a third party, for example by insurance or paying a third party to take the risk.

5.5.2.4 Positive risks are called **opportunities** and have the following possible actions.

Enhance	Take actions to increase the likelihood and / or impact of the opportunity
Exploit	Take actions to ensure the opportunity will happen and the impact will be realised
Share	With a partner, supplier, etc and in so doing, share the use of resources, technology, etc.
Reject	Take no action

5.5.3 Stage 3: **Recording the Risks**

Each risk needs to be allocated an accountable risk owner to take responsibility for managing the risk, ensuring controls remain effective and

actions are taken. The Risk Register Template is at Appendix B.

5.5.4 Stage 4: **Monitoring and reporting**

5.5.4.1 Based on the risk score, risks are categorised as red, amber, or green. Risks scoring nine or above after mitigation must be actively monitored in the relevant risk register. Risks scoring between 12 and 16 should be brought to the Corporate Management Team for quarterly monitoring.

5.5.4.2 Heads of Service must review their operational risk registers quarterly, while project managers should review project risk registers at every project board meeting.

5.5.4.3 The Strategic Risk Register will be annually reported to the Policy and Resources Committee, and the Financial and Budgetary Risk Register will be reported to the Audit Committee on a quarterly basis.

5.5.4.4 Operational Risk Registers, included in each department's Service Plans, are reported to the relevant Service Committee annually.

6. Risk Appetite And Tolerance

6.1 Risk management goes beyond avoiding risks entirely. The Council acknowledges that embracing calculated, responsible, and informed risks is essential for fostering innovation and maximising value for money. Therefore, the risk management process is centred around managing risks to maintain an acceptable level.

6.2 Every decision made by the Council carries inherent risks, and it is crucial to acknowledge that articulating a level of risk tolerance is necessary to leverage positive benefits while mitigating negative consequences for the Council.

6.3 Risk appetites range from being risk-averse to risk-hungry. While a risk-averse approach actively avoids risks, it may also hinder innovation. On the other hand, a risk-hungry stance embraces innovative approaches, potentially leading to greater long-term benefits despite higher inherent risks.

6.4 Risk appetite varies depending on the nature of risks and services involved. It is not a uniform concept that can be applied equally to all situations.

6.5 The matrix provided serves as a tool for managers during project evaluation and decision-making processes, aiding in clarifying the levels of risk the Council is willing to take, accept, or tolerate.

6.6 Establishing a clear risk appetite offers several benefits:

6.6.1 It highlights instances where risks might be overly managed, or opportunities underutilised.

6.6.2 Discrepancies between risk appetite and existing control levels can be addressed by refocusing controls on priority areas.

6.6.3 The Council communicates its risk tolerance levels transparently after implementing control and risk mitigation measures.

6.6.4 Decision-making becomes more focused and aligned with organisational objectives.

The table below sets out the Council's current risk appetite with residual risk scores

IMPACT	LIKELIHOOD			
	1 Remote (≤ 5%)	2 Unlikely (6 – 20%)	3 Likely (21 – 79%)	4 Very Likely (≥ 80%)
4 (Catastrophic)	4 Low	8 High	12 Very High	16 Very High
3 (Critical)	3 Low	6 Medium	9 High	12 Very High
2 (Significant)	2 Low	4 Low	6 Medium	8 High
1 (Marginal)	1 Low	2 Low	3 Low	4 Low

6.6.5   The objective of risk management is to minimise risks to a level just below the risk appetite line (depicted as a thick black line above). This entails implementing sufficient controls to reduce the risk to an acceptable level, finding a balance between excessive or insufficient control measures.

6.6.6   In some circumstances a risk that has a residual score above the thick black line may still be acceptable if sufficient and appropriate mitigation is in place.

Risk Appetite Matrix

	1 Averse	2 Cautious	3 Open	4 Hungry
	Avoidance of risk and uncertainty is a key driver in decision making	There is a general preference for safe options that have a low degree of inherent risk and may only have limited potential for reward	All potential options are considered, and the decision will be the course of action that is likely to result in successful delivery and an acceptable level of reward – which will include value for money	Eager to innovate and explore novel options that offer a potentially higher level of reward, but with a higher level of inherent risk
Risk category	**Examples of behaviours when taking decisions**			
Reputation	Minimal tolerance of any activity that could lead to press scrutiny of the Council	Tolerance is limited to decisions where there is little chance of significant reputational repercussions for the Council should there be a failure	Appetite to take decisions where there is a potential to expose the Council to scrutiny but only if appropriate measures have been taken to minimise exposure	Appetite to take decisions that are likely to bring scrutiny of the Council, but the potential benefits outweigh the risks
Operational & Policy Delivery	Defensive approach which aims to defend or protect rather than create or innovate. Tight management controls and oversight with limited devolved decision. General avoidance of system or technological developments	Tendency to stick to the status quo with innovation avoided unless necessary. Decision making with senior management. Systems / technology developments are limited to protection of current operations.	Innovation is supported, with demonstrable improvements in management control. Systems and technological developments are considered to enable operational delivery. Responsibility for non-critical decisions may be devolved.	Innovation is pursued – there is a desire to challenge current working practices. Innovative technologies are viewed as a means of improving operational delivery. Management is by trust rather than tight control and authority is devolved.

7.   Types Of Risk

7.1   Categories of risk identified by the Council are as follows:

Impact Classification	Service disruption	Financial loss	Reputation	Failure to meet legal obligation	People
4 Catastrophic Impact	Total loss of service	> £500k	Adverse national media coverage / many complaints	Litigation, claim or fine > £500k	Fatality of one or more clients or staff
3 Critical Impact	Major service disruption	£100k - £500k	Adverse local media coverage / several complaints	Litigation, claim or fine £100k - £500k	Severe injury, permanent disablement of one or more clients or staff
2 Significant Impact	Service disruption	£25k - £100k	Local public interest / some complaints	Litigation, claim or fine £25k - £100k	Major injury to an individual
1 Marginal Impact	Minor service disruption	< £25k	Isolated complaints	Litigation, claim or fine < £25k	Minor injury to less than 5 people

8.   Identification Of Risks Within Committee Reports

8.1   Decisions should be recorded by the author of the report in the section "Potential Risks" as follows:

Nature of Risk	Consequence	Suggested Control Measures	Response (treat, tolerate, terminate, transfer)	Risk Rating (combination of severity and likelihood)

8.2   If any risk, even after implementing control measures, scores eight or higher, provide a detailed explanation in the report regarding why you recommend that the risk should be accepted, or detail plans to transfer the risk.

8.3   Outline the procedure for continuous monitoring of all listed risks and specify the circumstances under which termination may be considered.

8.4   For risks scoring eight or more after implementing controls, ensure they are documented in the relevant risk register and flag them for review by the Corporate Management Team for potential inclusion in the strategic risk register.

9. Roles And Responsibilities

The roles and responsibilities of all those involved in the risk management process can be summarised as follows:	Role
Chief Executive and Directors / Associate Directors	• Leads on the wider corporate governance agenda, of which risk management is a part. • Signs off the annual Governance and Assurance Statements. • Ensures that risks are fully considered in all strategic decision making and that the Risk Management Strategy helps the Council to achieve its objectives and protection of its assets.
Data Protection & Resilience Manager	• Lead officer for risk management. • Owner of risk management strategy. • Chairs Officer Risk Management Group.
Joint Leadership Team (JLT)	• Ensures the Council manages risk effectively through the development of a comprehensive Risk Management Strategy. • Monitors progress against strategic and cross-cutting risk action plans. • Attends risk management training as appropriate. • Lead Member for Resources acts as Risk Champion.
Corporate Management Team (CMT)	• Ensure the Council manages risk effectively in each service within the agreed corporate strategy. • Participate in relevant risk management training sessions. • Promote the principles of sound risk management throughout their Service. • Report potential strategic risks to the Corporate Management Team, and oversee all risks associated with their Service. • Ensure comprehensive consideration of risks in the decision-making process. • Conduct regular reviews of risks, with a minimum frequency of quarterly assessments. • Appropriately manage risks in any projects and partnerships they oversee or participate in. • Ensure that reports, policies, or procedures within their oversight incorporate relevant connections to risk management.
Officer Risk Management Group (RMG)	The purpose of the group is to ensure the Risk Management Strategy is seen as a key element of the Councils strategic and service planning process, with particular focus on • Strategic, operational and project risk registers • Resilience plans • Monitoring and reporting procedures. • Review and updating procedures. • Specification of standards • Provision of appropriate training • Protection of core information systems and infrastructure • Risk management within partnerships.

Audit Committee	• Considers and reviews the Council's risk management strategy. • Conducts quarterly assessments of the Council's budgetary and financial risks. • Conducts annual assessments of the Council's operational risk registers. • Participates in relevant risk management training sessions. • Oversees the efficiency of the authority's risk management protocols. • Seeks confirmation that steps are being taken regarding risk-related matters highlighted by auditors and inspectors.
All members	• Responsibility to understand the strategic risks the authority faces, to oversee the effective management of these risks by officers. • Ensure that all identified risks have been considered in decision-making. • Seek clarification from report authors and/or lead Members if risks are not specifically shown in report.
Insurance Officer	• Oversee the day-to-day administration of the insurance function, including claims management. • Track and analyse claims data, providing relevant insights to Heads of Service and Managers to proactively manage risk and reduce the frequency of claims.
Project managers and managers of Partnerships	• Use the project risk register template to identify and manage their risks. • Report their risks to the appropriate partnership/project board on a regular basis. • Ensure that their risks are included in the appropriate risk register.
Employees	• Manage risk effectively in their job. • Attend risk management training as appropriate.

Appendix A

SCORING RISK

The impact and likelihood of any risk is evaluated on a scale of 1 – 4, with the product of the two representing the risk score.

Low 4	High 8	Very High 12	Very High 16
Low 3	Medium 6	High 9	Very High 12
Low 2	Low 4	Medium 6	High 8
Low 1	Low 2	Low 3	Low 4

LIKELIHOOD Very Likely ----------> Remove

IMPACT
Low --> Unacceptable

The interpretation of the scores is as follows:

Likelihood	Classification
4	Very Likely (≥80%)
3	Likely (21-79%)
2	Unlikely (6-20%)
1	Remote (≤5%)

Impact Classification	Service disruption	Financial loss	Reputation	Failure to meet legal obligation	People
4 Catastrophic Impact	Total loss of service	> £500k	Adverse national media coverage / many complaints	Litigation, claim or fine > £500k	Fatality of one or more clients or staff
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Overall Risk Score

The overall risk score can be interpreted as follows:

Risk Score	Description
12 – 16	Very High – risk must be reduced through planned actions
8 – 9	High risk – take further action to manage the risk and reduce its impact and/or likelihood
6	Medium risk – consider further action
1 – 4	Low risk – monitor to ensure it remains low

RISK REGISTER

Date risk added to register	Risk ref	Risk owner	Category	Risk description	Comment	Likelihood score (inherent)	Impact score (inherent)	Inherent risk score	Risk controls	Risk control owners	Likelihood score (residual)	Impact score (residual)	Residual risk score	Risk direction	Action plan	Action plan owners	Action plan completion dates	Comments on last risk review
dd/mm/yy	Unique reference number	Who is responsible for the risk?	Strategic, Operational or Financial	What is the risk?	Any other information about the risk, e.g. cause/trigger, consequences, etc	What is the likelihood score with no controls in place? 1=≤5% 2=6-20% 3=21-79% 4=≥80%	What is the impact score with no controls in place? 1=marginal 2=significant 3=critical 4=catastrophic	Likelihood X Impact	List existing controls	Who is responsible for the current controls	What is the likelihood score with the controls in place? 1=≤5% 2=6-20% 3=21-79% 4=≥80%	What is the impact score with no controls in place? 1=marginal 2=significant 3=critical 4=catastrophic	Likelihood X Impact		What further controls can be used to reduce the risk further or maintain the current residual score?	Who is responsible for implementing and monitoring the action plan?	When will items on the action plan be completed?	What has changed since the risk was last reviewed?

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