# Essex County Council

# Risk Management Strategy

March 2022

Version 2.2

Essex County Council

# 1. Introduction

Essex County Council has adopted the Institute of Risk Management's definition of a risk '**A risk is something uncertain - it might happen or it might not. A risk matters because if it happens, it will have an impact on objectives'**

To assist the organisation in managing its risks, the Council has a Risk team who provide support, guidance, training and co-ordination of risk management. Risk management is defined as: '**Co-ordinated activities to direct and control an organisation with regard to risk**.' *(ISO31000:2018)*

The purpose of this strategy is to explain our approach and outline the principles of risk management, identify the people responsible for it, and promote a culture of risk management throughout the Council. This document is one part of our risk management framework.

# 2. Statement of Commitment



*Gavin Jones*

*Chief Executive*

Risk management plays an important role at Essex County Council as it enhances the effectiveness and efficiency of our decision making. The Risk Management Strategy complements and supports the strategic aims and priorities that are set out in Everyone's Essex.

Risk is inherent in all that we do as a Council in delivery of our high-quality services. Risk management helps us to be prepared; it removes the element of surprise when it comes to barriers to achieving our objectives and meeting our goals, and it helps us to identify and maximise opportunities.

The Leader of the Council, Corporate Leadership Team, and I are committed to risk management and are supportive of its activities within the organisation. The Council's employees all have a role to play in the management of risk and employees are encouraged to take the opportunity to further their learning via the training offered by the Risk team.

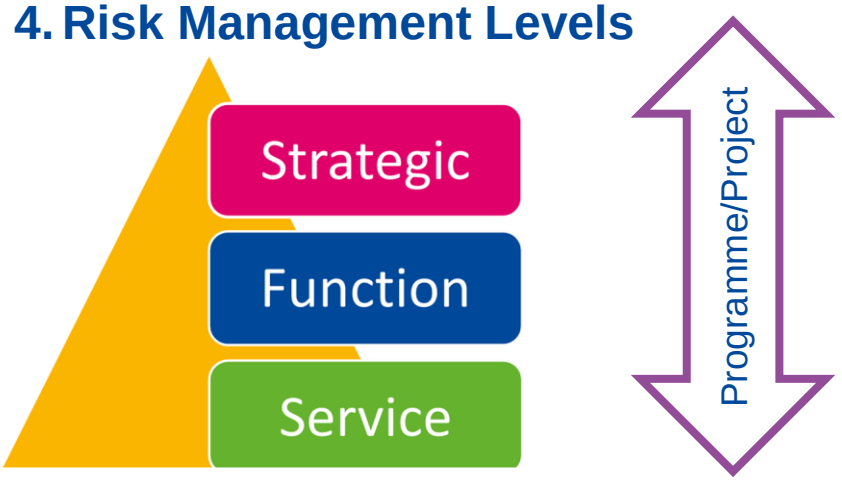
# 3. Risk Appetite

Risk appetite is defined as '**the amount and type of risk that an organisation is willing to take in order to meet their strategic objectives.'** *(Institute of Risk Management, IRM).*

The Council's Organisation Strategy seeks change in how we operate, with greater innovation, more risk-taking and a focus on being more entrepreneurial.

The Council provides a wide range of services and it is therefore impossible to have a single 'risk appetite'. We consider our risk appetite for each risk and apply a 'target rating' which is realistic and achievable whilst being tolerable for that remaining risk. The 'risk assessment and risk matrix' section within the Risk Management Toolkit has further guidance on when immediate action should be taken.

## 4. Risk Management Levels




Programme or Project risks can exist at any level and within any service and should be managed using the same risk management process as other risks.

Individual members of the Corporate Leadership Team (CLT) are responsible for the Council's strategic risks and these are reviewed and updated regularly in consultation with the Risk team. In exceptional circumstances, issues are also recorded on the strategic risk register. Function level risks are owned by Executive Directors, Directors or Heads of Service and are discussed and reviewed at Function Leadership Team (FLT) meetings. Most of our risks are service level risks which are owned by an appropriate person, usually a manager, with specialist knowledge of the subject.

## 5. Risk Matrix

A risk matrix is a key tool used to analyse the probability and impact of a risk. The Council uses a 4X4 risk matrix, with the score determined by multiplying the 'probability' score with the 'impact' score. We have adopted this approach as it encourages a decision to be made about whether a probability or impact is high or low, rather than medium.

We have four colours to correlate with the four categories of low, medium, high and very high. Scoring risks allows them to be compared with other risks and enables risk owners to prioritise and allocate more resources to those risks posing the greatest threat to the organisation's objectives.

Risk Matrix (Threats)

| | | | Impact/Consequences | | | |
|---|---|---|---|---|---|---|
| | | | Minor | Moderate | Major | Critical |
| | | | 1 | 2 | 3 | 4 |
| Probability | 4 | Almost Certain | Medium (4) | High (8) | Very High (12) | Very High (16) |
| | 3 | Likely | Low (3) | Medium (6) | High (9) | Very High (12) |
| | 2 | Possible | Low (2) | Medium (4) | Medium (6) | High (8) |
| | 1 | Unlikely | Low (1) | Low (2) | Low (3) | Medium (4) |

Risk can also have a positive effect on objectives - these are opportunities. The opportunity risk matrix can be found in the toolkit. When the Council are exploring new ideas and ventures, any resulting risks from the opportunity must still be identified and managed.

## 6. ECC- Our process




The Risk management process adopted at the Council is broadly based on the International Standard in Risk Management - 'ISO 31000'.

The five-step process should take place regularly to identify new risks. The whole process along with the activities of communicating, consulting, embedding and reviewing should take place continuously to encourage the risk management process into the culture at the Council.

An especially relevant time for considering new risks is at the business planning phase, as risks should be identified which could impact on the ability to meet the objectives set out in the plan.

## 7. Risk Management Framework

The Council are committed to ensuring risk management is embedded across the whole organisation.

The Risk Management Strategy is supported by the Risk Management Toolkit - a document to guide, support and assist staff in achieving successful risk management. A training and support menu is available within the Risk Management Toolkit, offering options in both risk management training and software training.

Identified risks and mitigations are managed through the Council's risk register software.

## 8. Our expectations:

| | |
|---|---|
| **Political Leadership Team (PLT** | • Ensure consideration of risk in agreeing organisation's direction of travel • Oversee delivery of the Risk Management Strategy • Review the Strategic Risk Register regularly |
| **Corporate Leadership Team (CLT)** | • Set the tone from the top, and promote the benefits of risk management • Regularly discuss and review the Strategic Risk Register and associated reports • Work with Risk team and management teams to identify new or emerging risks. |
| **Executive Director with responsibility for risk** | • Overall accountability for the effective delivery of the organisation's risk management function including the Strategic Risk Register and the Risk Management Strategy |
| **Audit, Governance and Standards Committee** | • To consider the Council's arrangement for corporate governance and risk management and advise on any action necessary to ensure compliance with best practice |
| **Function Leadership Teams (FLT)** | • Escalate risks up to strategic level when required • Take ownership for risks within their function and ensure Risk Register is regularly discussed, reviewed and updated • Champion the Risk Coordinator role |
| **Managers at all levels** | • Ensure staff have appropriate understanding of their role in risk management and attend any suitable training, including e-learning completion • Record and manage risks effectively in their service area by owning risks or delegating ownership where appropriate |
| **Risk Co-Ordinators** | • Support and facilitate risk management for a specified area • Provide support to Directors, Heads of Service and other managers on the management of their risks • Undertake a regular review of the Risk Register |
| **Employees** | • Manage risk as part of their role and report risks to their managers. • Develop understanding of risk management at the Council through completion of e-learning and attendance at any training required |

## 9. Risk Maturity

A risk maturity assessment measures an organisation's processes according to best practice, against clear external benchmarks. This establishes the organisation's 'risk maturity level' and assists with identifying areas of improvement to become more risk mature.

An assessment in 2019 using the *Alarm National Performance Model for Risk Management in Public Services*, found the Council to be at a level '3' on a scale of 1-5 (5 being the highest). This score means that risk management is in place and is working for the Council.

Our aspirations for the future following this assessment are to continue to move towards risk management becoming a key tool to support business planning, aid decision-making, and ultimately help the achievement of objectives.

Our aim remains to move to a score of '4' meaning that risk management is consistently embedded and integrated into the Council's ways of working. This will be achieved through an ongoing continuous development program, with risk maturity next assessed in 2021.

## 10. Audit and Assurance

The Risk team's work is aligned with and supported by Internal Audit whose approach to developing the annual plan is risk based. Internal Audit share all appropriate reports with the Risk team to ensure significant risks are captured in risk registers to demonstrate effective management.

The effectiveness of risk management is evaluated on an annual basis and reported on within the Head of Audit's annual report to Audit Governance and Standards Committee.

## 11. The Risk team

The Risk team offer a comprehensive training and support menu, including online e-learning plus options for a risk register software training session, a 2-hour workshop, risk identification session and more. Horizon scanning takes place to ensure evidence-based decisions are made, and that emerging issues are identified. The team are on hand for any support or enquiries, plus assistance during major projects.

## 12. The Risk Management Toolkit

This Risk Management Strategy is supported by a separate document - The Risk Management Toolkit which will assist the Council with every stage of the risk management process, enabling risk-based decisions to be made, and keep track of existing or emerging risks which may threaten the achievement of objectives may these be at strategic, function or service level.

