

RISK MANAGEMENT

1. INTRODUCTION

- 1.1 Risk Management is simply a part of an organisations overall governance arrangements; one part of a management system that already exists. The Council has always seen Risk Management as an integral part of every day management in this way and has therefore not developed overly bureaucratic processes simply to obtain appropriate accreditation through the Use of Resources Assessment. However currently what's being *done* cannot necessarily be *demonstrated* and although this in itself is not a driver for change it is important that decisions can be substantiated as being made in a fully informed context and that threats are averted as far as possible. There is a need therefore to more consciously and systematically consider and record risk.
- 1.2 The Cabinet Report on 7th November 2007 acknowledged that further work needed to be undertaken to create a 'fit for purpose' Risk Management framework.
- 1.3 The challenge is to embed risk management so it becomes part of the culture of the organisation in respect of decision making, ensuring outcomes in the absence of surprises and exploiting opportunities that may have otherwise been perceived to be 'too risky', whilst minimising bureaucracy and adopting an approach that demonstrably adds value, challenges the status quo and assists the Council to move forward.
- 1.4 This report seeks approval for the adoption of a new Risk Management Strategy (Appendix 1) and implementation action plan (Appendix 2 page 19) in order to formalise processes and embed risk within the governance processes already in existence in respect of performance management, service planning, financial planning, audit planning and committee reporting. Accepting the Council's previous stance the Strategy proposes a pragmatic and proportionate response that should be seen as adding value to existing processes and not as a burdensome extra or paying lip service to satisfy inspection regimes.
- 1.5 The strategy recommends a consistent approach to the identification, recording and monitoring of Risk and has been developed in conjunction with Heads of Service and following a review of the Council's risk management arrangements by Zurich Municipal, the Council's insurers.

2. BACKGROUND

- 2.1 The process of risk management aims to identify the significant risks that may impact on the Council achieving its objectives. Its purpose is to evaluate, design and implement effective measures to reduce both the likelihood and potential impact of these risks occurring. It is not about avoiding risks but about being more risk aware and by understanding the threats and opportunities it faces the organisation will be better placed to avoid or exploit them for the achievement of its objectives, risks therefore should be managed and not avoided. The Audit Commission state that Council's that avoid risk are unlikely to be good performers, rather what is required is flair, innovation and the ability to take informed risks and manage them.

- 2.2 A common misconception is that risk management is about insurance, health and safety or business continuity. Although these are an integral part of any risk management framework it is estimated that only 20-25% of an organisations total risk profile is insurable. This focus tends to be operational and concerned with the way things are being done. Strategic risk management is concerned with the ability of an organisation to achieve its objectives.
- 2.3 To place this in some context Zurich, the Council's insurers, have determined that the key risks (in order of priority) currently facing local authorities are:
1. Managing partnerships with other organisations
 2. Funding and good financial management
 3. Human resource issues
 4. Crisis planning
 5. Tackling anti-social behaviour
 6. Fire safety
 7. Climate change
 8. Project management
 9. Changes in population
 10. Compensation culture

3. RISK PERFORMANCE

- 3.1 Risk Management is one of the areas of performance measurement within the Audit Commissions 'Use of Resources – Key Lines of Enquiry' element of the CAA and places a significant requirement on Councils to demonstrate that they have in place a robust and active risk management process.
- 3.2 The Audit Commission have identified risk management as an area for improvement for the Council over a number of years most recently within the Annual Audit & Inspection Letter (March 2007) identifying the embedding of risk management as the 'main area for improvement' and in this regard suggest that to maintain a level 3 score for Internal Control the Council will need to:
- maintain and review its corporate risk register, linked to strategic business objectives, incorporating risks from significant partnerships and provide risk management training and guidance to appropriate staff;
 - include risk assessments in reports to support strategic policy decisions and project initiation documents; and
 - ensure that members with responsibility for corporate risk management receive reports on a regular basis and take appropriate action to ensure that corporate business risks are being actively managed, including reporting to full Council as appropriate.
- 3.3 In summary the Audit Commission are looking for a framework that demonstrates a strategic approach led from the top of the organisation which focuses on outcomes, considers risk in relation to its significant partnerships and positively uses risk management for both improvement and innovation. The strategy (Appendix 1) and accompanying action plan (Appendix 2) should assist the Council in achieving this.

- 3.4 Additionally the Council has a statutory responsibility to have in place arrangements for managing risks under the Accounts and Audit Regulations 2003 which state 'the relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of the body's functions and which includes arrangements for the management of risk'. The CIPFA/SOLACE 'Framework on Corporate Governance' similarly recommends that authorities should establish and maintain a systematic strategy, methodology and processes for managing risks and report publicly on its effectiveness.
- 3.5 Consequently Risk Management features strongly in the Council's Local Code of Practice for Corporate Governance and is one of the primary assurance strands in the Annual Governance Statement which places significant reliance on a robust risk management framework.

4. EXISTING ARRANGEMENTS

- 4.1 There are several strands to the Council's current approach to risk management. In addition to strategic risk management it includes work place health and safety, ICT disaster recovery, business continuity planning and operational risk management which includes the provision of insurance cover and claims handling.
- 4.2 Risk Management activities have also been previously undertaken by the corporate Risk Management Group (RMG), however as a result of the changes in responsibility for strategic risk management, and the review of the strategy, the group has been temporarily disbanded. The Strategy proposes that a new Risk Management Group now be established to ensure risk is effectively developed across the Council.
- 4.3 Cabinet approved the existing Risk Strategy in September 2003. The attached Strategy if adopted will seek to replace the 2003 version.
- 4.4 The Strategic Risk Register was approved by Cabinet in November 2007. However, this will be reviewed in light of the new Corporate Plan and the review of risk management arrangements.

5. PROPOSED FRAMEWORK

- 5.1 As detailed much work is already being undertaken and where possible the Strategy exploits existing arrangements. The Strategy should not, therefore, be seen to involve significant additional or unnecessary work but moreover be a useful decision and scrutiny tool forming part of the overall governance of the organisation; thus an embedded system negating where possible the need for separate reporting requirements.
- 5.2 To ensure a clear link exists between the Council's objectives and the risks to their achievement the Strategy has been closely aligned to Strategic Planning and Performance Management enabling identification and evaluation of risk against the Council's key themes, priorities and aims.

- 5.3 Significant risks will be recorded in a series of risk registers owned and actioned by named officers. Future consideration will be given to how this recording can be more integrated into the performance management software where possible exploiting the need to only record risks once and enabling links to other registers and services.
- 5.4 In an attempt to further embed Risk Management into the Council and thus introduce a more inherent risk aware culture, opportunities have been taken within the Strategy to enhance the requirements of Risk Management within Partnerships and Project Management.
- 5.5 However, the Strategy is reliant on a structured approach to project management and the definitions and parameters that define a significant project. Although the Council's Project Management Guide reflects the risk management requirements of the strategy further work and discussion will be necessary to facilitate the practicalities of consistently identifying and risk managing projects.
- 5.6 Consideration has been given to a recommendation of the Audit Commission that all reports should contain an explicit summary of the risk associated within the contents of the report. However it was considered that highlighting risks separately would result in an artificial afterthought rather than the robust appraisal needed. As such it has been agreed with Head of Service that risks should be considered as an implicit and integral part of the report. This will be supported by guidance to report writers when reports are next generally being reviewed.
- 5.7 A move towards more demonstrable and embedded risk management facilitated by the proposed strategy will require a cultural shift throughout the organisation endorsed at the highest level.

6. FINANCIAL IMPLICATIONS

- 6.1 There are none arising directly from this report.

7. EQUALITY AND DIVERSITY IMPLICATIONS

- 7.1 There are none arising directly from this report.

8. ENVIRONMENTAL IMPLICATIONS

- 8.1 There are none arising directly from this report.

9. CRIME AND DISORDER IMPLICATIONS

- 9.1 There are none arising directly from this report.

10. CORPORATE OVERVIEW PANEL COMMENTS

- 10.1 Members of Corporate Overview Panel and all other members of the Council were invited to attend a Risk Management Session on 20 November 2008. The session involved a short presentation on the benefits of Risk Management and how it was being applied at NFDC. Members noted that, although the Council

had already been using Risk Management principles for some time, one of the initial elements of the new Risk Management Strategy would involve the preliminary step of recording identified risks, as a simple and proportionate response. This would be followed by a Likelihood and Impact Assessment. In this way, Risk Management would become embedded in the organisation so that it was an inherent part of report writing and decision making.

10.2 In order to gain a better understanding of Risk Management principles, Members undertook a group exercise to identify risks and opportunities associated with the economic downturn. This highlighted the value of examining issues from all angles, and that what at first seemed a negative environment may have some positive aspects upon which the Council might capitalise.

10.3 Members then discussed these findings and felt it would be beneficial for Scrutiny Panels to receive risk reports for each of their respective areas, and this was taken on board as a possible future step depending on whether it was practicable and appropriate to do so. In answer to a question, it was not felt necessary to add a standard dedicated 'Risk Management Implications' paragraph to committee reports (in the same way that crime and disorder or financial implications were highlighted). It was anticipated that the Council's approach to Risk Management would be so integrated into everyday working that this would not be necessary.

11. PORTFOLIO HOLDER COMMENTS

11.1 I believe that this Council has always had a good grasp of risk management and has been risk aware but not overly risk averse. Portfolio Holders undertake risk management within an effective management structure. I do understand that we need to demonstrate that we do this, but we should do it without creating any unnecessary bureaucracy or doing this just to tick the boxes.

12. RECOMMENDATIONS

It is recommended that:

12.1 The revised Risk Management Strategy shown at Appendix 1 is approved for adoption by Cabinet.

12.2 The action plan to implement the Strategy and embed risk management further into the culture of the organisation shown at Appendix 2 is noted.

For Further Information Please Contact:

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Background Papers:

Cabinet 3 September 2003 (Report F)
CMT 22 March 2005 (Report C)
CMT 11 October 2005 (Report D)
Cabinet 7 November 2007 (Report G)

Risk Management Strategy

1. Introduction

New Forest District Council actively manages risk in order to contribute to meeting its objectives and statutory obligations. The Council will therefore use risk management as a tool to promote innovation and safeguard against threats in support of the Corporate Plan.

This strategy outlines how New Forest District Council is taking on its responsibility to manage risks and opportunities using a simple but structured and focused approach so that risk management is integral to all policy planning and operational management throughout the Council and a fundamental element of the performance management framework. It is supported by an easy to use two page guide that will be distributed to Officers as appropriate (Appendix 1).

The objectives of the strategy are to:

- develop risk management further and raise its profile across New Forest District Council
- embed risk management through the ownership and management of risk as part of all decision making processes
- establish a simple and consistent approach to identifying, analysing, controlling and monitoring risk
- integrate risk management into existing processes
- create effective processes that will allow New Forest District Council to make risk management assurance statements annually

2. What is risk and why manage it?

Risk is an event or uncertainty that may enhance (i.e. opportunity) or impede our ability to achieve objectives effectively. For example poor financial management could result in financial losses through errors and/or fraud resulting in an impact on Council Tax and the reputation of the Council.

Risk Management is the management of integrated or holistic business risk in a manner consistent with the virtues of best value, economy, efficiency and effectiveness. In essence it is about making the most of opportunity (making effective and consistent decisions) and about achieving objectives once these decisions are made. If risks are not managed the result can be an inefficient use of resources with an inability to demonstrate value for money potentially leading to a reduction in the quality of services. However although it is vital that an organisation manages risks to the best of its ability they should not become barriers to achieving objectives. The effective management of risk should lead to more informed decision making, the achievement of objectives, improved services and a safer environment.

The Council has adopted a Local Code of Corporate Governance. The Code sets out key criteria, including aspects of risk management against which the Council should measure itself and in so doing move towards a systematic strategy, framework and process for managing risk which over time will benefit the Council as it progresses towards meeting these criteria. The adequacy of the risk framework is reported within the Annual Governance Statement signed by the Leader of the Council and the Chief Executive.

The Audit Commission's annual 'Use of Resources' assessment, a key element of the Comprehensive Area Assessment (CAA), also checks that the organisation has a robust approach to managing its risks.

3. The benefits of risk management

Robust Risk Management will strengthen the ability of the Council to achieve its vision, priorities and aims and improve its performance effectively and efficiently. Whilst it is acknowledged that risk cannot be totally eliminated, the organisation is committed to the management of risk in order to:

- ❑ Assist the delivery of the Council's priorities
- ❑ Help the Council to better manage the implementation of new initiatives, projects and new ways of working
- ❑ Ensure compliance with statutory obligations
- ❑ Protect the Council's reputation
- ❑ Protect the Council's property, including buildings, equipment and other assets and resources
- ❑ Anticipate and respond to changing social, financial and legislative requirements
- ❑ Ensure informed decision making in respect of adopting policy or service delivery options

Risk management is a tool for ensuring we make the most of opportunities as well as managing potential threats. Clear understanding of the risks around opportunities enables us to take innovative decisions with assurance. The key is for the Council to be risk aware and not risk averse.

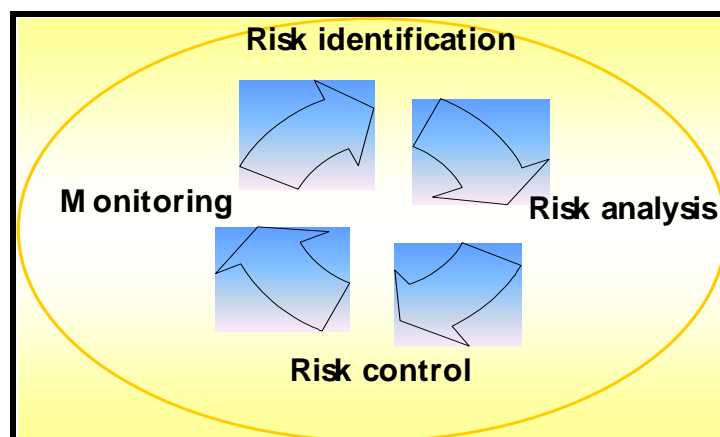
4. The Risk Management process

Risk management is the process of identifying significant risks relevant to the achievement of the Council strategic and operational objectives, evaluating their potential consequences and implementing the most effective way of managing and monitoring them.

The risk management process is commonly shown as a cycle identifying four distinct stages. These stages will be integrated within existing Performance Management Frameworks.

Risk Management Cycle

This framework can be implemented at both strategic and operational levels



Stage 1: Identifying strategic and operational risks

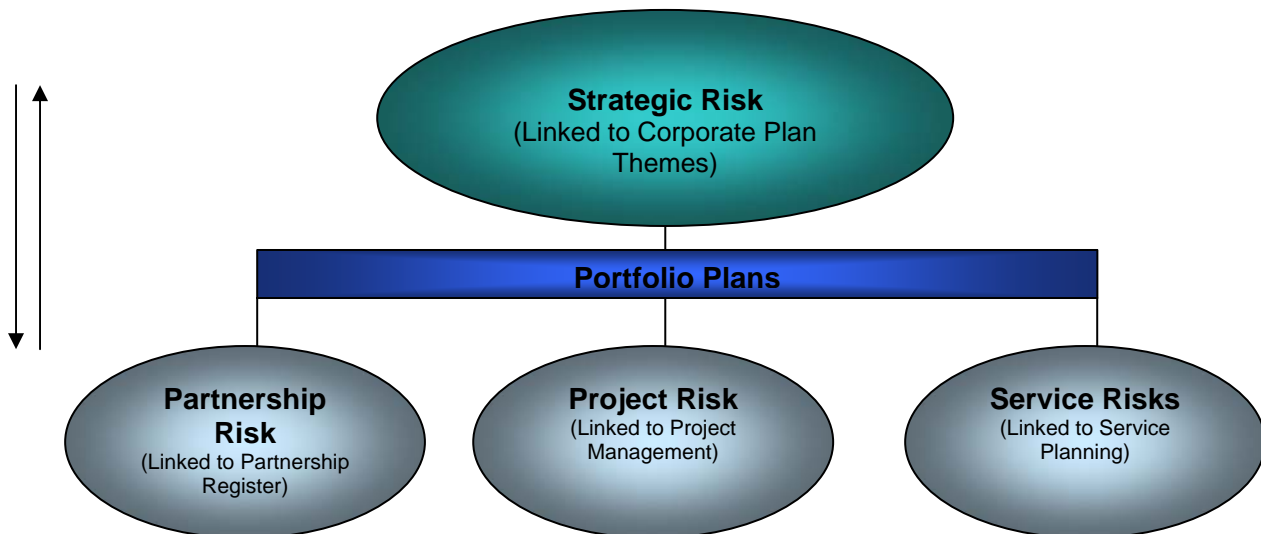
The broad range of risks and challenges faced by organisations are often divided into strategic and operational risks. Strategic risks are those that affect the medium to long-term goals and objectives of the Council as a whole, whereas operational risks relate to the day to day issues that managers and staff encounter.

Often strategic and operational risks interrelate. For example, if there is an overall strategic problem caused by not having adequate staffing capacity, this could give rise to several specific operational risk problems in individual service areas.

It is therefore extremely important for the Council to identify strategic risks, try to manage these and monitor them carefully, as they could impact not only on the Council as a whole, but also in a number of service areas.

In identifying strategic and operational risks it is also important that risk management is being undertaken consistently throughout the Council. The diagram below highlights the fact that risks need to be managed at different levels within the organisation but also that there needs to be a process whereby risks can be escalated or moved down where necessary.

Risk Management Framework



Categories of risk

When identifying risks it can be helpful to use categories as prompts to ensure that all areas of risk have been considered. These categories are outlined below:

Risk	Description
Political	Local and national political issues / interaction / decision making
Economic	Local and national economic issues including interest rates / supplies / inflation and other key assumptions
Social	Social and demographic issues both within workforce and the population you are serving
Technological	Reliability and ability of technology to meet and serve your needs.
Legislative	Associated with current or potential changes in national or European law
Environmental	Relating to the environmental consequences of progressing the council's strategic objectives
Professional / Managerial	Associated with the particular nature of each profession, internal protocols and managerial abilities
Financial	Associated with financial planning and control
Legal	Related to possible breaches of legislation / meeting of regulator requirements
Physical	Related to fire, security, accident prevention and health and safety of both workforce and the population
Partnership/ Contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value
Customer/ Citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens

Identification of risks

The first stage in the process is to identify those risks that may prejudice achievement of objectives. Obviously this requires a clear understanding of what the organisation, division or service is trying to achieve. Strategic risks can be identified against corporate challenges and priorities whilst operational risks are the day to day issues that managers and staff encounter.

Risks can be identified in different ways. The first stage can be systematic, such as with the initial implementation of the risk registers. Risks can also be identified as part of specific projects, such as in the formal project management processes adopted by the Council. As risk management becomes more established, the process will combine a systematic approach with one where risks are identified as part of the operational activities that are undertaken.

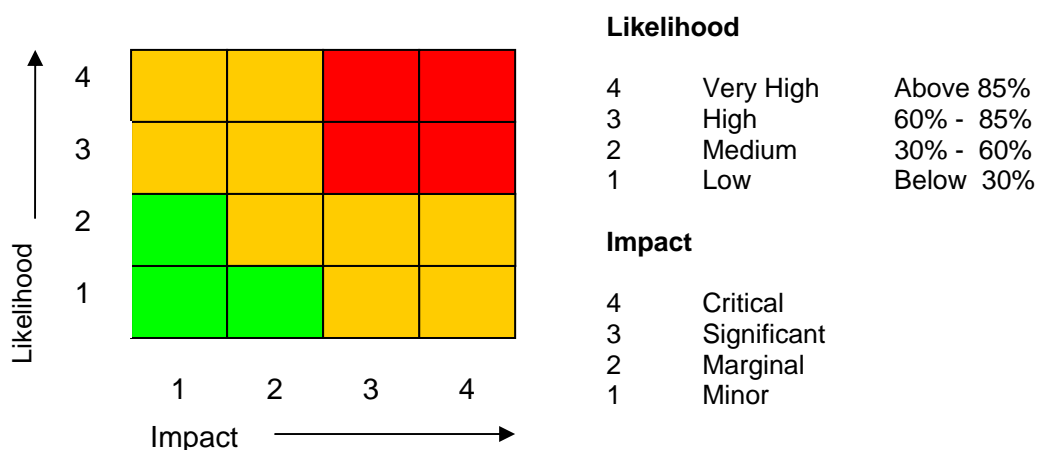
An example of a risk scenario is outlined below.

Cause	Example Consequences
<p>Scenario: The Council is entering in to a new partnership.</p> <p>Risk: Anticipated joint outcomes of the partnership are not achieved as a result of the failure to clearly define the partnerships objectives or through inadequate governance arrangements</p>	<ul style="list-style-type: none"> • Financial losses • Resources misdirected • Resources wasted • Reputation undermined • Political fall out • Not achieving agreed community outcomes

Stage 2: Risk analysis

The risk analysis stage systematically evaluates the identified risks to determine the frequency / likelihood of an adverse event occurring and the impact / severity if it did occur. Prioritising or profiling the risks is carried out by scoring impact and likelihood (Impact x Likelihood) as illustrated by the matrix below.

Profiling of identified risks in matrix



The Council has adopted a red, amber, green approach for risk classification to reflect high, medium and low risks, in order to highlight where action needs to be taken as a priority. All high risks i.e. those scoring in the red area will require a supporting action plan to record

Impact Rating

The following definitions should be used as a guide when determining whether a risk would have a Minor, Marginal, Significant or Critical impact. It should be noted that operational and strategic risks may have different level of impact.

	Minor	Marginal	Significant	Critical
Financial Impact	£10k-£20k	£20k-£50k	£50k-£100k	£100k +
Objectives	Minor impact on objectives	Objectives of one section not met	Objectives of Service not met	Corporate objectives not met
Service Provision	Minor service delay Small changes necessary to maintain service provision	Short term service delay Service quality may not be maintained / quality is reduced	Medium term delay Service quality cannot be maintained / quality is severely reduced	Service suspended Long Term / Statutory duties not delivered
Project	Minor delay – days	A few milestones missed	A major milestone missed	Majority of milestones missed/ Project does not achieve objectives
Health & Safety	First aid	Broken bones/illness	Loss of life/ Major illness	Major loss of life / Large scale major illness
Morale	Mild impact on morale	Some hostile relationships and minor non cooperation	Industrial action	Mass staff leaving/unable to attract staff
Reputation	No media attention / minor letters	Adverse local media	Adverse national publicity	Remembered for years
Government Relations	Minor local service issues	Poor Assessment (s)	Service taken over temporarily	Service taken over permanently

Likelihood Rating

(1) Low	Below 30% chance
(2) Medium	Between 30% and 60% chance
(3) High	Between 60% and 85% chance
(4) Very High	Higher than 85% chance

Stage 3: Risk control

To mitigate against a risk the Council will adopt one of the following options:

- ❑ **Control** – It is usually possible to mitigate the risk by ‘managing down’ the likelihood, the impact, or both. Any control measures must reflect the potential frequency, severity and financial consequences of the risk event.
- ❑ **Accept** – Some risks may have to be accepted as they form part of, or are inherent in, the activity. In addition there are some risks over which we can have no control and some for which any management actions would be prohibitive in terms of resource. The important point is that these risks are identified, are clearly understood and are acknowledged.
- ❑ **Transfer** – Some risks can be transferred to another body or organisation i.e. insurance, contractual arrangements, outsourcing, partnerships etc. It is however acknowledged that some risks e.g. reputation can never be transferred.
- ❑ **Terminate** – We may be able to eliminate a risk by ending all or part of a particular service or project.

Capture of risks – risk registers

Risks will be recorded in a series of risk registers aligned to the risk framework detailed on page 4. To ensure consistency all risks registers will adopt the same format (Appendix 2) and use the colour classification of red, amber and green to denote high, medium and low risks.

Each register will record the unique risk reference number suffixed by the type of register, a description of the risk and potential consequences, the intended outcome from managing the risk and the risk scoring before and after actions taken to reduce the likelihood or impact of the risk. Each risk will be assigned an ‘owner’ who will be responsible for ensuring that the level of risk is tolerable or for taking action to reduce the level of risk, all red risks require an action plan (Appendix 3).

- ❑ **Strategic & corporate risks**
The overarching Strategic Risk Register is owned by EMT and includes significant risks to the achievement of the key themes within the Corporate Plan, cross cutting aims and objectives and other issues of strategic importance at the highest level.
- ❑ **Service risks**
Each Service will maintain a register owned by the Head of Service. The register includes issue affecting the achievement of the Service’s objectives and will be aligned therefore to the Service and Portfolio Plans. The register will include significant strategic and operational risks.
- ❑ **Partnership risks**
A Partnership Risk Register is maintained for risks associated with the Council’s significant partnerships. The register includes issue affecting achievement of partnership objectives and risks to the organisation associated with the partnership. The lead officer for the partnership will own the risks associated with the arrangement and has responsibility for ensuring risks are recorded in the Partnership Risk Register in line with the Council’s Partnership Framework. [[Hyperlink to Partnership Framework](#)]

□ **Project risks**

The Project Risk Register will record risks associated with significant projects as defined in the project management guide and include issue affecting the achievement of the projects objectives and other risks related to the project. The Project Manager will ensure that risks are considered in line with the Council's Project Management guide and arrange for significant risks to be included in the Project Risk Register. This will not negate the need for large projects to maintain an individual risk register for the project at a more operational level. [[Hyperlink to Project Management Guide](#)]

Escalation of risks

As previously stated, whilst risks need to be managed at different levels within the organisation, it is also important that risks are escalated or moved down where necessary.

Risks that are prioritised as having a risk score of 9 or above i.e. a high/red risk will be reported to Executive Management Team (EMT) as part of the quarterly performance report. These risks will be supported by an action plan available from the Risk Owner (Appendix 3) EMT will then decide whether these risks have appropriate resources aligned to them and how they relate to the strategic risk profile. High Service, Partnership or Project Risks deemed by EMT to be strategically significant for the organisation will be included in the Strategic Risk Register

The Risk Officer will hold a Central Copy of each register for monitoring and overview purposes. Risk owners must ensure that when updated a copy of the register is sent to the Risk Officer.

Stage 4: Risk monitoring and reporting

It is important to ensure that risk management does not become an industry and that it is seen as simply one element of good management and performance. As such the Council has embedded as far as is practical risk management into its performance management framework and timetable. Consequently Risks and the Risk Framework will be reported on as part of existing arrangements.

Monitoring and reporting will require:

- Heads of Service to monitor and review risks as part of the review of performance and spend within the Service. Any significant changes will be discussed the relevant Portfolio Holder as part of the regular performance reviews. Any issues that may require escalation will be reported initially to Executive Management Team for consideration within the Performance Exception Report.
- All service risks to be reviewed annually by the Head of Service in line with the Service Planning process in order to reclassify risks as necessary or introduce new risks in line with the achievement of the Service Plan. These risks will feed into the relevant Portfolio Plan.
- Partnership risks will be reviewed regularly throughout the life of the partnership by the lead officer in order to reclassify risks as necessary or introduce new risks in line with the objectives of the partnership. High risks will initially be reported to the Head of Performance and Strategic Development for assessment and escalated to Executive Management Team for consideration and possible inclusion in the Strategic Risk Register where appropriate.

- Project risks will be reviewed regularly throughout the life of the project by the Project Manager in order to reclassify risks as necessary or introduce new risks in line with the objectives of the project. High risks will initially be reported to the relevant Head of Service for assessment and escalated to Executive Management Team for consideration and possible inclusion in the Strategic Risk Register where appropriate.
- High strategic risks i.e. those classified as red risks, to be reported to the Executive Management Team for review within the quarterly Performance Exception Report. At which time a judgement will be made on any risks referred for escalation from the Service, Partnership and Project Registers and consideration given to strategic risks that can be moved down to a less significant classification.
- High strategic risks will be reported annually to Cabinet and Corporate Overview Panel as part of the annual Performance Report.
- The performance of the strategy and actions arising for the forthcoming year to be reported annually to Executive Management Team and Cabinet.
- The effectiveness of the risk management framework to be reported annually to Standards Committee within the annual audit and assurance reports.

5. How risk management feeds into existing processes

The information resulting from the risk management approach acts as one of the key pieces of information incorporated into the development of portfolio and service plans. Risk management is an essential element in establishing policy, developing plans and enhancing operational management.

By embedding risk management into existing policy and service planning processes, Members and managers are able to make informed decisions about the appropriateness of adopting a policy or service delivery option.

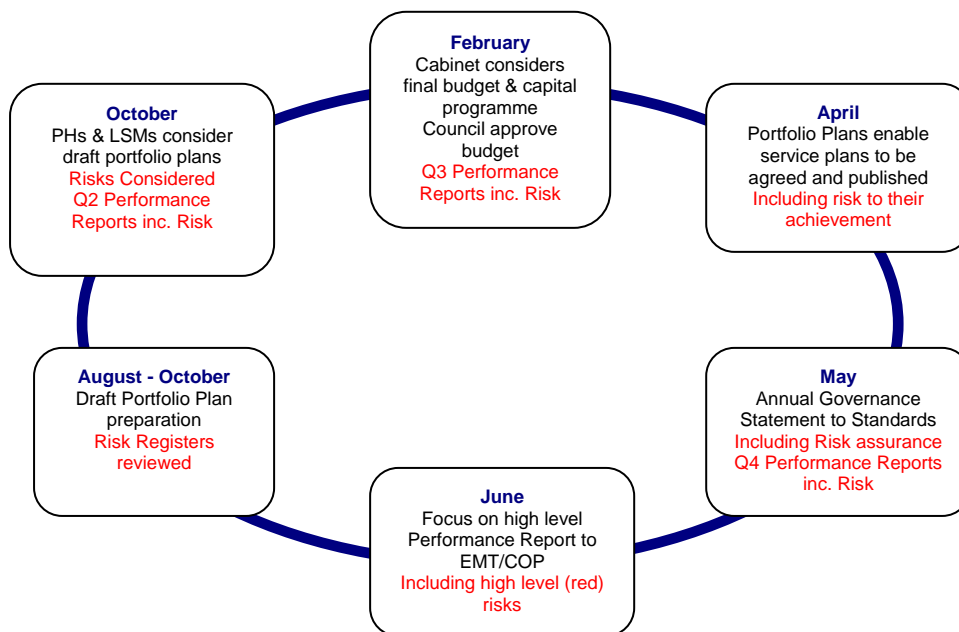
In order to formalise and structure risk management at the Council, it is recognised that there are obvious and clear links between risk management and strategic planning; financial planning; policy making & review; performance management and project management. Furthermore Business Continuity, Health & Safety and Insurance Services form part of the Council's overarching approach to risk. The linkages are as follows:

- a) The Council's Corporate Plan sets out how the Council aims to deliver improved outcomes for the resident of, and visitors to, the New Forest District. During the lifetime of this plan there will be direct and indirect threats to its achievement and these are the risks to be managed. Each of the risk registers is focused on the achievement of the Corporate Plan with the corporate Strategic Register focusing on key themes and cross cutting issues and Service Registers focusing on the achievement of the Council's corporate aims through Plans.
- b) An assessment of risks forms part of the Portfolio and Service Planning process, which is an identification and prioritisation of the most significant risks faced in delivering the Council's key objectives, with actions identified to mitigate and manage high risks. These risks are summarised within the relevant Portfolio Plan.

- c) The Council's aims and objectives are risk assessed and supported by a Financial Plan which manages many of the risks and opportunities faced. Within the Financial Plan there are in turn individual financial strategies which are risk based i.e. Reserves Strategy, Treasury Management Strategy, Capital Strategy etc.
- d) Reports to support strategic policy decisions require the author to have given specific consideration to risk (Opportunities and Threats) in outlining options and arriving at recommendations, (this requirement is not to explicitly label but to address within the writing of the report itself) thus ensuring risks are considered as an integral part of the decision and not perceived as an additional extra.
- e) The Council's Project Management Guide requires risk assessments to be undertaken including within the Project Initiation Documents for major projects. Risks are also assessed in terms of Contractor's health & safety, environmental impact policy, technical performance, training of employees and financial standing as criteria for inclusion on the Council's Standing Approved List of Contractors.
- f) Measurement of Performance against the Corporate objectives, performance indicators and key tasks is achieved in a number of ways:
- Performance is formally reviewed through the Portfolio Plan development process on an annual basis.
 - Heads of Service regularly review progress in their area, which includes assessment of progress against the Service Plan, performance trends and risks. Any exceptions are reported to Portfolio Holders and the Executive Management Team quarterly.
 - Corporate Overview Panel receive quarterly reports on progress towards the Council's key outcomes, together with an exception report drawing attention to any areas of underperformance or new pressures that need to be addressed.
 - The Cabinet receives an annual report showing progress being made against national performance indicators and an annual report on financial outturn.
- g) There are also several strands to the Council's overall approach to risk management. In addition to strategic risk management it includes work place health and safety, ICT disaster recovery, business continuity planning and operational risk management which includes the provision of insurance cover and claims handling. The key contact for further advice in any of these areas is detailed in Appendix 4.

6. Timetable

As already indicated, risk management is part of Corporate Governance, and in particular is a fundamental element of Performance Management. The timetable for the Performance Management Framework will therefore be followed to set up both the risk management process and the ongoing risk management cycle. The timetable is shown below:



7. Roles and responsibilities

The following describes the roles and responsibilities of Members and Officers in introducing, embedding and owning the risk management process.

Members

Elected Members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the Council faces, and will be made aware of how these risks are being managed through the annual strategic and service planning process. They should not seek to avoid or delegate this overall responsibility, as it is key to their stewardship responsibilities.

Cabinet

Cabinet will have the following key tasks:

- To determine and approve the risk management strategy and implementation plan
- To ensure that effective arrangements are in place throughout the Council and these are kept up to date
- To receive regular reports on progress to address corporate risks and identify areas of concern for more detailed review

Portfolio Holders

Portfolio Holders will:

- Develop Portfolio Plans to manage the risks to the Council's Corporate aims and priorities.
- Guide the development of Service Plans managing the risks faced by service delivery.

Standards Committee

Standards Committee will be responsible for:

- Reviewing the effectiveness of the authority's risk management arrangements
- Monitoring actions being taken on risk-related issues identified by auditors and inspectors
- Considering whether the authority's assurance statements properly reflect the risk environment and any actions required to improve it

Executive Management Team (EMT)

EMT will promote effective risk management and ensure that it is embedded in the culture of the Council, with sharing of best practice and experience between services.

The key tasks for EMT are:

- Recommending to Cabinet the risk management strategy and subsequent revisions thereof
- Promoting the implementation of the Council's risk management strategy on a corporate basis
- Supporting and promoting the benefits of effective risk management throughout the Council
- Actively identifying and assessing strategic risks on a regular basis
- Maintaining ownership of corporate strategic risks
- Carrying out quarterly monitoring of the Strategic Risks

Heads of Service

Heads of Service have responsibility for minimising risk within their Service. They will demonstrate their commitment to risk management through:

- Being actively involved in the identification and assessment of risks
- Developing relevant action plans for the key risks and linking risk to their performance through the performance management framework
- Incorporating the risk management process into business planning processes
- Maintaining ownership of their Service Risk Register
- Monitoring their service risk register regularly and on no less than a quarterly basis
- Ensuring that the risk management process is part of all major projects and change management initiatives
- Monitoring and reviewing action plans regularly to reduce or control the significant risks

Risk Management Group

The Risk Management Group (RMG) is responsible for promoting effective development of risk management across the Council. It will support officers within each service, partnership and project who have responsibility for risk management, keeping them advised of emerging risks, latest techniques, good practice in risk management and encouraging risk management initiatives through training and guidance. The group will also monitor and report on the overall compliance with this strategy, including the recording of risk information and will consider the need for managing any aggregate risk. The group consists of a core group supported periodically by other officers appropriate to specific risk management initiatives identified.

The group consists of:

- Risk Management Officer
- Corporate Health & Safety Risk Manager
- Treasury Management Accountant (Insurance)
- ICT Security Officer
- Internal Audit Representative
- Property Services Representative
- Others as appropriate

Risk Management Officer

The role of the Risk Management Officer is to:

- Co-ordinate the adoption of risk management across the Council
- Address the initial implementation of the risk management strategy and plan
- Review annually the risk management strategy in light of changing legislation, government initiatives, best practice and experience gained
- Provide technical risk management support across the Council
- Provide assistance with and prepare management reports
- Support the Executive Management Team on risk related issues

Internal Audit

Internal Audit's role is seen as challenging established processes, challenging risk identification and evaluation and providing assurance to officers and Members on the effectiveness of controls. It will be responsible for undertaking an assessment of the Council's risk management and internal control mechanisms as part of the review of corporate governance arrangements.

8. Training and guidance

All those involved in the Council's risk management arrangements will be given relevant training and members will receive awareness training appropriate to their needs and responsibilities.

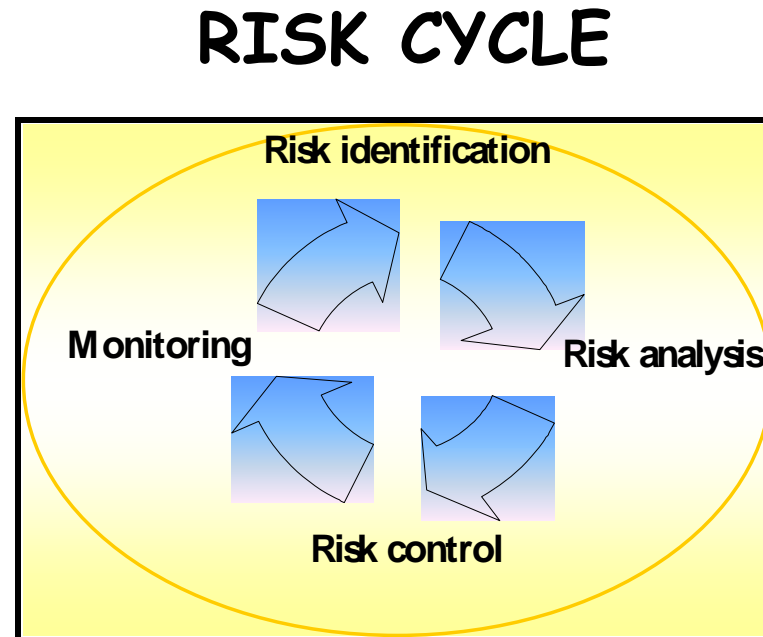
This Strategy and associated guidance will be made available to all Officers and Members on the Council's Intranet.

QUICK GUIDE TO RISK MANAGEMENT

Four steps to good risk management

Step 1: Identification of each risk
 Step 2: Evaluation of each risk
 Step 3: Control of each risk
 Step 4: Monitoring

- Step 1: Identification of each risk**
- Consider the categories of risk
 - Brainstorming with colleagues
 - Examination of trends
 - Analysis of last years problems
 - Information from similar organisations
 - Awareness of new initiatives / agendas and regulations



Example risk scenario

Vulnerability	Trigger	Consequence
<i>Statement of fact or perception about the organisation, department or project that exposes it to a hazard.</i>	<i>The event that could or has occurred that results in a negative impact on the objectives being achieved.</i>	<ul style="list-style-type: none"> • <i>The negative impact:</i> • <i>How big?</i> • <i>How bad?</i> • <i>How much?</i> • <i>Who is affected?</i>

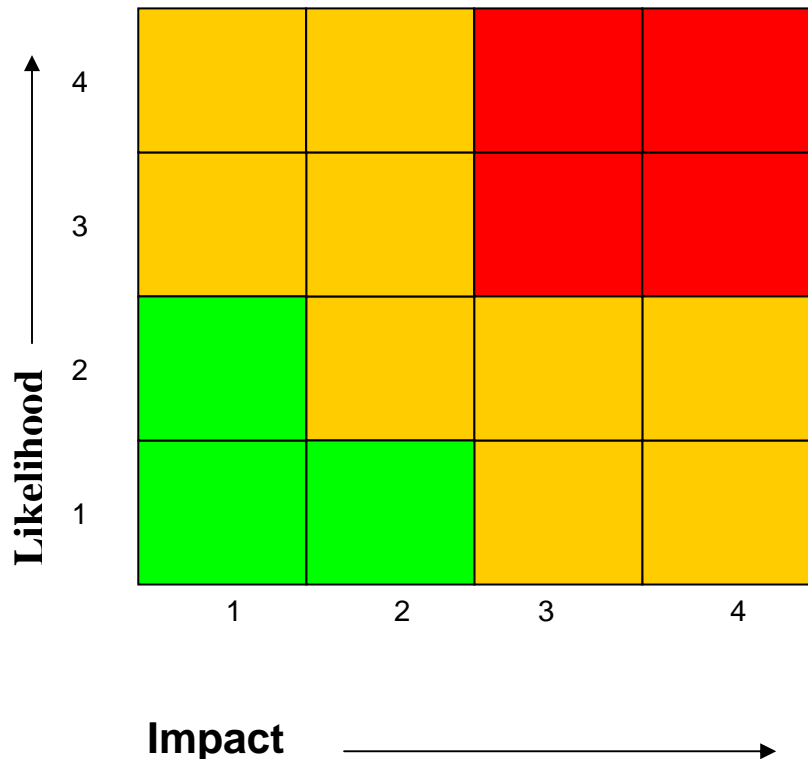
Categories of risk

Risk	Description
Political	Local and national political issues / interaction / decision making
Economic	Local and national economic issues including interest rates / supplies / inflation and other key assumptions
Social	Social and demographic issues both within workforce and the population you are serving
Techno-logical	Reliability and ability of technology to meet and serve your needs.
Legislative	Associated with current or potential changes in national or European law
Environmental	Relating to the environmental consequences of progressing the council's strategic objectives
Professional / Managerial	Associated with the particular nature of each profession, internal protocols and managerial abilities
Financial	Associated with financial planning and control
Legal	Related to possible breaches of legislation / meeting of regulator requirements
Physical	Related to fire, security, accident prevention and health and safety of both workforce and the population
Partnership/ Contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value
Customer/ Citizen	Associated with failure to meet the current and changing needs and expectations of customers

Step 2: Evaluation of each risk

Use the standard matrix below

- How likely is this risk?
- How big an impact will this risk have on [my area / the whole organisation]



Likelihood			Impact		Description guide
4	Very High	> 85%	4	Critical	Cost greater than £100k or service is suspended Corporate objectives not met
3	High	60% - 85%	3	Significant	Cost £50k up to £100k or service quality cannot be maintained and quality is severely reduced Service objectives not met
2	Medium	30% - 60%	2	Marginal	Cost £20k up to £50k or service quality cannot be maintained and quality is reduced Objectives of one section not met
1	Low	< 30%	1	Minor	Cost 10k up to £20k, or changes needed to maintain service provision Minor impact on objectives

Key:

Red

Must be managed down as a matter of urgency/ Action Plan Required

Amber

Seek to influence medium term / monitor

Green

Live with and monitor

Steps 3 & 4: Control of each risk and monitoring

Control	Monitoring
<ul style="list-style-type: none"> • Assess current actions and controls.... Adequate or more needed. • Within your Service Plans - develop specific SMART actions that will either reduce the likelihood of the risks or minimise 	<ul style="list-style-type: none"> • Include in Risk Register • Review quarterly progress on high priority risks: • Risks changed? • New risks? • Risks ranking changed

RISK REGISTER TEMPLATE

Appendix 2

Risk No	Gross Risk			Risk	Example Consequences	Desired Outcome	Control Processes/Mitigation	Residual Risk			Risk Owner
	Likelihood	Impact	Risk Score					Likelihood	Impact	Risk Score	
1(xr)	[x]	[x]	[x]	[Title] [Brief Description]	<ul style="list-style-type: none"> [Consequence] [Consequence] 	[Brief outcome]	- [Details of control processes in place]	[x]	[x]	[x]	[name of Officer responsible for risk]
2(xr)	[x]	[x]	[x]	[Title] [Brief Description]	<ul style="list-style-type: none"> [Consequence] [Consequence] 	[Brief outcome]	- [Details of control processes in place]	[x]	[x]	[x]	[name of Officer responsible for risk]
3(xr)	[x]	[x]	[x]	[Title] [Brief Description]	<ul style="list-style-type: none"> [Consequence] [Consequence] 	[Brief outcome]	- [Details of control processes in place]	[x]	[x]	[x]	[name of Officer responsible for risk]

Risk Register – Management Action Plan

Appendix 3

Risk Owned by:

Date:

Likelihood ↑	4				
	3				
	2				
	1				
		1	2	3	4
	Impact →				

Risk Number	Current Risk Score	Target Risk Score	Description
[no.]	[Matrix position]	[Improved position]	[Short name of Risk]

Action/Controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors/Outcome	Review frequency	Key date
[actions/controls already being done that relate to the risk]	[Effectiveness of the actions/control already in place]	[new actions/controls required to manage the risk down to the target score]	[the person responsible for the action plan being carried out]	[what will success look like? How will performance be improved?]	[How often will the action plan be reviewed]	[Date of next review/ Target date]

Cause: [the reason the risk may occur]

Consequence: [what will happen is the risk occurs]

Key Contacts

Appendix 4

Risk Management and Business Continuity	Internal Audit	Rebecca Drummond Principal Auditor & Risk Officer Tel: 023 8028 5785 Email: beccy.drummond@nfdc.gov.uk
Health & Safety	Corporate Health & Safety	Helen Woodvine Corporate Health & Safety Risk Manager Tel: 023 8028 5444 Email: helen.woodvine@nfdc.gov.uk
Insurance	Accountancy	Jan Hawker Treasury Management Accountant Tel: 023 8028 5722 Email: jan.hawker@nfdc.gov.uk
ICT Disaster Recovery	Internal Audit	Janet Clarke ICT Security Officer Tel: 023 8028 5677 Email: janet.clarke@nfdc.gov.uk

Strategic Risk Management – Action Plan

Intended Outcome – Embedded Risk Management

	Activity	Output/Outcome	Lead	2008/09 Target Date	Status / Comments	Future Years Target Date	Status / Comments
1.	Update Strategy	Revised Council Strategy	RD	Jan 2009			
1.1	Agree methodology to include: <ul style="list-style-type: none"> - Common format for capturing risks - Categories of risk (impact/probability) - Prioritisation matrix - Action Planning 	Consistent approach across the Council	RD/BJ	Oct 2008			
1.2	Agree roles, responsibilities and reporting mechanism to include: <ul style="list-style-type: none"> - EMT (as RM Group) - Standards - Cabinet 	Ownership and assurance framework	RD/BJ	Oct 2008			
1.3	Escalation of risks – include a process for the escalation of risk	Targeted action of high risks	RD/BJ	Oct 2008			
1.4	Strategy development and approval <ul style="list-style-type: none"> - EMT - Heads of Service - COP - Cabinet - Standards Committee 	Ratified approach	RD	Nov 2008 Nov 2008 Nov 2008 Feb 2009			

	Activity	Output/Outcome	Lead	2008/09 Target Date	Status / Comments	Future Years Target Date	Status / Comments
2.	Establish Risk Management Group	Effective development of risk management throughout the Council	RD	Dec 2008			
2.1	Agree membership	Appropriate representation for risk related issues	RD	Dec 2008			
2.2	Arrange initial meeting to establish terms of reference and frequency	Clarity of purpose	RD	Dec 2008			
3.	Develop Risk Registers	Demonstrable management of risk		March 2009			
3.1	Agree register template approach/medium	Simple and consistent approach	RD/KC	Oct 2008			
3.2	Review Strategic Register with EMT – Identify top 5	Corporate Strategic Risk Register (Management of strategic risks)	RD/EMT	Oct 2008			
3.3	Develop Service Risk Registers with each Head of Service and their teams	Operational Service Risk Registers (Management of Service/operational risks)	RD/HoS	March 2009			
3.4	Develop Partnership Risk Register	Partnership Risk Register (Management of Partnership risks / Enhanced Partnership assurance)	RD/KS	March 2009			
3.4.1	Clarify links between RM and Corporate Partnership Register	Management of Partnership risks	RD/KS	March 2009			
3.4.2	Determine how risks to/from significant partnerships are identified – who's responsible for managing	Management of Partnership risks	RD/KS	March 2009			

	Activity	Output/Outcome	Lead	2008/09 Target Date	Status / Comments	Future Years Target Date	Status / Comments
3.4.3	Produce guidance on the identification of risks in significant partnerships	Management of Partnership risks	RD/KS	March 2009			
3.5	Develop Project Risk Register (for major/significant projects)	Project Risk Register (Management of Project risks / Enhanced Project assurance)	RD/GB/ KC	March 2009			
3.5.1	Clarify link between RM and Project Management – Review PM guidance	Management of project risks	RD/GB/ KC	March 2009			
3.5.2	Determine how project risks get onto register – who responsible	Management of project risks	RD/GB/ KC	March 2009			
3.5.3	Produce guidance on the identification of risks in major projects	Management of project risks	RD/GB/ KC	March 2009			
4.	Link to Service Planning Framework	Risk embedded into existing processes		March 2009			
4.1	Clarify the link between RM and Performance Management Framework/ Service Planning process	Risk management inherent in service planning and performance management	RD/KS	March 2009			
5.	Risk in Report Writing	Policy decisions and major projects are assessed on the basis of risk	BJ	Jan 2009			

	Activity	Output/Outcome	Lead	2008/09 Target Date	Status / Comments	Future Years Target Date	Status / Comments
5.1	Corporate guidance on report writing to include how/where risks should be included		BJ				
5.2	Give consideration to the adoption of a Sustainability Impact Appraisal		BJ				
6.	Training	Enhanced risk aware culture	RD	March 2009			
6.1	Undertake Risk training for Officers - Heads of Service - Departmental Managers	Increased awareness	RD/ Zurich	July 2008 March 2009			
6.2	Undertake Risk training for Members - Standards - COP - Cabinet	Increased awareness	RD/ Zurich	Sept 2008 Nov 2008 March 2009			

Key

RD Rebecca Drummond
 BJ Bob Jackson
 KS Keith Smith
 KC Ken Connolly
 GB Geoff Bettle