

## RISK MANAGEMENT STRATEGY

### 1. INTRODUCTION

- 1.1 The purpose of this report is to seek Members endorsement of the attached Risk Management Strategy.
- 1.2 The Risk Management Handbook at **Appendix A** is intended to be a guide to staff in implementing the strategy and this process will be supplemented by training and one to one sessions.
- 1.3 The strategy will be discussed with the Council's insurers who will assist with its implementation and training. This will be provided as part of the Risk Management consultancy which was included in the insurance renewal terms.

### 2. BACKGROUND

- 2.1 One of the improvement areas identified during the CPA self assessment exercise was the Council's Risk Management.
- 2.2 The recommendations included the development of a Risk Management Strategy and Risk Registers.
- 2.3 The attached document outlines the Council's strategy for managing risk, and the methods to be used in achieving this.
- 2.4 The adoption of this policy should not be viewed as a compliance issue, but rather a way of ensuring the success of our strategic decisions and operations.

### 3. FINANCIAL IMPLICATIONS

- 3.1 None arising directly from this report.

### 4. ENVIRONMENTAL AND CRIME AND DISORDER IMPLICATIONS

- 4.1 None arising directly from this report.

### 5. PORTFOLIO HOLDERS COMMENTS

- 5.1 The Portfolio Holder supports the adoption of the strategy.

### 6. RECOMMENDATIONS

- 6.1 That Members approve the adoption of the Risk Management Strategy at Appendix A.

#### For further information

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## **RISK MANAGEMENT STRATEGY**

### **1. INTRODUCTION**

- 1.1 There have been numerous changes in the law and advice in respect of the need for good Risk Management much of which the Council already embraces. But there is a need to codify and record this in a more systematic way.
- 1.2 Although there are a number of drivers for the introduction of a Risk Management Strategy, requirements of Audit Commission and Comprehensive Performance Assessment for example, it should not be viewed as a compliance issue, but rather a way of ensuring the success of our strategic decisions and operations
- 1.3 For the purposes of this strategy, risk is defined as something happening, or not happening, that might have an impact on the achievement of the Council's objectives and reputation and affect service delivery to the community.
- 1.4 Risk management involves five main processes:
  - Identification** of risks – Identify the key risks
  - Profiling** of risks – Assess the likelihood and potential impact of risks
  - Management and Control** of risks – Identify existing and proposed controls
  - Funding** of risks – Assess the cost benefit of the controls
  - Monitoring and Reporting** of risks – Develop action plans to improve the risk profile
- 1.5 Risks need to be managed rather than avoided and consideration of risk should not stifle innovation. Risk management should be regarded as a tool for exploiting opportunities as well as a safeguard against potential threats of litigation or losses. Losses are often measured in money terms but they also include costs of disruption, inconvenience, lowering of morale, adverse publicity, etc.
- 1.6 The Council will therefore use risk management to promote innovation as well as to help secure existing objectives.
- 1.7 The identification and management of risk must be systematic and consistent across the Council. It should be an integral part of all key management processes rather than a separate process and it is proposed that this be achieved using the simplest possible means. The process is intended to add value not bureaucracy.

### **2. AIMS OF STRATEGY**

- 2.1 The strategy outlines the reasons for the need for effective risk management, who will be responsible and how it is to be achieved.
- 2.2 Its aim are to;
  - embed risk management as an integral part of service and strategic decision-making and budget setting.

establish an effective and explicit method of risk identification, recording, analysis and control.

to enable us to demonstrate that risks are well managed and that the process has allowed us to facilitate innovation.

2.3 Achieving these aims will contribute to;

- providing enhanced service delivery and improved customer service
- minimising insurance premiums and reducing claims
- better workforce safety and property safety
- better strategic management through better informed selection of strategic objectives as a result of the risk management process
- reduced losses, less interruption
- reduced costs of risk and improved financial management
- improved employee morale, officer satisfaction, working environments
- improved reputation and higher public esteem, improved perception of best practice
- improved control of contractual working arrangements
- supporting corporate governance.
- enable risks and losses to be managed and controlled, thus allowing funds and resources to be used in the most efficient manner

### **3 ROLES AND RESPONSIBILITIES**

3.1 For the strategy to be effective there must be commitment throughout the Council. It is an essential part of effective corporate governance and needs to start from the top down.

3.2 Risks do not belong to individuals or departments. All employees have a role to play and a responsibility for identifying risks.

3.3 The key roles and responsibilities of individuals and groups to implement the strategy are as follows;

#### **Members –**

- approve strategy.
- approve appropriate funding
- receive annual statements on progress.

#### **Corporate Management Team –**

- sponsorship of strategy and overseeing Risk Management within the Organisation as a whole.
- The identification and recording of strategic risks facing the Council and ensuring that Heads of Service implement a framework for the identification of risks within their directorates.
- Receiving bi-annual reports from the Risk Management Group on the progress of Risk Management within the authority.

#### **Heads of Service -**

- to disseminate the detail of the risk management strategy and allocate responsibilities for implementation to managers and staff.
- to identify, record, consider and take action to control risks which are important to their service.
- to ensure that matters of concern and progress on risk management issues are reported to the Risk Management Group.
- ensure risk management forms a major part of all service planning, budget process and annual performance interviews.

#### **Service Managers –**

- in addition to operational risks on day to day activities which may be covered by risk assessments they will have a key role in identifying major risks which require feeding in to the risk management process

#### **Risk Management Group –**

- promote the risk management strategy throughout the organization.
- ensure a consistent approach is adopted, particularly cross cutting issues
- six monthly report to Corporate Management Team on progress or risk management.
- consider value of new risk management initiatives
- monitor claims and incidents to see if lessons can learned
- act as forum to exchange views on risk management issues and share good practice

#### **Insurance and Risk Manager –**

- to promote, support and oversee the implementation of the risk management strategy
- to develop an integrated risk management training program
- to maintain the Council's risk register

- to assist departments in undertaking risk management activity through training and/or direct support.

#### **4. IMPLEMENTING THE STRATEGY**

4.1 The first step on the process must be the identification of potential risks if informed decisions are to be made about policy or service delivery options.

4.2 Risks will be identified through;

- Facilitated risk assessment workshops and training by department to identify and evaluate risks against objectives. Departments should specify risk exposures and provide a basis for the Council's overall risk profile
- Brainstorming sessions, questionnaires
- Analysing past insurance claim details, accident logs, complaint records, incident reports and repair and maintenance costs
- Internal Audit reports where findings are ranked high, medium or low priority
- Regular undertaking of performance measuring and monitoring to identify weaknesses
- Loss control surveys carried out by insurers on areas such as property fire and security
- Formal risk assessment exercises
- Liaison with other authorities, regional and national associations and insurance providers on current issues and developments

4.3 Whilst there is a comprehensive register of risk assessments, held by the Council's Corporate Health and Safety Risk Manager, regarding day-to-day operational risks there is no formal recording of risks associated with strategic, business planning and budget setting.

4.4 The initial identification process needs to concentrate on the major policy documents and written procedures that support them.

4.5 Having identified areas of potential risk they can be profiled and recorded. The process will be kept as simple as possible using a standard proforma which will record the following details;

- an assessment of their frequency and probability of occurring (score of 1 – 5)
- an assessment of their severity and impact (score of 1 – 5)
- an assessment if existing controls
- cost effectiveness of additional controls

4.6 The risk rating will be calculated by using the formula :-

$$\text{Risk Rating} = \text{Likelihood} \times \text{Severity}$$

Risks can then be profiled and where the risk has a high score or is considered unacceptable action can be taken to mitigate or remove it. It is estimated that nearly 80% of all risks are uninsurable and it is, therefore, essential that the Council considers all risks.

- 4.7 The register of risks will be held by each Department and centrally by the Insurance and Risk Manager. It is proposed that this will be done in electronic media which will allow the Insurance and Risk Manager to issue it to Departments for updating and for Departments to centrally record any new potential risks identified as a result of the introduction of new service initiatives.
- 4.8 In supporting this strategy a Risk Management handbook has been developed and will form part of the training and implementation of this document. A copy of the handbook is shown **APPENDIX A**. The handbook will be updated in light of experience and further information.
- 4.9 A proposed timetable for the introduction of the strategy is shown at **APPENDIX B**.

## 5. CONTINUAL RISK MONITORING AND REVIEW

- 5.1 Once the initial risk assessments have been carried out the process is not complete, for this strategy to have an impact it must form part of all ongoing decision-making and business planning throughout the Council.
- 5.2 It is important that Departments update and maintain the risk register, the Insurance and Risk Manager will circulate the current register at intervals to coincide with service planning, budgeting process for responsible officers to check and amend as appropriate.
- 5.3 Progress on the risk management process will be reported quarterly to the Risk Management Group. Annual reports will be given members on this progress and initiatives taken.
- 5.4 Planned outcomes arising from the introduction of the strategy and measurement of its success are;

Planned Outcome	Measurement
Contribution to strategic planning	CMT self-assessment of impact
Explicit risk taking more acceptable	
Greater risk awareness	Surveys undertaken annually at time of risk register update
Fewer incidents	Reduction in number of incidences/claims



# **Risk Management**

**.....a guide on  
how to identify and  
manage risk.**

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## **What is Risk Management?**



**Risk Management is defined as “the process of identifying risks, evaluating their potential consequences and determining the most effective methods of controlling or responding to them”. It’s largely a matter of common sense. If we know of a hazard then it makes sense to take steps to do something about it.**

**Risk Management is a tool that we can all use to identify, quantify and record all sorts of risks. The aim is to reduce the frequency of risk events occurring (wherever possible) and minimise the severity of their consequences if they do occur.**

**Throughout this guide reference is made to hazards and risks these terms are defined as;**

**Hazard – an event or situation that can cause harm (including ill health and injury; damage to assets, loss of reputation, environmental pollution, financial losses, increased liabilities etc.)**

**Risk – the chance, great or small, that damage or an adverse outcome of some sort will occur as a result of a particular hazard.**

**The rest of this handbook sets out how we can use Risk Management. As you read on please think about what YOU can do to apply the Five Point Plan.**

**Think about its application to your service and involve your colleagues.**

## The Five Point Plan..

We can break Risk Management into five manageable steps or points.

By applying these to any hazard or risk we can look afresh at our operations so as to manage our risks more effectively.

### The Five Point Plan

**1. Risk Identification.....**what are the risks associated with my service/job?

**2. Risk Evaluation.....**how serious are such risks?  
How likely is it that such an event might occur?

**3. Risk Elimination.....**can we eliminate the risk by stopping doing something?

### IF NOT THEN.....

**4. Risk Reduction...**can we reduce the risk by doing something such as changing a policy, procedure or training?

### IF NOT THEN.....

**5. Risk Transfer ....** can we transfer the risk to someone better able to deal with it?

# What we can do

Using the five-point plan to manage risks.

## Risk Identification

Start by thinking.....what are the hazards or risks associated with your service?

The sort of hazards/risks that face us include:-

- political – failure to deliver local or central policy
- economic – the ability of the Council to meet its financial commitments
- social – relating to the effects of changes in residential/social trends
- technological – ability to cope with change and consequences of failure
- legislative – potential changes in national or European law
- environmental – consequences of Council's strategic objectives in terms of energy efficiency, pollution, landfill emissions
- customer – failure to meet current and changing needs and expectations

# These are all risks.... and there are many more...

# Risk Evaluation

It may be that some risks must be accepted because they are inherent in the service provided or project undertaken. The important point is having identified the risks the likelihood of it occurring and the consequences should be assessed by using the matrix provided and be recorded in the Risk Register/Action Plan (example attached). The matrix is a way of standardising the assessment of the likelihood of something happening and the consequences should it occur.

**How likely is it that it would happen?**

**What would be the consequences of it happening?**

The council's 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.

If the approach to risk is not established and communicated effectively at the start of the process, it is likely that different managers will gauge potentially significant risk areas on an inconsistent basis. This can lead to either acceptable risks being 'over controlled', or worse, to unacceptable risks being taken and not being reported.

The Risk Register/Action Plan and matrix are designed to ensure a consistent approach. The Risk Management Group should corporately address any matters of concern or where there is a need for clarification.

The ways of managing risk are illustrated below.

## Risk Elimination

The process of Risk Management is not intended to stop us taking risks or stifle innovation it is being pragmatic in understanding how they can be managed more effectively. By the nature of our business certain activities carry a degree of risk. However, although it might sound obvious the best way to manage some risks is to avoid it by modifying procedures, policies or behaviour. The fact that we have identified the risk and removed it should be recorded.

**Eliminate the hazard!**

## Risk Reduction and managing it

You know what the risks are. You know how serious they are. You've looked to see what you can stop doing. The next step is whether controls and procedures are required to be put in place to reduce the risk.

**Look carefully at your procedures and training.**

**Seek advice**

**Share 'best practice'.**

**Investigate incidents such as thefts, injuries and mistakes to see what you can do to stop them happening again.**

**Can someone else learn from your mistakes?**

**Be proactive. If you are about to do something new go through the Five Point Plan first!**

Record the risk and its severity and what action is currently being taken or is being proposed to manage it. Regularly review the register/action plan and critically look at the measures in place. If in undertaking this process, or subsequently, new measures can be introduced these should be recorded and the risk re-assessed. **The risk is being managed as long as it is regularly reviewed, appropriate control measures are in place and lessons are learned from experience.**

When new activities are undertaken an assessment should be made to see whether they pose a possible risk. If there is a risk the likelihood and consequences should be assessed, and the fact that the appropriate controls and procedures have been put in place to minimise the effects, should be recorded.

## Risk Transfer

Maybe there is someone else who is better able to deal with certain risks. Just as we get the Fire Brigade to deal with fires we can consider using other experts, and don't forget we do employ our own experts of course.

Certain risks are transferred to our insurers but only after we have done all we can to ensure that the risk has been reduced as far as possible.

**You can't be an expert at everything!**

The process of Risk Management may also reveal areas where we have overrated the possibility of a risk occurring. There may for example be an opportunity to relax some procedures or even remove risks from insurance cover, consequently reducing expenditure.

## What next?

The five-point plan ensures we are aware of risks, have recorded them and the actions being taken to minimise their effect. But as pointed out this process has to be a continuous one. The Risk Register/Action Plan will be centrally held for all services and a member of CMT will be responsible for ensuring its completeness and its relevance.

However, it must be a live document, which is updated as when the business changes and reviewed regularly to ensure that the controls and procedures are appropriate. Each business unit/service will be responsible for reviewing and updating the register/action plan on a three/six monthly basis.

## What are the gains from the pain?

The benefits are numerous.

- The key drivers of both the risk management strategy and methodology are to ensure:
  - risks are successfully managed, and;
  - there is clear ownership and demonstrable accountability.
- Furthermore, this reformed system will ensure that service's budgets do not go towards paying for claims or incidents but is available for the purposes they were intended by:
  - reducing error and preventing fraud;
  - providing a system that is efficient, effective, easy and safe for people to use;
  - making the best use of available resources.
- We could also derive financial benefit from reducing the risk of incidents happening which could lead to less claims and subsequent reduction in insurance costs.

**Timetable**

<b>Action</b>	<b>Responsibility</b>	<b>Timescale</b>
Strategy agreed by CMT/Members	Director of Resources /Insurance and Risk Manager	August – September 2003
Identifying training needs and workshops planning for individual groups	Risk Management Group / Insurance and Risk Manager	September - October 2003
Risk Management Workshops	Risk Management Group / Insurance and Risk Manager	November 2003– January 2004
Identify a service to trial and test the strategy.	Risk Management Group / Insurance and Risk Manager	January 2004
Risk identification workshops, meetings and risk register completion.	Risk Management Group / Insurance and Risk Manager / Department Heads and Managers	April – June 2004
Incorporating Risk Assessments into service planning, best value reviews, performance assessment interviews and budgeting process	Directors / Department Heads and Managers	August 2004