



**WATFORD  
BOROUGH  
COUNCIL**

# **RISK MANAGEMENT STRATEGY**

Updated February 2021

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# Risk Management Strategy

## 1.0 PURPOSE OF THE STRATEGY

- 1.1 Watford Borough 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 opportunity risk, 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 A planned approach to the identification, analysis and mitigation of risk helps the council to plan and achieve a balance between being bold and progressive on the one hand and overly risk averse on the other.
- 1.4 The purpose of this strategy is to provide a framework for the effective management of risk within the council. By improving the management of risk, we will be better able to achieve our objectives and ensure best value in the services we provide.

## 2.0 OUR CORPORATE THEMES

- 2.1 A council that serves our residents
- 2.2 A thriving, diverse and creative town
- 2.3 A healthy and happy town

## 3.0 BACKGROUND

- 3.1 Risk management is essentially about good management practice and effective decision-making.
- 3.2 Risk management is embedded within both the council's project management and decision making processes.
- 3.3 This strategy shows how the council will continue to develop its risk management practices as part of its overall aim to demonstrate effective corporate governance and sound corporate management.

## 3.4 DEFINITIONS

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

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

**Risk Appetite** 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. Our risk appetite sets our attitude to risk taking.

**Risk Tolerance** The level of risk the council is prepared to expose itself to.

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

#### 4.0 **RISK MANAGEMENT STRATEGY OBJECTIVES**

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

- Embed risk management into the culture of the council.
- Maintain a robust and responsive risk management process as part of its governance arrangements. Anticipate and respond to changing social, environmental, economic and legislative requirements.
- Prevent injury, damage and losses and reduce the cost of risk.
- Raise awareness of and seek to continuously improve the capacity and capability of staff and partner organisations to manage risk.
- Encourage an open dialogue about risks that may affect outcomes and objectives.
- Encourage responsible risk taking in response to opportunities and challenges, based around a clearly articulated statement of risk appetite.

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

4.3 It is also a legislative requirement. The Accounts and Audit Regulations 2006 require the council to publish an Annual Governance Statement with the Annual Accounts. This includes its arrangements for the management of risk.

4.4 The objectives of the Risk Management Strategy will be achieved by:

- Establishing clear roles, responsibilities and reporting lines within the council for risk management.
- Enabling managers to demonstrate that risk assessment and management is taking place.
- Providing opportunities for shared learning on risk management across the council.
- Providing a means for identifying and prioritising risk areas.
- Reinforcing the importance of effective risk management as part of the everyday work of employees.
- Incorporating risk management considerations into reviews.

- Incorporating risk management into the council’s corporate, financial and service planning processes.
- Reinforcing the importance of risk management as part of the council’s project management, performance management and procurement processes.
- Monitoring arrangements on an ongoing basis.

## 5.0 KEY FEATURES OF THE RISK MANAGEMENT FRAMEWORK

- 5.1 The risk management process requires the identification, evaluation and ongoing management of risks with the aim of reducing them to an acceptable level where possible. Not all risks can be mitigated to an acceptable level, in which case the aim is to ensure that controls are as robust as possible and that regular monitoring takes place. It is also important to ensure any control measures are proportionate to the risk they are intending to mitigate.
- 5.2 Service and project managers are responsible for identifying risk on an ongoing basis and for maintaining and reviewing Service and Project Risk Registers. The requirement to consider risk is also included in reports to committees, portfolio holders and officers taking delegated decisions.
- 5.3 The council has a corporate risk register that reflects the high level strategic and operational risks that affect the council as a whole.
- 5.4 The cycle of risk management involves a number of key stages which are outlined below. The scoring and recording of risk is shown in more detail in Appendix A.

### 5.5 Stage 1: Identify the Risks

Identification of the risks or barriers to achieving the objectives through:

- Specifying the strategic risks to which the authority is exposed in meeting its corporate objectives.
- Creating and maintaining a corporate risk register, including a list of key strategic and operational risks to the organisation.
- Identifying and recording operational risks in service plans.
- Identifying and recording project risks within project risk registers.
- Identifying and recording partnership risks within partnership risk registers.
- Including risks affecting the achievement of objectives in the risk management section of all committee reports.

### 5.6 Stage 2: Assess and Score the Risks

#### Original Score

Having identified areas of potential risk, these are then analysed with the use of a risk matrix to give an assessment of impact and likelihood and an overall score for the risk without any mitigating controls, i.e. the **inherent risk** score.

Very Likely ----- ▼ Remote	<b>Likelihood</b>	Low 4	High 8	Very High 12	Unacceptable 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	
	Impact Low -----▶ Unacceptable				

## Current Score

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 **'mitigated' risk** score.

This whole risk process records the controls that are required to be put in place, including time scales, in order to reduce the likelihood of the risk occurring and the impact upon council objectives and will include such actions as:

<b>Tolerate</b>	<p>The council may tolerate a risk where:</p> <ul style="list-style-type: none"> <li>• The risk is effectively mitigated by internal controls, even if it is high</li> <li>• The risk cannot be mitigated cost effectively</li> <li>• The risk opens up greater benefits.</li> </ul> <p>These risks must be monitored and contingency plans should be put in place in case the risks occur.</p>
<b>Treat</b>	<p>The purpose of treating a risk is to continue with the activity which gives rise to the risk, but to bring the risk to an acceptable level by taking action to control it through <b>either</b> containment actions (these lessen the likelihood or consequence of a risk and are applied before the risk materialises) <b>or</b>, contingency actions (these are put into action after the risk has happened, thus reducing the impact. These must be pre-planned).</p>
<b>Terminate</b>	<p>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.</p>
<b>Transfer</b>	<p>Transferring some aspects of the risk to a third party, for example by insurance or paying a third party to take the risk.</p>

## For positive risks

The suggested actions for opportunities, in contrast to the ones for negative risks, are:

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

**5.7 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.

**5.8 Stage 4: Monitoring and reporting**

Depending on the risk score, a risk is ascribed the status of red, amber or green. Risks scoring 9 or above after mitigation must be recorded and actively monitored either in the project risk register, or service register if related to a service specific operational risk and included in the corporate risk register. Leadership Board reviews the Corporate Risk Register quarterly. All service departmental management teams should review their service risk registers at least quarterly. All project managers should review their project risk registers at every project board meeting. The EPMO is responsible for oversight of service and project risk registers

The corporate risk register will be reported at least annually to [Audit Committee](#).

A Portfolio Holder will take specific responsibility to act as risk champion. The template for recording corporate, service and project risks is on the corporate drive (X: Drive).

**6.0 RISK APPETITE AND TOLERANCE**

6.1 Risk management is not entirely focussed on risk avoidance. The Council recognises that calculated, responsible and informed risk is necessary if it is to innovate and ensure value for money. The risk management process therefore concentrates on the management of an acceptable level of risk.

6.2 Risk appetite is defined within BS31100 as 'the amount of risk that an organisation is prepared to seek, accept or tolerate'.

6.3 Risk is inherent in every decision we make and we need to recognise that in taking such decisions we need to have articulated a level of risk that we are willing to take in order to reap positive benefits, whilst not over-exposing the council to negative consequences.

6.4 Risk appetites exist on a scale of risk averse at one end, to risk hungry at the other. In the former position, risk is actively avoided and this may be appropriate for activities where safe options are required, but equally it may stifle innovation. In the latter position, the organisation will adopt more innovative approaches, which may offer greater long term benefits, but which have a higher level of inherent risk to them.



- 6.5 Risk appetite is not a 'one size fits all' statement. The Council's risk appetite will vary between types of risk and also between services.
- 6.6 The matrix below is designed as a tool for managers to use as part of their project evaluation and decision-making processes so that they may be clearer as to the levels of risk the council is prepared to take, accept or tolerate.
- 6.7 Having a clear risk appetite process has several benefits:
- It can be seen where a risk might be being over managed or an opportunity under exploited.
  - Differences between risk appetite and the level of control in place can be addressed by refocussing control in priority areas.
  - The council is clear in its communications about the levels of risk it is prepared to retain after having applied control and risk mitigation actions.
  - Decisions can be more focussed.

The table below sets out the council's risk appetite.

<b>Likelihood</b>	<b>4</b> <b>Very likely</b> <b>(&gt;90%)</b>	<b>4</b>	<b>8</b>	<b>12</b>	<b>16</b>
	<b>3</b> <b>Likely</b> <b>(21-89%)</b>	<b>3</b>	<b>6</b>	<b>9</b>	<b>12</b>
	<b>2</b> <b>Unlikely</b> <b>(6-20%)</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>8</b>
	<b>1</b> <b>Remote</b> <b>(&lt;5%)</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
		<b>1</b> <b>Low</b>	<b>2</b> <b>Medium</b>	<b>3</b> <b>High</b>	<b>4</b> <b>Unacceptable</b>
	<b>Impact</b>				

The aim of risk management should be to bring risks as close beneath the risk appetite line (shown as a thick black line above) as possible, in other words

applying enough control to manage the risk down to an acceptable level, without either over or under controlling it.

## Risk Appetite Matrix

	<b>1 Averse</b>	<b>2 Cautious</b>	<b>3 Open</b>	<b>4 Hungry</b>
	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
<b>Risk category</b>	<b>Examples of behaviours when taking decisions</b>			
<b>Reputation</b>	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
<b>Operational &amp; Policy Delivery</b>	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 generally 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. New technologies are viewed as a means of improving operational delivery. Management is by trust rather than tight control and authority is devolved.

7.0 **TYPES OF RISK**

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

- Reputation
- Operational and Policy Delivery
- Financial
- Legal and Regulatory Compliance

8.0 **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 <i>(treat, tolerate, terminate, transfer)</i>	Risk Rating <i>(combination of severity and likelihood)</i>

- If any of the risks after control measures have been put in place score 9, 12 or 16, explain in the body of the report why you are recommending to the decision maker that the risk should be tolerated, or how it is intended to transfer the risk.
- For all risks, explain what you will be doing to keep the risks under review and at what point you might be suggesting termination.
- For risks with scores of 9 or more after control measures are in place, ensure they are either recorded in your service risk register or project risk register and flag them for consideration by leadership board to be placed in the corporate risk register.

9.0 **ROLES AND RESPONSIBILITIES**

9.1 The roles and responsibilities of all those involved in the risk management process can be summarised as follows:

	Role
<b>Managing Director / Elected Mayor</b>	<ul style="list-style-type: none"> <li>• Leads on the wider corporate governance agenda, of which risk management is a part.</li> <li>• Signs off the annual Governance and Assurance Statements.</li> <li>• 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.</li> </ul>

<b>Group Head of Democracy &amp; Governance</b>	<ul style="list-style-type: none"> <li>• Lead officer for risk management.</li> <li>• Owner of risk management strategy.</li> </ul>
<b>Cabinet / Senior Leadership Board</b>	<ul style="list-style-type: none"> <li>• Ensures the council manages risk effectively through the development of a comprehensive risk management strategy.</li> <li>• Monitors progress against strategic and cross-cutting risk action plans.</li> <li>• Attends risk management training as appropriate.</li> <li>• Portfolio Holder acts as Risk Champion.</li> </ul>
<b>EPMO</b>	<ul style="list-style-type: none"> <li>• Monitors service and project risk registers on a quarterly basis and makes recommendation to Leadership Board for any risks to be elevated to the Corporate Risk Register</li> </ul>
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>• Considers and approves the council's corporate risk management strategy.</li> <li>• Reviews annually the council's corporate risk register.</li> <li>• Attends risk management training as appropriate.</li> <li>• Collective responsibility to understand the strategic risks that the authority faces and to oversee the effective management of these risks by officers.</li> <li>• Monitors the effectiveness of the authority's risk management arrangements.</li> <li>• Seeks assurances that action is being taken on risk related issues identified by auditors and inspectors.</li> <li>• Be satisfied that the authority's Annual Governance Statement including the assurance statement properly reflect the risk environment and any actions required to improve it.</li> </ul>
<b>All members</b>	<ul style="list-style-type: none"> <li>• Responsibility to understand the strategic risks the authority faces, to oversee the effective management of these risks by officers</li> <li>• Ensure that all identified risks have been considered in decision-making</li> <li>• Seek clarification from Portfolio Holders if risks are not specifically shown in report</li> <li>• Use the corporate risk register to help select items for scrutiny reviews.</li> </ul>
<b>Service Managers/Project Leads</b>	<ul style="list-style-type: none"> <li>• Ensure the council manages risk effectively in each service within the agreed corporate strategy.</li> <li>• Attend risk management training as appropriate.</li> <li>• Cascade the principles of good risk management to their sections, report potential strategic risks to their management team and manage all the risks associated with their service.</li> <li>• Ensure that risks are fully considered in the decision making process.</li> </ul>

	<ul style="list-style-type: none"> <li>• Ensure that risks are reviewed on a regular basis but quarterly as a minimum.</li> <li>• Ensure that risks are managed appropriately in any projects and partnerships that they are responsible for or are involved with.</li> <li>• Ensure that any policies or procedures for which they are responsible make the appropriate linkages to risk management.</li> </ul>
<b>Insurance Officer</b>	<ul style="list-style-type: none"> <li>• Day to day management of the insurance function, including administration of claims.</li> <li>• Monitors claims experience and provides relevant data to service managers in order to reduce risk and ensure that claims experience levels are minimised.</li> </ul>
<b>Project managers and managers of Partnerships</b>	<ul style="list-style-type: none"> <li>• Use the project risk register template to identify and manage their risks.</li> <li>• Report their risks to the appropriate partnership/project board on a regular basis.</li> <li>• Ensure that their risks are included in the appropriate risk register.</li> </ul>
<b>Employees and volunteers</b>	<ul style="list-style-type: none"> <li>• Manage risk effectively in their job.</li> <li>• Attend risk management training as appropriate.</li> </ul>

## 10.0 BUSINESS CONTINUITY PLANNING

10.1 Business Continuity Planning is integral to risk management and is a process to ensure continuity of service delivery following an unplanned disruption to normal working. To ensure that the organisation is prepared, a Business Continuity Plan (BCP) is prepared.

10.2 A BCP will include the following elements:

- Identification of business critical systems, e.g. payment of benefits, housing the homeless.
- Details of alternative arrangements for short-term, medium and long-term continuity of service.
- Details of key contacts.
- Details of alternative accommodation and offsite ICT arrangements.

10.3 Information on Business Continuity Planning is contained on the intranet under the risk management section.

10.4 Business Continuity Plans should be tested periodically and a simulated exercise to test awareness should be held annually.

## 11.0 FURTHER ADVICE AND GUIDANCE

11.1 Further advice on risk management can be obtained from:

- Any member of Leadership Board.
- By attendance at risk management training sessions (contact Learning and Development to express your interest).
- By reference to the risk management e-learning training module on the intranet under “management competencies”.

**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.

Likelihood Very Likely ----- Remote	Low 4	High 8	Very High 12	Unacceptable 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
	Impact Low -----> Unacceptable			

The interpretation of the scores is as follows:

**Impact: Rated 1 – 4**

1. Low / Negligible Impact e.g.
  - Minor service disruption/short term inconvenience
  - Financial loss under £25,000
  - Isolated service user complaints
  - Failure to achieve full objective is of minor consequence
  
2. Medium Impact e.g.
  - Service disruption
  - Minimal risk of injury to providers/customers
  - Financial loss between £25,000 and £100,000
  - Adverse local media coverage/lots of service user complaints
  - Failure to achieve full objective is significant



2. High Impact e.g.

- Significant service disruption
- Major injury or ill health epidemic
- Financial loss in excess of £100,000
- Adverse national media coverage
- Failure to achieve objective is unacceptable

3. Extreme / Catastrophic Impact e.g.

- Total service loss for a significant period
- Fatality to customers/employees or any other person
- Financial loss in excess of £500,000
- Adverse local media coverage/lots of service user complaints
- Objective has unanticipated catastrophic consequences

**Likelihood: Rated 1 – 4**

1. Unlikely/rarely happens
2. Moderate chance/could happen
3. Likely
4. Almost certain

**Overall Risk Score**

The overall risk score can be interpreted as follows:

Overall Risk Score	
16	<b>Unacceptable</b> – if risk cannot be mitigated, consider stopping project
12	<b>Very High</b> – risk must be reduced through planned actions
8 – 9	<b>High risk</b> – take further action to manage the risk and reduce its impact and likelihood
6	<b>Medium risk</b> – consider further action
1 – 4	<b>Low risk</b> – monitor to ensure it remains low