



Cafcass Risk Management: Policy Statement

Owner	Director of Finance	Issued	5 Feb 2010
Approved by	Board	Version	1.1
Next review date	5 Feb 2011	No	
		Ref	
©2007 CAFCASS			

Contents

1. Purpose and Ownership	Pg: 3
2. Definitions and Scope	Pg: 4
3. Risk Management Policy Statement	Pg: 4
4. Responsibilities	Pg: 7
5. Cafcass Risk Appetite	Pg: 9
Cafcass Risk Scoring System	Appendix 1
Risk Appetite: Specific Cafcass Activities	Appendix 2

1. Purpose and Ownership

What is this document for?

1.1 This policy statement sets out Cafcass' approach to risk management and is supported by the Risk Management Guidance. It describes how we establish and maintain a system of internal control and review its effectiveness. It will enable us to manage our risks and therefore support the effective delivery of the organisation's objectives.

1.2 Cafcass' risk management framework will be continuously reviewed and updated against Government guidance and best practice.

Who is it meant for?

1.3 To ensure a widespread understanding, everyone in Cafcass has a role to play in effective risk management. Board members and managers should be familiar with this document, whilst all other staff must be aware of the principles it contains.

1.4 Managers and staff at all levels have a responsibility to identify, evaluate, and report on and monitor risks, and will be equipped to do so.

Why Manage Risk?

1.5 The objective of Cafcass' risk management arrangements is to help managers make informed choices that:

- improve business performance by informing and improving decision making and planning;
- provide robust and reliable business procedures
- protect Cafcass' reputation
- promote a more innovative and less risk averse culture in which the taking of calculated risks, in pursuit of opportunities to benefit Cafcass, is encouraged
- provide a sound basis for integrated risk management and internal control as components of good corporate governance.

1.6 Effective risk management is key to good corporate governance, and we must demonstrate to the DCSF (Department of Schools Children and Families), Ofsted, and the public that our risk management arrangements are robust.

How will this help us?

1.7 The improvements and benefits that can be delivered through effective Risk Management include:

- a better chance of delivering Cafcass objectives and targets by anticipating and dealing with possible problems before they occur
- greater success in delivering business changes, programmes and projects
- improved reliability of security and business continuity arrangements
- better use of resources by prioritising activities
- early warning of potential problems
- provide skills to ensure that staff are confident about developing new ways of doing things.

2. Definitions and Scope

What is Risk and Risk Management?

2.1 Risk is the threat that an event or action will have an adverse impact on an organisation's ability to achieve its objectives and to successfully execute its strategies.

Risk is:

- uncertainty of outcome; the chance of something occurring (likelihood)
- the consequences (positive or negative) should it occur (impact)

Therefore a risk is something that could:

- have an impact by not taking opportunities, or not capitalising on strengths
- prevent, hinder or fail to further the achievement of objectives
- cause financial disadvantage through additional or unnecessary costs, or loss of money or assets
- result in damage to, or loss of an opportunity to enhance Cafcass' reputation.

2.2 Risk Management is an integral part of good governance. It helps an organisation to ensure that there is shared awareness and understanding about the nature and extent of the risks it faces. It helps to define what risks are regarded as acceptable, and how to manage the impact of those risks should they materialise. It provides managers with a framework for anticipating potential problems and dealing with them in advance, rather than subsequently dealing with their effect. It is a systematic way of doing the right things at the right time.

Scope

2.3 This policy should be applied to all Cafcass activities and business.

3. Risk Management Policy Statement

Approach

3.1 It is our policy to integrate risk management into the every day business, making it systematic and Cafcass wide. The Board and all managers must be visible in their support and use of a risk management approach.

3.2 Our use of risk management will be documented, consistently applied and cost effective. Risk Management in Cafcass will be proactive and reasoned.

3.2 We will foster a 'no blame' culture where, despite objective risk based management, things have gone wrong. We will encourage everyone to report risks and potential issues and will provide support for dealing with problems through our business improvement and development activities.

3.3 We aim to anticipate, and where appropriate, deal with risks in advance, rather than dealing with their consequences when they occur.

3.4 Our approach includes the development of contingency plans that will allow us to contain the negative effect of unlikely events that do happen, as well as actions to reduce the likelihood of risks occurring.

3.5 We have financial controls in place to safeguard the public funds invested in us, including systems to maintain proper accounting records. These systems help to ensure that we are not exposed to avoidable financial risk and that our financial information is reliable. They also contribute to the safeguarding of assets, including the prevention and detection of fraud.

3.6 We aim to have total transparency as far as possible and Corporate, NO Departments, Service Area and Programme risk registers will be made available to everyone via the Internet or shared drive. This is in order to support the spread of good practice internally, and to inform every one of related risks and risk management activities.

3.7 All risk management will be aligned to the delivery of relevant objectives and targets:

- Corporate level: key strategic risks facing the organisation mapped against the corporate business plan objectives and work plan;
- National Office (NO) Departments, Service Area level: local objectives, system ensuring that adequate internal control is embedded in day-to-day operations;
- Programme and project level: programme and project objectives, critical success factors and benefits realisation plans.

Process

3.8 To strengthen internal controls, risks to business critical systems and processes should be systematically identified, objectively assessed, and managed by local managers. Risks will be managed and recorded using formal risk registers prescribed in relevant templates and guidance for:

- Corporate risks: CMT/Director of Finance
- NO Departments: Director or Head of Department
- Service Area business risks: Head of Service (See Business Plan / Risk Register)
- National and local business change programmes and projects: Programme Manager

3.9 Overview of the Cafcass risk management process:

- **Clarify the context** – consultation with stakeholders; determine objectives, targets and major issues coming over the horizon
- **Identify risks** – what things might prevent the achievement of our objectives etc
- **Identify risk owners** – those accountable for driving the management, monitoring, and review of their individual risks
- **Score and Prioritise by ‘Likelihood’ and ‘Impact’ (and proximity for programme & project risks)** – which are the show stoppers, the ones highly likely to occur and which would have big impact on success (Please refer to Appendix 1 for details of the scoring system used).
- **Assess the risks** – how far are we covered by our existing arrangements (countermeasures/mitigation), what are the gaps & determine the status (Red, Amber, Green) allowing for countermeasures, how far do we remain exposed (residual risk)

- **Risk response** – identifying and planning what, if any, actions (proposed countermeasures) can be done to reduce the risk to an acceptable level – ‘*Treat, Tolerate, Transfer, Terminate*’
- **Review** – regular monitoring and measurement of the success of your countermeasures and updating of the risk register (Please ensure that the risks are recorded on the appropriate tool as per the Risk Management Guidance).
- **Reassessment** – periodically revisiting the context to identify any new key risks or confirm you are actively managing your most important risks.

For a full description of these detailed steps please refer to the Risk Management Guidance.

Cost Effective Risk Management

3.10 The objective of risk management is to reduce the likelihood and impact of risks to an acceptable level. What is acceptable is termed ‘risk tolerance’ or ‘risk appetite’ (see section 5).

3.11 In determining an appropriate response, the cost of controls or risk management actions will be balanced with the cost of putting things right should a risk occur. We will not set up and monitor controls to address risks where the cost and effort are disproportionate to the impact or expected benefits.

Partnership Risk

3.12 It is Cafcass policy to consider joint risks with our delivery partners and other stakeholders. We will consider partnership risks in the context of:

- Children’s Services corporate business risks;
- Day to day casework business (Court Services business risks)
- Risks in strategic business partner contracts and service agreements, such as the Flex contract.

3.13 Cafcass will consider potential events, actions or planned changes by partners that might adversely affect, or could positively influence success. Our partnership risk approach will be to:

- consider relevant partner related risks in all Cafcass risk assessment and risk management activities
- endeavour to establish a common understanding of risk and risk management with partners
- share risk and risk management information and undertake joint risk review wherever possible
- ensure that risk ownership and management responsibilities are clear
- integrate risk management into day to day management, performance and partner relationships
- agree common triggers and contingent arrangements.

Health & Safety and Security Risks

3.14 Risks to the health and safety of Cafcass staff and all people visiting its premises, including security risks and external threats, will be assessed in accordance with Cafcass’ health and safety policies, procedures and responsibilities.

Spreading Best Practice

3.15 Cafcass will foster a culture of spreading best practice across the organisation from the lessons learnt and the expertise acquired through our risk management activities.

3.16 We will do this by providing:

- direct feedback from Service Improvement Meetings (SIMs)
- hints and tips on the Intranet
- access to Corporate, NO Departments, Service Area, and programme risk registers wherever possible

4. Responsibilities

Governance

4.1 CMT, the Board, and the Audit and Risk Assurance Committee (A&RAC) all have a direct responsibility in monitoring risks and how they are managed within Cafcass' internal control framework.

4.2 CMT will report regularly to the Board and A&RAC indicating the status of risks and whether they are increasing or decreasing, and what residual risks remain once mitigating factors have been taken into account.

4.3 Monitoring and reporting of any changes to risks and any new or emerging risks, will be carried out at the Board, CMT and at Operational Area level as follows:

- Board: Quarterly
- A&RAC: Quarterly
- CMT: Quarterly
- Service Areas: Quarterly as part of the SIMs

4.4 Cafcass' fundamental principles are openness, integrity and accountability. The Framework document and the Cafcass Performance Management Framework together set out our Governance Framework.

4.5 The risks will be shared with and communicated to DCSF, our sponsorship department, through the regular sponsorship meetings.

4.6 In addition to regular risk reports, an assessment of risk implications will be considered as a matter of routine within other papers and reports that Cafcass produces. This will include papers for the Board, the A&RAC, CMT and for the Service Improvement Meetings (SIMs).

4.7 **The Board** is *ultimately accountable* for ensuring that Cafcass' corporate risks are properly managed; they will require evidence that risks are being managed and results are properly measured. They will also define the risk appetite for key areas.

4.8 **The Chief Executive** is *responsible* for the effective management of business, and in particular for ensuring that there are adequate risk management arrangements and a sound system of internal control.

4.9 **CMT** is *responsible* for;

- developing and communicating policy and information about the risk management programme to all staff, and where appropriate to our partners
- setting policies on internal control based on Cafcass' risk profile, and its ability to manage the risks identified and the cost/benefit of related controls
- seeking regular assurance that the system of internal control is effective in managing risks in accordance with the Board's policies

4.10 Individual members of CMT will assume ownership for specific corporate risks. Risk owners are responsible for ensuring that their risks are monitored effectively, commissioning any necessary work to control risk (if appropriate) and reporting on their risk(s) to the Board.

4.11 **Director of Finance** is *responsible* for:

- advising the Board on the most suitable framework and strategy for communicating, embedding and managing risk
- providing support and guidance on the assessment of corporate risks and management of the corporate risk register
- monitoring and reporting on the effectiveness with which the strategy for embedding and managing risk is being implemented
- reviewing and developing the current processes, systems to support the effective handling and management of risk
- providing support to management across Cafcass in order to identify key risks and cost-effective countermeasures
- liaising with Audit Committee to ensure that the effectiveness with which risk is being managed is reflected in the Audit report

4.12 **Operational Directors/ Directors and Heads of Depts/ Heads of Service /Business Transformation Managers** are responsible for ensuring compliance with the prescribed procedures set out in policies. They have a responsibility to identify, evaluate and manage operational risks and bring to the CMT's attention emerging corporate risks. They are ideally placed to pick up on those early warning indicators that might identify where problems are developing and this is an important responsibility.

4.13 **Programme and Project Managers** are responsible for ensuring that they clearly identify the risks to the delivery of their programmes/ projects through the use of risks and issues registers as part of their project planning.

Training

4.14 Collectively, staff in business units should have the appropriate knowledge, skills, information and authority to establish, operate and monitor the systems of internal control. Everyone should be aware of the risks they are empowered to take, and the risks that should be avoided and reported upwards.

4.15 Cafcass' aim is to wholly integrate risk management training into the management learning and development programme for new and existing managers. In the interim, we will:

- Offer training on how to identify, evaluate and manage business risks to senior managers (Directors and Heads of Depts, Ops Directors, BTMs, HOS, SMs, OMs)
- Offer training to Project Owners and Project Managers delivering change programmes and projects
- Provide risk management best practice hints and tips on the Intranet

Review

4.16 This policy will be reviewed periodically to ensure it is up to date with current structures and good practice.

5. Cafcass Risk Appetite

5.1 Risk Appetite or Tolerance is the total amount of risk that Cafcass is prepared to accept at any point in time. It is used as a guide to help decide whether we take on additional risks (i.e. an additional major change initiative or project). It can also be used to define the level of exposure deemed to be acceptable when managing down individual risks.

5.2 The Board has sets the overall risk appetite. One of the ways it uses to constrain overall exposure to risk is to set authority limits for managers within policies, processes under the governance structure.

5.3 Risk tolerance varies over time, and between different business units. It is a subjective judgment. However, Risk tolerance within Cafcass should reflect the following key principles:

- the Chief Executive and the Board encourage the taking of controlled risks in pursuing new opportunities and the use of innovative approaches
- in broad terms the organisation has demonstrated a fairly low tolerance for taking on additional risks.

5.4 In considering its risk appetite the Cafcass Board are mindful of the stated risk appetite of its key partner, the Department for Children, Schools and Families. The Board also recognises the balance between risks involved in innovation and reform, and the need to ensure that these risks are well considered and well managed.

5.5 *Prohibited Risk Areas* - Cafcass' policies and guidance manuals define where there are mandatory processes and procedures e.g. Diversity policy. Full compliance with these standards is required. Non-compliance with prescribed procedures constitutes an unacceptable risk.

5.6 *Regulated Risk Areas* - Some risks are acceptable provided the prescribed Cafcass process is followed (e.g. expenditure proposals, staff recruitment) and designated responsibilities/delegated authorities are adhered to.

5.7 Cafcass' risk appetite has been divided into the following five areas based on the risks identified in the Corporate Risk Register:

- Influencing and promoting change
- Operational

UNCLASSIFIED

- Working with external partners
- Financial management and propriety
- Human resources

Each area of risk has been assessed on a four-point risk tolerance scale nil, low, medium, high. The agreed tolerances are documented in the Corporate Risk Register.

Please see Appendix 2 for details of agreed risk tolerance in different spheres of activity.

Scoring System

Our approach to risk sets the overall parameters within which operational managers should consider the acceptability of each risk. It also helps to determine the trigger points for reporting incidents and for escalation procedures.

The following scoring system will be used to assess the status of the risks.

Likelihood

1. Rare
2. Unlikely
3. Possible
4. Likely
5. Almost certain

Impact

1. Minor impact in one or a few areas
2. Minor impact in many areas
3. Significant impact; would not affect continued operations in short term but might in long term
4. Significant impact in medium term; relates to substantial operations
5. Fundamental to continuing operations

The overall score is calculated as likelihood x impact

Overall status:

Red = Overall score is greater than 11 **Amber** = Overall score is between 7 and 11 inclusive

Green = Overall score is less than 7

The purpose of the scoring system is to establish a consistent approach to gauging risk to ensure that acceptable risks are not being 'over controlled', or unacceptable risks being taken and not being reported.

Risk Appetite – Specific Cafcass Activities

- **Influencing and Promoting Change– Medium**

Cafcass works within a system, which includes the courts, the legal profession and social services. It has a role to play in providing leadership and advice both internally and to government and its partners on improving the services to children and families it works with, to reduce delay within the system and to modernise practices.

Areas of reform and thought leadership demand a certain appetite for innovation, our advice should be challenging and provocative so long as it is based on a strong and reliable evidence base.

There are circumstances in which risks may have to be taken to fully realise the benefits of new systems and procedures to deliver modern and cost-effective services and products.

Our appetite for taking well-considered risks in reform and thought leadership is **medium**.

- **Operational – Medium**

Our operational risks stem directly from our having to prioritise cases and to allocate resources to those cases where need is highest or most urgent.

As we cannot instantly meet all needs referred to us, inevitably this means that some risks on cases cannot be covered or predicted, and whilst we always seeks to minimise such risks and to ensure every child referred to us receives an excellent service, it is right to acknowledge there are risks across our total caseload at any one time which we have to tolerate in order to stay within our budget and allocate professional time to the most urgent work.

We are working hard to eliminate delays in cases and delays can also cause a risk to specific children if their cases are not dealt with quickly enough. To summarise, we are not saying this level of risk is acceptable but it is an every day fact, as it is for all other front-line childcare organisations we know of.

Overall, in taking risks that will adversely affect our operations we have a **medium** risk appetite.

- **Working with external partners—Medium**

The Board acknowledges that Cafcass works with, and to some extent is dependent on, a varied range of third parties and external partners. Our appetite for risks associated with contractual relationships is included under 'Finance'.

However, there are a number of risks that arise with third parties and external partners outside these formal contractual relationships, where there is a dependency that may affect the delivery of our remits. As such, there will always be exposure to a tolerable level of risk from working with and through these external partners.

Our risk appetite when working with external partners is **medium**.

- **Financial management and propriety—Nil**

This category includes internal financial management, legal and ethical compliance, procurement and contractual controls and, negotiation of funding with the DCSF. We have a framework of systems and procedures that ensures compliance with all statutory requirements.

The Board acknowledges the risks arising from the delay in reaching agreement with the DCSF to secure funding at the beginning of the financial year and the impact it has on our personnel management and the planning of our services. This is a risk, which is shared with DCSF.

Our overall appetite in this area is **nil**.

- **Human Resources—Low**

Critical to Cafcass success is the internal capability and performance of its personnel. Delivery against our key work remits is largely dependent on recruiting and retaining personnel with expertise in professional social work and in key posts in the corporate management and delivery of programmes.

Our appetite in taking well-managed risks to build our internal capability in this area is **low**.