

## WITHAM AND HUMBER DRAINAGE BOARDS

*Four independent statutory Land Drainage and Flood Risk Management Authorities working in partnership.*

*Witham House, J1 The Point, Weaver Road, Lincoln LN6 3QN Tel: 01522 697123*



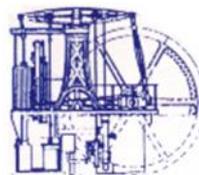
Witham First District IDB

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### **Risk Management Strategy**

#### **1.0 Purpose, Aims and Objectives**

1.1 The purpose of the four Boards' Risk Management Strategy is to effectively manage potential opportunities and threats to each Board achieving its objectives. See attached Risk Management Policy Statement, Appendix A.

1.2 The 4 Boards' Risk Management Strategy has the following aims and objectives:

- Integration of Risk Management into the culture of the Board
- Raising awareness of the need for Risk Management by all those connected with the delivery of services (including partners)
- Enabling the Board to anticipate and respond to changing social, environmental and legislative conditions
- Minimising injury, damage, loss and inconvenience to staff, members of the public, service users, assets etc. arising from or connected with the delivery of the Board's services
- Introduction of a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice
- Minimisation of the cost of risk

1.3 To achieve these aims and objectives, the following strategy is proposed;

- Establish clear accountabilities, roles and reporting lines for all employees
- Acquire and develop the necessary skills and expertise
- Provide for risk assessment in all decision making processes of each Board
- Develop a resource allocation framework to allocate (target) resources for risk management
- Develop procedures and guidelines for use across the 4 Boards
- Develop arrangements to measure performance of Risk Management activities against the aims and objectives
- To make all partners and service providers aware of the 4 Boards' expectations on risk, both generally as set out in the Risk Management Policy and where necessary in particular areas of the 4 Boards' operations.

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- 1.4 The Board has adopted the following definition of Risk:  
*'Risk is the threat that an event or action will adversely affect the organisation's ability to achieve its objectives and to successfully execute its strategies'.*

### **2.0 Accountabilities, Roles and Reporting Lines**

- 2.1 A framework has been implemented that has addressed the following issues:
- The different types of risk – Strategic and Operational
  - Where it should be managed
  - Roles and accountabilities for all staff.
  - The need to drive the policy throughout each Board
  - Prompt reporting of accidents, near misses, losses, changes etc.
- 2.2 In many cases, risk management follows existing service management arrangements.
- 2.3 Strategic risk is best managed by each Board.
- 2.4 The Board's Chief Executive will be responsible for the 4 Boards' overall risk management strategy and will report directly to the Board.
- 2.5 The 4 Boards' Chief Executive will be responsible for the Boards' overall Health and Safety policy and will report to each Board.
- 2.6 It is envisaged that the development of a risk management strategy will encourage ownership of risk and will allow for easier monitoring and reporting on remedial actions / controls.

### **3.0 Skills and Expertise**

- 3.1 Having established roles and responsibilities for risk management, each Board must ensure that it has the skills and expertise necessary. It will achieve this by providing Risk Management Training for Employees and Board Members, where appropriate providing awareness courses that address the individual needs of both the manual workforce and office staff.
- 3.2 Training will focus on best practice in risk management, and awareness will also focus on specific risks in areas such as the following:
- Partnership working
  - Project management
  - Operation of Board vehicles and equipment
  - Manual labour tasks e.g. Health and Safety issues

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### **4.0 Embedding Risk Management**

- 4.1 Risk management is an important part of the service planning process. This will enable both strategic and operational risk, as well as the accumulation of risks from a number of areas to be properly considered. Over time each Board aims to demonstrate that there is a fully embedded process.
- 4.2 This strategy and the information contained within the appendices provides a framework to be used by all levels of staff and Members in the implementation of risk management as an integral part of good management.

### **5.0 Risks and the Decision Making Process**

- 5.1 Risk needs to be addressed at the point at which decisions are being taken. Where Members and Officers are asked to make decisions they should be advised of the risks associated with recommendations being made. The training described in the preceding section will enable this to happen.
- 5.2 Each Board will need to demonstrate that it took reasonable steps to consider the risks involved in a decision.
- 5.3 There needs to be a balance struck between efficiency of the decision making process and the need to address risk. Risk assessment is seen to be particularly valuable in options appraisal. All significant decision reports to each Board (including new and amended policies and strategies) should include an assessment of risk to demonstrate that risks (both threats and opportunities) have been addressed.
- 5.4 This process does not guarantee that decisions will always be correct but it will demonstrate that the risks have been considered and the evidence will support this.

### **6.0 Supporting Innovation and Improvement**

- 6.1 Managers have been made aware that there are a number of tools that can be used to help identify potential risks:
- Workshops.
  - Scenario planning.
  - Analysing past claims and other losses.
  - Analysing past corporate incidents/failures.
  - Health & safety inspections.
  - Induction training.
  - Performance Review & Development interviews.
  - Staff and customer feedback.
- 6.2 Having identified areas of potential risk, they must be analysed by:
- An assessment of impact.
  - An assessment of likelihood.

This is to be done by recording the results using the risk matrix below:

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**RISK ASSESSMENT MATRIX**

<b><u>IMPACT</u></b>						
<b>CRITICAL</b>	4	4	8	12	16	
<b>MAJOR</b>	3	3	6	9	12	
<b>SIGNIFICANT</b>	2	2	4	6	8	
<b>MINOR</b>	1	1	2	3	4	
		1	2	3	4	
		<b><u>LIKELIHOOD</u></b>				
		<b>VERY UNLIKELY</b>	<b>POSSIBLE</b>	<b>PROBABLE</b>	<b>CERTAIN</b>	

6.3 The high, medium and low categories for impact and likelihood are defined as follows:

**IMPACT**

- **Critical** – will have a catastrophic effect on the operation/service delivery. May result in major financial loss (over £100,000). Major service disruption (+ 10 days) or impact on the public. Death of an individual or several people. Complete failure of project or extreme delay (over 2 months). Many individual personal details compromised/revealed. Adverse publicity in national press.
- **Major** – will have a noticeable effect on the operation/service delivery. May result in significant financial loss (over £25,000). Will cause a degree of disruption (5 – 10 days) or impact on the public. Severe injury to an individual or several people. Adverse effect on project/significant slippage. Some individual personal details compromised/revealed. Adverse publicity in local press.
- **Significant** – where the consequences will be modest and any associated losses and or financial implications will be moderate (up to £10,000). Will effect service delivery (2-5 days). Minor injury or discomfort to an individual or several people. Isolated individual personal detail compromised/revealed. NB A number of low incidents may have a significant cumulative effect and require attention.
- **Minor** – where the consequences will not be severe and any associated losses and or financial implications will be low (up to £10,000). Negligible effect on service delivery (1 day). Minor injury

**LIKELIHOOD**

Certain	Very likely to happen	Matrix score 4
Certain	Likely to happen	Matrix score 3
Medium	Likely to happen infrequently and difficult to predict	Matrix score 2
Low	Most unlikely to happen	Matrix score 1

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### 7.0 Risk Control

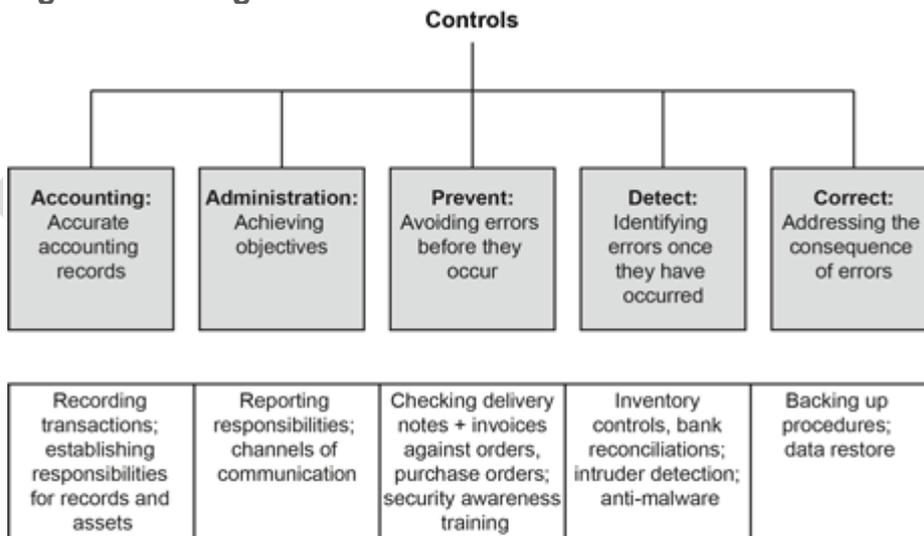
7.1 Using the risk matrix produces a risk rating score that will enable risks to be prioritised using one or more of the “four T’s”

<b>Tolerate</b>	<b>Score &lt;= 3</b>	Accept the risk
<b>Treat</b>	<b>Score 4 to 6</b>	If possible, take cost effective in-house actions to reduce the risk.
<b>Transfer</b>	<b>Score 8 to 9</b>	Let someone else take the risk (eg by Insurance or passing responsibility for the risk to a contractor).
<b>Terminate</b>	<b>Score &gt; 10</b>	Agree that the risk is too high and do not proceed with the project or activity.

7.2 Risk assessment and risk matrices provide a powerful and easy to use tool for the identification, assessment and control of business risk. It enables managers to consider the whole range of categories of risk affecting a business activity. The technique can assist in the prioritisation of risks and decisions on allocation of resources. Decisions can then be made concerning the adequacy of existing control measures and the need for further action. It can be directed at the business activity as a whole or on individual departments/sections/ functions or indeed projects.

7.3 Controls can be categorised in many different ways. Figure 1 below describes five categories that are often used.

**Figure 1: Categories of controls**



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- 7.4 **Internal Controls** - Internal controls are simply processes, policies and procedures, effected by people that ensure our internal processes, designed to modify risk, work the way we want them to so that we achieve what we want. The Boards' have lots of internal controls in place, such as separation of duties, authority delegations, policies, procedure manuals, work practices, passwords, account reconciliations, stock counts, asset registers, budgets, etc.
- 7.5 **Preventative Controls** - Preventive controls are designed to stop, discourage or pre-empt inappropriate transactions, errors or irregularities before they occur. These are the most desirable as they STOP problems from occurring. Preventive controls are proactive and emphasise quality as they minimise rework. They tend to be more cost-effective than other controls. Preventive controls (or any control) always involve additional processes but the processes are put up front to direct outcomes so things won't go wrong. Some good examples include documented procedures that clearly describe steps in a process, passwords that prevent access to a system and physical controls over assets such as securely locking up vehicles and equipment to prevent theft.
- 7.6 **Detective Controls** - Detective controls are designed to search for and identify errors on a timely basis after they have occurred. Detective controls are after-the-fact controls. Detective controls can also be used to measure the effectiveness of preventive controls. In some cases, it may not be possible to have a preventative control and so detective controls are the most effective way to manage certain types of risks. Examples of detective controls include account reconciliations that identify errors, periodic stock counts that identify shortages and errors and secondary authorisations to detect processing errors.
- 7.7 **Corrective Controls** - Corrective controls are designed to correct errors or risks and prevent the recurrence of further errors. They begin when undesirable outcomes are detected and keep the "spotlight" on the problem until management can solve the problem or correct the defect. Examples of corrective controls include insurance programs that recover financial losses to return the insured to the same financial position they were in prior to the loss.
- 7.8 Measuring control effectiveness is critical in the risk management process because the effectiveness of controls will have a direct impact on the level of residual risk. You can have many internal controls in place but if they are not effective then they do not reduce the risk. For example, you could have bank reconciliation as an internal control, but if they are not undertaken regularly then you are not reducing the risk of bank fraud being detected early.
- 8.0 Supporting Innovation and Improvement**
- 8.1 Risk Management will be incorporated into the business planning process for each Board with a risk assessment of all business aims being undertaken as part of the annual Estimates process.
- 8.2 The 4 Boards' Internal Auditor will have a role in reviewing the effectiveness of control measures that have been put in place to ensure that risk management measures are working.

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