

Report of the Head of Resources

RISK MANAGEMENT STRATEGY

1 Purpose of report

To provide members with the revised Risk Management Strategy and updated Corporate Risk Register for consideration.

2 Executive summary

The existing Risk Management Strategy was approved in March 2010 and now requires updating to reflect the organisational restructure and the council's risk appetite.

3 Appendices

Appendix 1 – A Strategic Approach to Risk Management
Appendix 2 – Corporate Risk Register

4 Proposed action:

The committee is invited to RESOLVE to:

- 4.1 approve the revised Risk Management Strategy together with the corporate risk register and the risk tolerance levels contained therein.**
- 4.2 delegate to officers the task of updating the strategy and register on a regular basis to reflect any changes in operations**

5 Background

5.1 The council's risk management arrangements have been in place for some time and are reviewed and amended periodically. It is essential that the council is aware of risks to the organisation and takes action to mitigate their consequences.

5.2 The last review of corporate risks took place in October 2011, when Resources Committee approved the corporate risk register and its tolerance levels. The council maintains three levels of risk register:

- Corporate risk register (CRR) which sets out the risks to the entire council, monitored and reviewed by the Risk & Business Continuity Group (R&BCG), which reports to the Senior Management Team;
- Service risk registers (SRR) owned by Heads of Service and their

Principal Managers, incorporate operational risks relevant to a particular service or services (but not the whole council), SRR's form part of the Service and Financial Planning Dossiers and link to Service Action Plans and Business Continuity Plans.

- Health and Safety risk assessments are maintained at service level by Principal Managers. These contain risks and controls that affect individual employees and are maintained in accordance with the council's Health and Safety policy.

- 5.3 As part of the council's arrangements for managing risk the R&BCG is charged with advising this committee of the current key corporate risks and providing them with an overview of the resource committed to the control of risk.

6 Discussion

- 6.1 Risk management plays a significant role in strengthening local government's capacity to recognise, understand, accommodate and capitalise on the uncertainty which exists in any organisation, and equips the council to respond to change and uncertainty by using risk-based information to enable effective decision-making.

- 6.2 Resources available are finite, so risks need to be prioritised. As risk is unavoidable every organisation needs to take action to manage risk in a way which it can justify to a level which is tolerable. The amount of risk which is judged to be tolerable and justifiable is the "risk appetite".

- 6.3 The level of risk remaining after internal control has been exercised (the "residual risk") is the exposure in respect of that risk.

- 6.4 The Risk Management Strategy sets out the way the council will identify, assess, manage, monitor and report risk.

- 6.5 The Corporate Risk Register is a high level document that seeks to identify as succinctly as possible:

- the key corporate risks the council faces
- the residual impact of those risks
- further actions that are required to better manage residual risks.

7 Legal powers

Section 3 of the Local Government Act 1999, as amended by s137 of the Local Government and Public Involvement in Health Act 2007 puts the council under a general duty of best value to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness."

8 Financial and value for money implications

The efficient management of risk improves the council's financial position and contributes towards improved value for money.

9 Risk analysis

An up-to-date risk management strategy and risk register ensures current risks are identified, assessed, monitored and reported.

10 Implications for resources

Risk management will assist in ensuring the efficient use of resources.

11 Implications for stronger and safer communities

Effective risk management ensures that resources are properly and appropriately directed to the development of stronger and safer communities.

12 Implications for equalities

Effective risk management takes into account the risks associated with a lack of compliance with the Equalities Act 2010 and failure to realise equalities objectives, and puts actions in place which addresses this.

13 Author and contact officer

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14 Consultees

Corporate Risk & Business Continuity Group
Senior Management Team

15 Background papers

Reports to Senior Management Team
Minutes of Risk & Business Continuity Group



A Strategic Approach to Risk Management

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1. Introduction

The Borough Council of Wellingborough's approach to both internal and external risks demonstrates our commitment to embedding risk management into the daily operations of the council

Our risk management strategy is the process by which our risks are identified, evaluated and controlled. It is by understanding what the risks are and what impact they would have that we are able to make properly informed decisions.

The Corporate Risk Register (CRR) itemises the major risks facing the council and it is owned and managed by the elected members, the Senior Management Team and the Risk and Business Continuity Group.

In addition, Service Risk Registers (SRRs), owned by Heads of Service and their Principal Managers, itemise risks at operational level, thereby ensuring a 'bottom up' as well as 'top down' approach to risk identification and assessment. SRRs form part of the Service and Financial Planning Dossiers and link to Service Action Plans and Business Continuity Plans.

This document seeks to set out:

- an overview of the council's strategic approach to risk management
- the level of risk the council is prepared to take (the risk appetite)
- the integration of risk management into the council's decision-making
- the responsibilities for risk management
- the process for identifying, assessing, managing and monitoring risk.

A Risk Management Toolkit has been developed to provide further guidance to managers in identifying, analysing, controlling and monitoring both corporate and operational risks, together with templates for completion.

2. Risk management strategy

The council's risk management strategy ensures that elected members and managers are aware about what:

- decisions are being made
- risks are involved with those decisions and
- controls are being applied and managed to mitigate the risks.

The council aims to use risk management to:

- achieve continuous improvement in service delivery, taking opportunities whilst reducing potential threats
- prevent injury, damage and losses and in doing so reduce the cost of risk
- take actions to mitigate risk, minimising the likelihood of risks occurring and reducing the severity of the consequences
- improve the reputation of the council by taking appropriate risks to deliver its priorities and mission statement –

“Making Wellingborough a place to be proud of”.

Risk management is not a standalone process but is embedded as part of other managerial processes such as service and financial planning, project management, performance management and the governance of the council as a whole.

Risk management is an on-going process, employed from the point at which a risk is first identified until it no longer represents a significant risk. Risks and controls to mitigate them will be regularly reviewed to ensure they are still relevant.

The council's risk management approach is based on the management cycle of

Identify ⇒ Assess ⇒ Manage ⇒ Monitor

The council has separated its risks into four different types as follows:

- **Member risks** are strategic or operational in nature, are important to our corporate priorities and have a high level of member input e.g.
 - Failure to deliver major developments
 - Lack of money to deliver services and meet customer/citizen expectations without using reserves
- **Corporate or strategic risks** affect the whole organisation but may affect different service areas in varying ways e.g.
 - Insufficient adequately skilled employees to ensure services are delivered without threatening the well-being of the workforce
 - Loss of ICT/data
- **Operational risks** are managed at service level e.g.
 - inability to process planning applications on time
 - inability to maintain level and quality of affordable homes delivered
 - impact of High Street works on locality and businesses.
- **Health and Safety risks** are managed at service level in accordance with our Health and Safety policy. Health and Safety risk assessments contain risks and controls that affect individual employees.

3. Identifying and analysing risk

Risk identification is the process of establishing those risks and opportunities that may prejudice and/or enhance the achievement of the council's agreed objectives. Managers need to be aware of how risks will impact on the council's priorities and objectives as well as on individual services and projects.

Risks can be identified through:

- Risk assessment exercises undertaken with employees
- Internal audit reports
- Performance measuring and monitoring
- Inspections by insurers and analysis of past claims
- Case law
- Service and business continuity plans.

Once a risk has been identified it is allocated to one of the risk registers and a Risk Analysis Template is completed. The template enables analysis and scoring of the risk, as well as allocating responsibility and establishing how it can be reduced or mitigated.

Risk is assessed and scored on a matrix by considering the likelihood of the risk occurring and its effect or impact. As the likelihood and severity of impact increases, so does the significance of the risk. Risks are scored twice – firstly assuming no action is taken to reduce them (Inherent Risk Score), and secondly at the level they are reduced to as a result of the actions taken (Residual Risk Score).

Scoring matrix

Very High (VH)	4	8	12	16
High (H)	3	6	9	12
Medium (M)	2	4	6	8
Low (L)	1	2	3	4
Likelihood / Impact	Low (L)	Medium (M)	High (H)	Very High (VH)
Impact				
1 = Low impact e.g. minor service disruption, short term inconvenience, minor injury, financial loss under £25,000, failure to achieve a Team Plan objective.				
2 = Medium impact e.g. service disruption, serious injury, financial loss under £50,000, adverse local media coverage, isolated service user complaints, failure to achieve a Service Plan objective.				
3 = High impact e.g. significant service disruption, major/disabling injury, financial loss under £100,000, adverse national media coverage, lots of service user complaints, failure to achieve one or more Corporate Plan objectives.				
4 = Very high impact e.g. total service loss for a significant period, fatality to employee, service user or other, financial loss in excess of £100,000, ministerial intervention in running service, failure to achieve a major objective in the Corporate Plan.				
Likelihood				
1 = Unlikely to happen/rarely happens				
2 = Moderate/chance could happen				
3 = Likely				
4 = Almost certain/very likely.				

Residual risk scores are plotted onto a risk profile matrix to demonstrate the council's risk appetite (the level of risk the council is prepared to accept in order to achieve its objectives) and to identify risks which require priority action:

- Risks in the red section on the matrix, scoring 8 or above, are considered to be 'primary' risks, require action to reduce the risk and regular monitoring to improve control
- Risks in the amber section on the matrix, scoring between 3 and 6, require regular monitoring and review to ensure controls are working as expected to keep them within the risk appetite
- Risks in the green section on the matrix, scoring 1 and 2, require periodic monitoring and review to ensure controls are working as expected to keep them within the risk appetite.

Risk profile matrix – numbers refer to risks on the CRR

Very High (VH)				
High (H)				2
Medium (M)		12,19	1,3,9,11,13	6
Low (L)		5,15,17,18	14,16	4,7,8,10
Likelihood / Impact	Low (L)	Medium (M)	High (H)	Very High (VH)

4. Managing risk

Risk management is the process of taking action to minimise the likelihood of a risk event occurring, the frequency with which it might occur, and reducing the severity of the consequences should it occur e.g. reducing the severity of injury, reducing the spread of fire, business continuity planning.

It is not possible to eliminate all risks – some will have to be accepted, mitigated or transferred. The cost of minimising the risk must be proportionate to the potential cost of the unmanaged risk and as a result there will be a level of risk the council is prepared to take. This is known as the 'risk appetite'. Any risk with a 'red' score of 8 or above is outside the council's risk appetite and needs to be acted on.

Possible courses of action against risk include:

- **Risk elimination** – stop doing whatever it is that causes the risk, use alternative products or change processes
- **Risk reduction** – provide protective equipment, training, warning notices, improve security measures
- **Risk retention** – decide that the risk is acceptable and make proper financial arrangements should it occur

- **Risk transfer** – transfer the risk to another party either by insurance or through a contractual arrangement.

Risk financing should reduce the total cost of risk including:

- Management and administration costs
- Preventative measures
- Down-time resulting from losses
- Financial impact of loss
- Insurance premiums and excesses
- Uninsurable risks.

5. Roles and Responsibilities

The council cannot delegate ultimate responsibility for the delivery of public services, so an effective structure for the management of risk is essential. Risk management is the responsibility of all members, managers and employees of the council.

The key people responsible for managing risk on behalf of the council are set out below.

1. Elected members should:

- Understand and accept the various levels of risks and opportunities faced by the council
- Oversee the management and monitoring of risks by managers in accordance with the council's priorities and available resources
- Approve, through Full Council, the Risk Management Strategy (this document)
- Receive, through Resources Committee, a periodic report on risk management and activity and the resources committed to the control of risk.

2. Managers:

- **The Chief Executive** is responsible for ensuring that risk is managed effectively through the development, promotion and monitoring of a corporate risk management strategy.
- **The Head of Resources:**
 - acts as the sponsor for risk management
 - is responsible for supporting the council in the development, implementation and review of the Risk Management Strategy
 - ensures the strategy and procedures are implemented and offers guidance and advice to members and managers in developing risk registers at strategic and operational levels
 - ensures regular review, updating and reporting of risk assessment and management.
- **Senior Management Team:**
 - is accountable to members for risk and for recommending a Risk Management Strategy and procedures to implement it
 - lead on identifying and managing the key strategic risks and opportunities for the council
 - ensure operational risks are identified at service level
 - oversee the reporting of risk, and recommend measures to control risk.

- **Principal Managers:**

- have day-to-day responsibility for identifying risk, considering risk in decision-making and implementing the control of risk in a timely manner
- profile service risks and relevant corporate risks within their Service Risk Registers, review risks and monitor progress on managing risks
- ensure risk management best practice is implemented at an operational level
- report risks to Senior Management Team (SMT) and the Risk and Business Continuity Group as appropriate.

3. The Risk and Business Continuity Group (R&BCG) will:

- Monitor, review and update the Corporate Risk Register
- Demonstrate to SMT the implementation of risk management to mitigate corporate and operational risks
- Report on risk management activity to SMT and Resources Committee.

4. Specialist Representatives

Specialist representatives may be asked to provide advice so that the wider implications of the council's risks can be considered. Examples of specialist representatives include District Law, Insurance, Emergency Planning and ICT, as well as the following:

- Internal Audit (CW Audit) will review and provide assurances as to the effectiveness of the risk management processes and adequacy of controls
- The Senior Organisational Development Officer is responsible for overseeing the council's strategy on Equality and Diversity, ensuring the council's compliance with the Equality Act 2010.

5. Project Managers

A project is a sequence of co-ordinated activities, with definite start and finish points, undertaken to meet specific objectives, delivering change which involves and impacts on others. A risk to a project would impair its successful delivery.

Project risks are time limited and specific to finite projects. Project managers are responsible for monitoring and managing project risks and ensuring best practice is implemented. Risks should be identified at the start of the project as part of the Problem Solving Team Building exercise. They should be recorded in the Project Management Framework documentation and in the relevant Service Risk Register. In some instances, for example high profile projects where members are closely involved, project risks may also be 'Member Risks' and will be recorded on the Corporate Risk Register.

6. Partnership Managers

The council considers a partnership to be either the joint:

- running of a service or activity where all parties jointly manage resource and neither party has overall control or
- determination of outcomes, where partners form a consensus.

In either case, risks are shared between the parties. It is not a partnership where either a service level agreement or a contract is in place.

The role of the Partnership Manager is to:

- identify, record and monitor risks associated with the partnership
- report any concerns to Senior Management Team
- ensure best practice is implemented.

7. Employees

All employees have a duty to recognise and report risk, to take action in accordance with the council's agreed controls for risks and report any discrepancies to their line managers.

Employees should:

- be aware of the risks that affect the council
- ensure that the council is made aware of missing risks: those risks or activities that do not currently appear on a risk register
- follow control measures and provide information on risks and their mitigation to SMT and R&BCG as required
- abide by decisions regarding the mitigation of risk.

In the first instance, an employee should report risks to their Principal Manager. In cases where they feel their concerns are not adequately addressed, employees shall have regard to the council's Whistle-blowing Policy.

6. Review of risks and associated controls

Corporate and Service Risk Registers, and actions required to mitigate risks, will be monitored and reviewed by the Risk and Business Continuity Group comprised of the Heads of Service together with co-opted Principal Managers and key employees.

This will ensure that:

- the risks are still relevant
- any new risks are analysed and added to the register
- account is taken of anything that has happened to alter the likelihood or impact of the risks
- the actions to mitigate the risks are still relevant and are on target.

A report on the top corporate risks will be submitted periodically to the Resources Committee together with an overview of the resources committed to the control of risk.

The Risk Management Strategy (this document) will be reviewed every 3 years.

7. Glossary of terms

Term	Definition
Controls	Processes or actions taken to address or treat the risks. Cost of controls should be proportionate to the risk
Corporate (or strategic) risks	Risks which affect the whole organisation but may affect different service areas in varying ways
Corporate Risk Register (CRR)	Itemises the major risks facing the council and is owned and managed by the elected members, the Senior Management Team and the Risk and Business Continuity Group
Health and Safety Register	Register containing risks and controls that affect individual employees
Inherent risk score	Score given to risk assuming no action is taken to reduce it
Member risks	Risks which may be strategic or operational in nature but which are important to our corporate priorities and have a high level of member input
Mitigation	Action taken to reduce the likelihood of a risk occurring or its impact if it does occur
Operational risks	Risks managed at service level
Partnership	<p>Either:</p> <ul style="list-style-type: none"> ○ The joint running of a service or activity where all parties jointly manage resource and neither party has overall control or ○ The joint determination of outcomes, where partners form a consensus. <p>In either case, risk is shared between the partners.</p>
Problem Solving Team Building (PSTB)	Exercise undertaken at the beginning of a project during which project risks are identified.
Project	A sequence of co-ordinated activities, with definite start and finish points, undertaken to meet specific objectives, delivering change.
Project Management Framework	The process used by the council for managing projects
Residual risk score	Score given to risk once actions are in place to reduce it
Risk	The chance of something happening that will have an impact on objectives.

Term	Definition
Risk analysis template	Form used to analyse and score risks, allocate responsibility and establish how the risk can be managed
Risk appetite	The level of risk the council is prepared to take. This may be low (risk averse) or high (risk positive).
Risk elimination	Stop doing whatever it is that causes the risk, use alternative products or change processes
Risk identification	The process of establishing those risks and opportunities that may prejudice and/or enhance the achievement of the council's agreed objectives.
Risk management	The process of taking action to minimise the likelihood of a risk event occurring, the frequency with which it might occur, and reducing the severity of the consequences should it occur
Risk management strategy	The process by which risks are identified, evaluated and controlled.
Risk management toolkit	Provide guidance to managers in identifying, analysing, controlling and monitoring both corporate and operational risks
Risk matrix	Risk is assessed on a risk scoring matrix by considering the likelihood of the risk occurring and its effect or impact. Residual risk scores are plotted onto a risk profile matrix to demonstrate the council's risk appetite
Risk reduction	Reduce the likelihood and impact of the risk
Risk retention	Decide that the risk is acceptable and make proper financial arrangements should it occur
Risk transfer	Transfer the risk to another party either by insurance or through a contractual arrangement
Service Risk Registers (SRRs)	Itemise risks at operational level, thereby ensuring a 'bottom up' as well as 'top down' approach to risk identification and assessment.
Whistle-blowing Policy	Council's policy enabling employees to confidentially report any concerns of wrong-doing

Corporate Risk Register

December 2014

Corporate Risk Register 2014/15

Risk No	Risk Title	Risk Owner	Inherent Score	Residual Score	Actions
CRR1	Assets (including land and property) are not managed effectively to maximise returns	Head of Resources	9	6	<ul style="list-style-type: none"> • Property Asset Management Plan • Proposal on office accommodation • Review of budgets against planned preventative maintenance • Disposal (with member approval) of low or no return properties
CRR2	Lack of money to deliver services and meet customer/citizen expectations without using reserves	Head of Finance	16	12	N/A
CRR3	The major regeneration projects of Stanton Cross, High Street and Wellingborough North not proceeding according to programme, therefore having an impact on capital and revenue budgets	Head of Planning and Local Development	12	6	<ul style="list-style-type: none"> • Regular Steering group and Technical meetings • Additional resources required to drive the delivery of this project including Project Manager, Planning, engineering, Legal, PR and financial expertise? • Meetings to be arranged with possible funders e.g. HCA, NEP, SEMLEP and DCLG.
CRR4	Failure to deliver the Crematorium	Chief Executive	8	4	<ul style="list-style-type: none"> • Provide feedback to the community on results of August consultation exercise • Place contracts for construction works • Project management and member liaison arrangements in place • Commence review of options for arrangements for the operation and management of the crematorium once built
CRR5	Insufficient adequately skilled employees to ensure services are delivered without threatening the well-being of the workforce	Chief Executive	6	2	<ul style="list-style-type: none"> • Set member priorities for medium term service delivery • Continue monitoring of performance • Review occupational health provision • Review worklife balance policy • Review recruitment and selection policy and procedures
CRR6	Loss of Key ICT systems	Head of ICT	16	8	<ul style="list-style-type: none"> • Implement consistent backup arrangements across BCW and ENC, meaning all back-up data is held off-site at the other authority. Systems have been purchased and now require implementing • Consider Business Continuity arrangements for both sites and make recommendations for further joint arrangements to the ICT Executive Board • Produce a joint ICT Business Continuity plan for both sites, with an implementation timeline and budget requirements included
CRR7	The Wellingborough Norse partnership becoming unworkable	Chief Executive	8	4	<ul style="list-style-type: none"> • Review 10 year business plan projections for Wellingborough Norse • Set council short and medium priorities necessary to address budget imbalance
CRR8	Corporate governance arrangements do not comply with legislation and best practice	Monitoring Officer	16	4	<ul style="list-style-type: none"> • Improve consultation arrangements • Improve arrangements for gaining customer insight
CRR9	Inability to meet minimum statutory responsibilities, including but not limited to, emergency planning, health and safety, homelessness, duty of care to vulnerable people	Head of Planning and Local Development	16	6	<ul style="list-style-type: none"> • None identified
CRR10	Breakdown in arrangements with partners or contractors leading to non-delivery of expected outcomes	Chief Executive	16	4	<ul style="list-style-type: none"> • Review extent and nature of service delivery partnerships in a meaningful way, and in co-operation with contractor/partner

Risk No	Risk Title	Risk Owner	Inherent Score	Residual Score	Actions
CRR11	Local plan - non-delivery of houses and the impact on the 5 year housing supply.	Head of Planning and Local Development	16	6	<ul style="list-style-type: none"> Update Local Plan & Town Centre Area Action Plan
CRR12	Planning application turnaround targets are not met, leading to government intervention.	Head of Planning and Local Development	16	4	<ul style="list-style-type: none"> Ensure external audit procedures are in place with recommendations promptly actioned.
CRR13	Inability to maintain good quality information in a secure environment, in compliance with Data Protection legislation	Head of Resources	9	6	<ul style="list-style-type: none"> Business continuity plan in place for ICT. Capital budget required to implement Removal of old data as part of the Active Directory migration
CRR14	Inadequate business continuity arrangements in the event of a critical incident or situation, including provision of alternative premises.	Head of Resources	6	3	<ul style="list-style-type: none"> Review business continuity plans (corporate and services) Testing business continuity plans
CRR15	Ineffective planning and risk management of processes to deliver elections and publish a register of electors	Head of Resources	6	2	<ul style="list-style-type: none"> None - all the above are ongoing
CRR16	Accounts are not produced on time	Head of Finance	9	3	<ul style="list-style-type: none"> Increase resilience and share knowledge and skills of the close down process within the accountancy function. Process review to continually improve and reduce timescales for delivery of the accounts.
CRR17	Lack of robust financial systems and records	Head of Finance	8	2	<ul style="list-style-type: none"> Explore further sharing of Academy system with ENC to provide resilience Get a copy of KBC BCP for Agresso Get a copy of Peopletime BCP for payroll to ensure robust procedures are in place Reduce the number of days payments are made on (from 3 days a week to 2)
CRR18	Breach of procurement regulations	Head of Finance	6	2	<ul style="list-style-type: none"> Contracts and procurement training is arranged with Welland partnership Contracts register is updated and made more usable for monitoring contracts and planning procurement Contracts for the coming year are recognised and reported on by PMs to CMT
CRR19	Impacts of changes on partner priorities and budgets leading to reduction or withdrawal of council services	Head of Finance	6	4	<ul style="list-style-type: none"> Working closer with partners to understand their coming proposals for service reductions and where these may impact either directly or indirectly on the Borough Council Alert members to any concerns Negotiate - where possible - to improve the outcome for the council Consider whether the council may have to make further adjustments to accommodate the changes in budgets

