

Risk Assessment & Management Policy

1. Introduction

Risk Management is not just about financial management, it is about achieving the objectives of the board to deliver high quality water level management. The failure to manage risks effectively can be expensive in terms of litigation and reputation and prevent meeting targets.

The Board is ultimately responsible for risk management because risks threaten the achievement of the IDB objectives, and the overall purpose of its existence.

2. Risk Management Cycle

Risk management should be embedded in strategic planning of an IDB. Without it Officers/Members cannot make effective decisions to meet the Boards objectives and to safeguard the Boards assets. It can be the unexpected risks that cause the most harm and effect to the Board. Risk management needs to be dynamic to capture and anticipate new risks and to assess the trade-off between risk and opportunity. It should be an ongoing cycle, that used properly, will enhance decision making for the IDB.



Use the five benchmarks listed to identify aspects of your risk management systems that already work well and to consider areas for improvement. This will help to ensure that effective decisions are made, based on a sound understanding of the risks and opportunities you face.

3. Risk Policy

3.1. Purpose

This policy:

Is a formal acknowledgement that the IDB is committed to maintaining a strong risk management framework. The aim is to ensure that the Board makes every effort to manage risk appropriately by maximising potential opportunities whilst minimising the adverse effects of risks.

Should be used to support the internal control systems of the Board, enabling the Board to respond to operational, strategic and financial risks regardless of whether they are internally or externally driven.

3.2. Objectives

To confirm and communicate the Board's commitment to risk management.

To establish a consistent framework and protocol for determining appetite to and for managing risk.

To assign accountability to management and staff for risk within their control and provide a structured process for risk to be considered, reported and acted upon throughout the IDB.

3.3 Policy Statement

The Board Members and Management of the IDB believe that sound risk management is integral to both good management and good governance practice.

Risk Management should form an integral part of the Board's decision-making and be incorporated within strategic and operational planning.

Risk assessment will be conducted on all new activities and projects to ensure they are in line with the Board's objectives and mission.

Any risks or opportunities arising will be identified, analysed and reported at an appropriate level.

A risk register covering key strategic risks will be maintained and updated annually and more frequently where risks are known to be volatile.

The Board will regularly review and monitor the effectiveness of its risk management framework and update it as considered appropriate.

Reports will be made to the Chairman annually detailing existing and emerging high concern risks and those where priority action is needed to effect better control.

3.4 Roles

The role of the Chief Executive Officer and the Senior Management Team

To ensure that risk management policy is implemented.

To anticipate and consider emerging risks and to keep under review the assessed level of likelihood and impact of existing key risks

Provide regular and timely information to the members on the status of risks and their mitigation

To implement adequate corrective action in responding to significant risks; to learn from previous mistakes and to ensure that all contingent plans are sufficiently robust to cope with high level risk

The Engineer & Asset Manager are responsible for managing project specific operational risks and for ensuring that risks are reported upon in a timely fashion.

The role of the Board

To ensure that a culture of risk management is embedded throughout the Board

To set the level of risk appetite for the organisation and in specific circumstances

To communicate the Boards approach to risk and set standards of conduct expected of staff

To ensure risk management is included in the development of business plans, budgets and when considering strategic decisions

To approve major decisions affecting the Boards risk profile or exposure

To satisfy itself that fewer fundamental risks are being actively managed and controlled

To regularly review the boards approach to risk management and approve any changes to this

To receive reports from internal audit, external consultants and any other relevant parties and to make recommendations on this

3.4 Risk & Decision-Making Process

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.

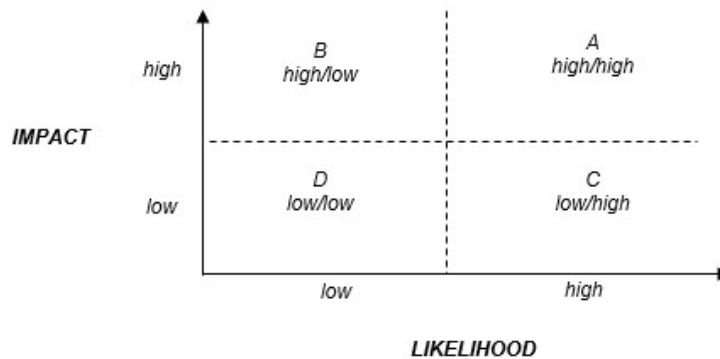
The IDB will need to demonstrate that it took reasonable steps to consider the risks involved in a decision. There needs to be a balance struck between efficiency of the decision-making process and the need to address risk.

This process does not guarantee that decisions will always be right, but it will demonstrate that the risks have been considered and the evidence will support this

3.5 Risk Mapping, Scoring & Ranking

Risks are ranked by the impact and likelihood of occurrence. Those in the top right-hand of the quadrant showing both the highest likelihood and impact and those in the bottom left hand quadrant showing the lowest likelihood and impact.

The overall levels of risk in each section are graded from A to D as below:



Impact is assessed separately for each risk and graded from 1 to 3. 1 – lowest impact and 3 – highest impact.

High- major effect on the Board’s activities and obligation to fulfil its objectives. Could result in major Financial loss, Wide spread Operation disruption and have a major impact on connected stakeholders.

Medium- could affect the Boards activities and obligation to fulfil its objectives. Could result in significant Financial loss, short term Operational disruption and have a significant impact on connected stakeholders.

Low- will impact the board but will not disrupt activities and the boards obligation to fulfil its objectives. If any financial losses will be low, no effect to current operations and or connected stakeholders.

Likelihood is assessed from 1 to 3, 1- Unlikely and 3- Very Likely.

Very Likely- Increased chance of happening, generally will happen

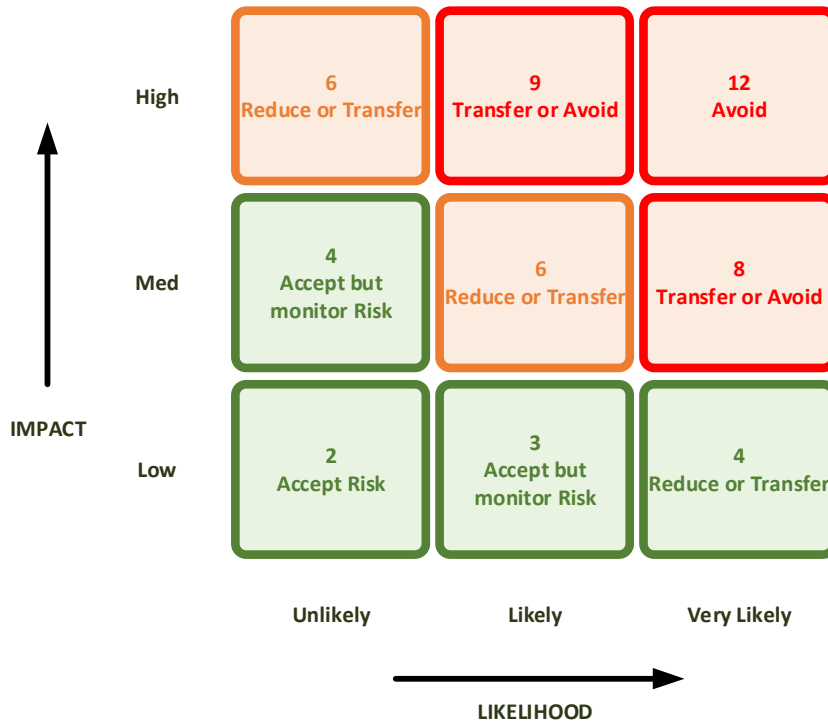
Likely- Chance of occurring still exists, but the it may or may not happen

Unlikely- Very low chance of happening, rare chance it will.

The model is further enhanced by adding extra weighting to the ‘impact’ element of the model. The argument is that the impact of any risk will always have more importance than the likelihood. The scores are then multiplied to give the total ranking for each risk – calculated where impact is **x** and likelihood is **y** as:

$$xy+x$$

Risk Matrix



Once an associated risk has been scored and ranked using the matrix the Management Team will use the TARA framework (Transfer, Accept, Reduce or Avoid) to aid next steps based on the risk score.

This should help aid decisions on mitigating the risk and the steps needed to ensure the likelihood is reduced and the impact is reduced to an acceptable level.



ACCEPT- RISK LEVEL ACCEPTABLE



REDUCE- ACTION NEEDED TO REDUCE RISK



TRANSFER- RISK TOO HIGH, TRANSFER ELSEWHERE IF POSSIBLE (EG. INSURANCE)



AVOID- RISK TOO HIGH, NOT POSSIBLE TO TRANSFER OR REDUCE TO ACCEPTABLE LEVEL

4. Certification By Order of the River Lugg Internal Drainage Board 23 November 2022 Certified by Craig Benson, Clerk

This document is next scheduled for review November 2025.