

# **Active Essex Risk Management Strategy 2017- 2021**

**November 2017**

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# 1. Policy Statement

The effect of uncertainty on an organisation's objectives is risk. Risk management is the process of ascertaining what might go wrong, what the potential consequences may be, what could trigger the occurrence and deciding how best to minimise the risk materialising. If it does go wrong, as some things inevitably will, proactive risk management will ensure the impact is kept to a minimum.

To structure and formalise the risk management arrangements across all functions, Active Essex has developed a systematic and logical process of managing business risk within a comprehensive framework to ensure it is managed effectively, efficiently and coherently across the organisation. The adopted approach sets out the methodology for identification, evaluation and control of risk to ensure there is continued financial and organisational well-being. Organisation wide ownership and accountability for managing risk is critical to the success of the organisation.

There is not a specific "standard" set for risk management in government organisations and Active Essex's approach is based on industry best practice including the International Standard in Risk Management ISO: 31000, the guidance provided by both Alarm, the Public Sector Risk Management Association, and the Institute of Risk Management, plus the principles of risk management in the HM Treasury Orange Book. In following 'one' approach, the risk profiles of each function are transparent enabling comparisons to be made and risks to be aggregated empowering a whole organisation portfolio approach to risk management.

When implemented and maintained, the effective management of risk enables the organisation to:

- Increase the likelihood of achieving its goals and delivering outcomes
- Improve the identification of opportunities and threats
- Improve governance, stakeholder confidence and trust
- Establish a reliable basis for decision making and planning
- Effectively allocate and use resources for risk treatment
- Improve organisational resilience.

Active Essex SMT and Board will use the necessary tools and techniques to enable the organisation to take control of the risks that threaten delivery to the organisation. The work of The Board and SMT will be directed to effect the achievement of the following risk management objectives:

1. Align the organisations culture with the risk management framework
2. Integrate and embed the risk management framework across the organisation
3. Enable the organisation to recognise and manage the risks it faces
4. Improve risk awareness so that Active Essex is better placed to avoid threats and take advantage of opportunities
5. Minimise the cost of risk
6. Anticipate and respond to emerging risks, internal and external influences and a changing operating environment
7. Implement a consistent method of measuring risk.

## 2. Statement of Commitment

Active Essex is committed to adopting best practice in its management of risk to ensure retained risk is of an acceptable and tolerable level in order to maximise opportunities and demonstrate it has made full consideration of the implications of risk to the delivery and achievement of outcomes, strategic aims and priorities.

The Board is clear that the responsibility for managing risk belongs to everyone and that there needs to be an appropriate level of understanding of the nature of risk by all stakeholders. We need to protect our material assets and to minimise its losses and liabilities. We recognise the need to equip our workforce with the skills and expertise to manage risk and provide the necessary resources to ensure this can be delivered. This includes not only the potential threats but also exploiting opportunities to ensure benefits can be realised.

It is recognised that failure can be an important part of the journey to success and that to be successful there is a need to take risks and be willing to fail in the pursuit of finding new innovative ways of working. Active Essex strives to have an open approach to risk and not be perceived as risk averse whilst ensuring that the most vulnerable are protected and there is increased collaboration with our partners, communities and residents.

Our risk management objectives are a long term commitment, inherent to good governance practices and fully supported by the Executive Team, host agency and Management Board.

This Risk Management Strategy compliments and supports the strategic aims and priorities that are set out in the Strategic Plan “Changing 1 million Lives to get Essex Active”

## 3. Risk Management Framework

We are committed to ensuring risk management is embedded across the whole organisation. The risk management framework and the annual work and project plan of the Corporate Risk Team follows industry best practice to provide a best in class risk management service helping Active Essex to be the most effective and efficient organisation.

For risk management to be successful, it is imperative that there is a single yet flexible approach for the management of business risk, adopted through all levels of the organisation. This strategy is one part of the overall risk framework, the essential elements of which include:

- Risk Management Policy Statement and Strategy (including governance and accountabilities)
- Risk Management Methodology
- Risk Management Tools and Guidance to support the methodology
- Risk Management Training Programme
- Risk Assurance Statement.

Our approach is that the discipline of effectively managing risk is integrated throughout the organisation and involves all key stakeholders and that the risk management framework is our end to end process of managing risk.

Board support will be focussed on the strategic and business critical risks that could impact on the achievement of objectives or successful delivery of outcomes. More detailed business operations risks will be the primary concern of team and functions, where managers will be controlling and monitoring their risks and escalating these to a strategic level if they are no longer containable and manageable at a functional level.

Identified risks and mitigations are managed through the Active Essex's risk register and will be regularly discussed, reviewed and updated quarterly at Board meetings.

The Active Essex Board has a key role to play in supporting the operating principles of the Active Essex and helping to achieve the strategic aims and priorities by providing oversight, challenge and assurance that risk is being effectively managed across the organisation; whilst delivering a high performing, high quality service.

It is the role of the Active Essex SMT is to develop and set the risk framework for the organisation to follow; ensuring that this adds value and is in line with the very latest industry standards and requirements. Section 11 of this strategy provides more detail on the roles and responsibilities of all stakeholders in relation to risk management.

## **4. Risk Appetite**

Risk appetite is best summarised as “the amount of risk an organisation is willing to accept” and is about looking at both the propensity to take risk and the propensity to exercise control.

Ensuring the on-going effectiveness of risk management requires strong and sustained commitment by the Board and senior managers of the Active Essex, as well as strategic and rigorous planning to achieve commitment at all levels. The tone set by senior management towards risk management has the greatest impact on organisational appetite.

It is recognised that the appetite for risk will vary according to the activity undertaken and hence different appetites and tolerances to risk apply. We are working to strengthen and clarify our definition of risk appetite to ensure it reflects the acceptable levels of risk across the services of the organisation. Culture, strategy and competitive position all influence our risk appetite and defining it forces the debate and ensures our risks are made explicit.

Active Essex aims to be risk aware, but not overly risk averse and to actively manage business risks to protect and grow the organisation. To deliver its strategic aims, the organisation recognises that it will have to take and manage certain business risks. Intolerable risks are those that could:

- Negatively affect the safety of employees or our customers/clients
- Have a damaging impact on our reputation
- Lead to breaches of laws and regulations
- Endanger the future operations of Active Essex

## 5. Risk Maturity

All organisations, including Active Essex, are on a risk management journey. Risk maturity refers to where the business is on that journey and how well established risk management is as a discipline across the organisation. Risk management is embedded and integrated across Active Essex with a high level of maturity.

There is increasing complexity of risks facing public service organisations and our senior leaders recognise and actively support the driving forward of the risk management agenda.

We continue to review our current risk management capability to help us direct our resources to areas that need improvement and further development, ensuring that risk management arrangements remain fit for purpose in this changing environment.

We network and share information with other CSP's, which enables us to benchmark ourselves against similar organisations.

Active Essex regularly engages with its host agency, Essex County Council, who in turn, engage with external risk management bodies such as Alarm (the Public Risk Management Association), and the Institute of Risk Management. These provide additional opportunities for Active Essex to compare itself with industry best practice and ensure that it continues to move forward on the risk management journey.

## 6. Risk Management Levels & Escalation of Risks

Our approach to risk management is founded upon ensuring risk is effectively and consistently managed across all levels of the organisation. The risk culture that emanates from the Corporate Management Board throughout the organisation is essential in ensuring all levels buy into and adhere to the corporate risk process.

### **The Levels:**

**Service Level:** The day to day management activities provide reasonable assurance that the main tactical and operational risks arising from business as usual operations are identified, assessed, managed and monitored. Close links between manager and Director strengthens the process and ensure consistency in the risk messages are in place.

**Programme/Project Level:** The identification of risks from the initial business case stage in a programme/project and continued risk management throughout the project lifecycle to ensure the objectives can be achieved. Where there is a programme/project risk register in place consideration should be made as to the inclusion of an overarching risk on the relevant function level risk register. There is regular reporting of the significant programmes and projects to the Active Essex Board.

**Strategic Level:** The highest level of risk is managed at this level. Reports on the top business critical risks are reviewed and discussed by the Active Essex Board on a quarterly basis. This level sets the tone for effective risk management across the whole organisation. At this level, the risk

management strategy is agreed and endorsed and its principles championed by the strategic leaders of Active Essex. A Board Champion is associated with each strategic risk.

In the event that a single risk or group of risks exceed a pre agreed tolerance threshold then the risk(s) should be escalated to a senior level via the pre agreed procedure. The risk owner will initially be responsible for either deciding on a course of action or escalating the information to a more senior level. Similarly it should also be clear where a risk can be delegated to a lower level for action.

### **Process**

If a risk owner identifies that the risk needs to be moved because it fits into one of the categories as stated above the advice of SMT/ Director should be sought regarding moving the risk. If this results in a change of risk owner, the potential new risk owner will be identified and recorded at Board Level.

### **Connections between the levels of risks:**

#### **A risk may need to be escalated to a higher level if:**

- the risk becomes too unwieldy to manage at the current level
- the risk rating cannot be controlled/contained within its current level
- the risk remains very high even after mitigations are implemented
- the risk will impact on more than one service/project or function if the risk event materialises
- the risk moves outside the appetite boundaries / comfort zone.

#### **A risk may need to be moved to a lower level if:**

- the risk can be controlled / managed at a lower level
- the risk rating decreases significantly
- the risk event will only affect one service/ project / programme and the impact will be limited then this should be controlled more locally at a lower level.

If a risk owner identifies that the risk needs to be moved because it fits into one of the categories as stated above the advice of SMT/ Director should be sought regarding moving the risk. If this results in a change of risk owner, the potential new risk owner will be identified and recorded at Board Level.

**Strategic Level** - If the risk is to be moved to the Strategic Level then the Active Essex Board will need to be consulted so this can be considered for inclusion on the Board Strategic Risk Register. If the Board endorse the inclusion of this risk then Strategic Lead for Business Operations will ensure the risk features in the Strategic Risk Register and falls within the standard monitoring and review cycle.

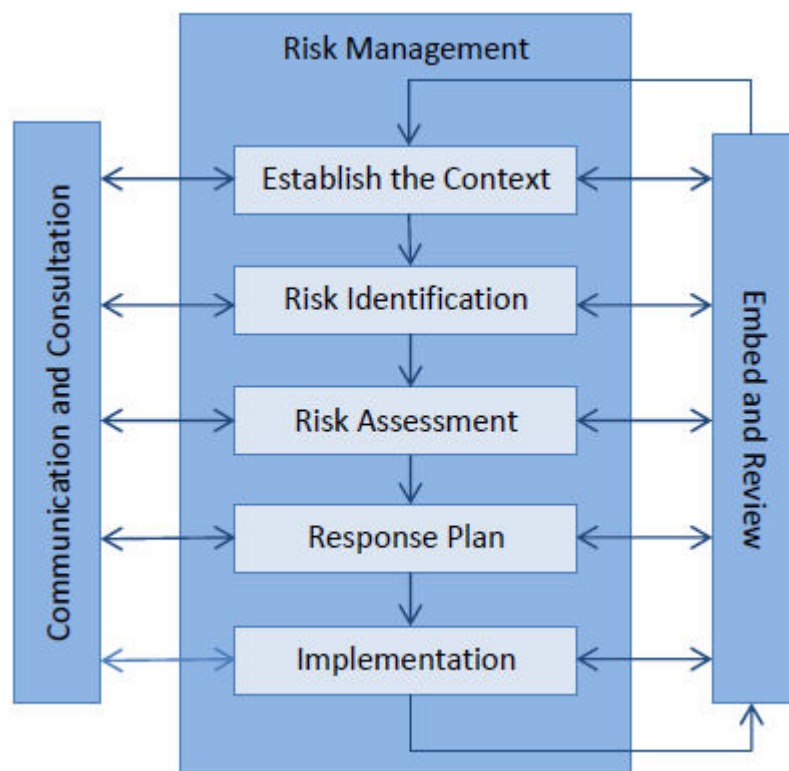
## 7. Risk Management Process

The risk management process begins by establishing the context around which you want to identify and assess risks. This could relate to an activity, objective or outcome.

Risk identification sets out to identify an organisation's exposure to uncertainty. This requires knowledge of the organisation, the market in which it operates, the legal, social, political and cultural environment in which it exists, as well as the development of a sound understanding of its strategic and operational objectives, including factors critical to its success and the threats and opportunities related to the achievement of these objectives.

Whilst our host, Essex County Council advocates there being less focus on following a rigid process and there being greater concentration on quality risk identification and action, there is a need to provide the organisation with risk management methodology. There are many variations of the 'Risk Management Process' and **within** Essex County Council, the risk management process adopted is in line with the International Standard in Risk Management – ISO31000.

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Once identified, the risks need to be assessed and assigned a score for both their impact and probability – the combined outcome of this produces the risk rating.

To ensure consistency and the ability to compare and report on the various levels of risk; Active Essex has adopted a 5x5 risk matrix to be used when determining the risk rating. This is detailed further in section 8.

Following identification and assessment, a decision must be taken on how best to respond to the risk and if accepted then control measures need to be determined to manage the risk. There should be communication and consultation throughout the process and the need for continual monitoring and review of the risk(s) throughout the lifecycle of the activity/objective/outcome.

A process is being developed to enable risk reports to link closely with strategic aims/objectives which will provide greater assurance at a strategic level.

## **8. Risk Matrix**

A risk matrix is used to evaluate the risks so that there is an understanding of the risk exposure faced, which in turn influences the level of risk treatment that should be applied to manage/reduce/prevent the risk from occurring.

Ensuring that all business risks are assessed and managed through the adopted risk management methodology drives consistency through the risk management framework and enables risks to be compared and reported on against a like for like basis. It also provides Active Essex with the ability to map its collective risk exposure of a particular project, activity, objective or outcome

Risk management is not only about managing threats (downside risks) but is also about opportunities (upside risks). In relation to risk management an opportunity can be defined as “An uncertain event that would have a favourable impact on objectives or benefits if it occurred”. So the upside of risk is when the benefits from taking a risk are greater than any benefit that would have resulted from not taking it.

The Impact Guide is designed to assist risk owners and managers determine the scores applied to any risk. In the case of the host agency, a 5 x 5 scale for impact and likelihood is used.

Impact ranges from Insignificant (1) to Very Serious (5). Likelihood ranges from Very Low (1) to Very High (5). The combined scores on a 5 x 5 matrix will give scores ranging from 1 to 25. The scoring will be determined on the basis of the risk owner's opinion of the residual risk after taking account of their perception of the effectiveness of the existing controls.

The scoring matrix is as follows.

#### Likelihood of risk

- 1 – Very low
- 2 – Low
- 3 – Medium
- 4 – High
- 5 – Very high

If likelihood was assessed as very low (e.g. earthquake) it could be given a score of “less than 1” such that even highest impact risks could attract an overall score of “less than 5”.

#### Impact of risk

- 1 – Insignificant
- 2 – Minor
- 3 – Moderate
- 4 – Serious
- 5 – Very serious

#### Total risk score (likelihood x impact)

- 1 – 6 Low
- 8 – 12 Medium
- 14 – 20 High
- Over 20 Very high

Pro-actively managing risk allows Active Essex to not only meet its needs today, but also be prepared to meet the challenges of tomorrow. Some horizon scanning is concerned mainly with spotting potential problems, but it can equally be used to scan for opportunities (“positive risks”), and many problems may be translatable into opportunities if spotted early enough.

## 9. Guidance, Education and Training

SMT is responsible for developing workforce risk management capability across the organisation, through the provision of guidance, education, training and support.

Guidance materials are under regular review to ensure they reflect the needs of the organisation and are compatible with the organisation's structure having the flexibility to adapt to new and changing structures. New ways to engage with officers and leaders to help with the understanding and embedding of effective risk management is under regular review, with the options for digital learning and development high on the agenda.

Host agency risk management intranet pages are available. Training with accompanying companion guidance is also accessible to Active Essex.

The risk management strategy, guidance and training materials are reviewed on a regular basis to ensure they continue to meet the needs of the organisation and incorporate the very latest industry best practice.

## **10. Risk Register System**

As part of good governance, Active Essex manages and maintains a register of its key strategic and operational business risks - assigning named individuals, along with Board members, as responsible officers for ensuring the risks and their control measures are monitored and effectively managed.

The risk register is a critical tool for capturing and reporting on risk activity and the organisations risk profile. The risk register is a live database where new risks are captured, others are managed to extinction and some require close and regular monitoring.

The data within the register is used to inform the business of the threats it faces in delivering outcomes and services. It is part of Active Essex's internal governance and performance frameworks and is used to ensure the organisation operates effectively.

## 11. Roles, Responsibilities, Expectations

All Members, senior leaders, employees and partner organisations have a role to play in ensuring that risk is effectively managed. The risk management framework has been fully endorsed and supported by the Leaders of the Council who set the organisational tone for risk management and champion the benefits through all levels of the business.

Risk management is only considered to be truly embedded when it functions as part of Active Essex's day to day operations. In order for this to be achieved it is vital that clarity exists to determine the various roles and responsibilities of individuals involved throughout Active Essex in the risk management process and this strategy formalises those responsibilities.

Group/ Stakeholder responsible	Role Description
Active Essex Board	<ul style="list-style-type: none"><li>• Oversee delivery of the Risk Management Strategy</li><li>• Review progress of the management of strategic risks</li><li>• Ensure consideration of risk in agreeing the organisations direction of travel.</li><li>• Review the effectiveness of risk management arrangements</li><li>• Provide comment and challenge on risk management activity and progress.</li><li>• Overall accountability for risk management across the business including ensuring the strategic risk register is a live and up to date record of the current risk exposure</li><li>• Set the tone for risk management, promote the benefits of effective risk management and lead by example in embedding the risk management framework</li><li>• Establish a control environment and culture where risk can be effectively assessed and managed</li><li>• Regularly discuss and review the strategic risk register and associated risk reports.</li></ul>
Director/ Business Operations Lead	<ul style="list-style-type: none"><li>• Consider and challenge the management of risk to provide assurance that a strong control framework and good governance arrangements are in place</li><li>• Ensure any emerging risks identified through governance reporting are escalated in accordance with the risk management framework.</li><li>• Overall accountability for the effective delivery of the organisation's risk management function in accordance with industry best practice</li><li>• Ensure risk management features as part of the organisations proper administration to protect the authority from financial and reputational risk.</li></ul>

SMT	<ul style="list-style-type: none"> <li>• Ensure adherence with the risk management strategy and framework</li> <li>• Champion the benefits of effective risk management</li> <li>• Take ownership for risks within their teams and ensure risk registers are regularly discussed, reviewed, updated and escalated as appropriate</li> <li>• Manage risks effectively in their teams, in accordance with the risk management framework</li> <li>• Where necessary escalate risks to SMT</li> <li>• Ensure their staff have appropriate understanding and training on risk management</li> <li>• Champion the benefits of risk management across their teams and communicate the corporate approach to managing risk.</li> </ul>
Staff	<ul style="list-style-type: none"> <li>• Manage risk as part of their role and report risks to their managers</li> <li>• Develop understanding of risk management</li> <li>• Maintain awareness of risks, their impact, including costs, and feed these through the adopted risk management process.</li> </ul>

## 12. Risk Governance Framework

The Risk Governance Framework sets out the various teams and boards where risk management activity and intelligence is discussed and reported. The reporting arrangements span through all levels of the organisation to ensure risk information can be escalated and used as an effective tool to aid decision making.

The provision of good risk intelligence promotes discussion, encourages challenge and enables the organisation to consider risks and opportunities as an integrated element of the day to day management operation of the business. It is important that there is a clear consideration of risk, so that decisions can be reached on a risk informed basis and we are working to explore how this can be implemented in formal decision making.

These areas are:

- Active Essex Management Board
- Director/ Line Manager 1:1 meetings
- Senior Management Team
- Active Essex Team meetings
- Staff/ Line Manager 1:1 meetings

## **13. Control Environment**

Risk management compliments Active Essex internal control environment processes, alongside other financial, operational and compliance controls.

This in line with the Sport England Good Governance Code with the requirement, the roles and responsibilities, and governance framework for risk management that are in place, demonstrate our arrangements for dispersing accountability and responsibility for risk management throughout the organisation.

This is supported by the internal audit process for our host agency, are this organisation's oversight body for risk management, providing check and challenge to the risk management strategy, process and delivery.

Active Essex works with internal audit and governance colleagues to ensure the principles of good governance are adopted. Auditing of the business risk management framework is undertaken by the Council's internal audit team in accordance with their audit plan and recommendations arising are fed back through the risk management framework to ensure continual improvement.

The Institute of Internal Audit issued a report entitled "the three lines of defence in effective risk management and control". This provides our host with a model for clarifying response at both an operational and strategic level

## **14 Quality Assurance and Review Procedures**

To ensure the risk management framework remains fit for purpose, we continually seek to review and improve our risk management methodology and embrace new initiatives and industry practices that suit the needs of our organisation, working with our host agency.

We adapt to our changing operating environment and economic conditions and have a risk framework with sufficient flexibility to cope with these changes. We aim to improvise, innovate and experiment in addressing challenges and exploiting opportunities learning from both success and failure.

The risk management policy & strategy, guidance and associated tools are regularly reviewed to ensure the impact of new legislation, government guidance or internal changes in practice are captured and reflected.

## **15. Resources**

Recognition and commitment is strong, from the Board, around the importance of risk management to facilitate the effective operation of Active Essex and the appropriate allocation of resources to successfully deliver the strategic plan of Active Essex.

SMT is fundamental in the delivery of effective risk management and are supported by the Board in this.