



BASSETLAW
DISTRICT COUNCIL
NORTH NOTTINGHAMSHIRE

Risk Management Strategy

Bassetlaw District Council

December 2005

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Context

Strategy background and context

In November 2005 the Cabinet approved a draft Risk Management Strategy that was attached as Appendix 1 to the risk management update report. This strategy followed a Risk Management Protocol approved by Cabinet on the 5th April 2005.

Both documents provided a sound basis for risk management in any organisation. Review of these documents highlighted that there was still a need for detailed guidance as to “how to” undertake Risk Management so consistency of practice could be achieved throughout the organisation. This guidance would also ensure that risk management doesn’t become seen as another initiative or a burden on officers and members alike but a useful tool that adds benefit to the achievement of goals and objectives.

This strategy document therefore replaces (and incorporates details from) the previous Risk Management Protocol and the Risk Management Strategy as approved. This document encapsulates the way risk management will be undertaken consistently throughout the organisation.

A two-page “toolkit” guide that will be issued to managers (See Appendix 5) accompanies the strategy.

What is risk management?

Risk Management can be defined as:

“The management of integrated or holistic business risk in a manner consistent with the virtues of economy, efficiency and effectiveness. In essence it is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made. The latter is achieved through controlling, transferring and living with risks”

ZMMS/SOLACE, Chance or choice? July 2000

Risk management is therefore essentially about identifying and managing significant obstacles and weaknesses that exist within the organisation. When the obstacles have been identified the next stage is to prioritise them and compare their level of priority against the organisation’s appetite to risk. Once prioritised it is essential that steps are taken to then effectively manage those key obstacles / risks. The aim is that major obstacles or blockages that exist within the organisation can be mitigated to provide the council with a greater chance of being able to achieve its objectives.

Links to corporate planning

Risk management needs to be seen as a strategic tool that is an essential part of effective and efficient management and planning.

There are clear links between corporate planning and risk management. These are:

- Each priority and objective identified in the corporate plan is a target that the Council's activities will aim to achieve. During the lifetime of the plan there will be direct and indirect threats to this achievement and these are the risks.
- Incorporating risk management action plans in the corporate and departmental plans avoids the omission of important risk control activity. The resources for risk management can also be considered at the same time that the budget for the plans are set so that a shortfall is less likely to be incurred.
- During reviews of performance plans and service delivery plans the actions taken to control risks can be monitored and the profile of risks reviewed to reflect any changes.

National drivers behind strategic risk management

Risk management will, by adding to the business planning and performance management processes, strengthen the ability of the Council to achieve its objectives and enhance the value of the services provided.

However it also something that the council are required to do, for example:

- The CIPFA/SOLACE framework on Corporate Governance requires the Council to make a public assurance statement annually (statement of internal control), on amongst other areas, the Council's risk management strategy, process and framework.
- The Comprehensive Performance Assessment (CPA) also examines risk management as a key discipline that all local authorities should be carrying out. CPA specifically asks whether an authority has assessed the risks inherent in its corporate and service plans, and partnerships. It also looks for evidence of a robust risk management strategy that is used in planning and delivering services.

Benefits of risk management

Successful implementation of risk management will produce many benefits for the Council. These include:

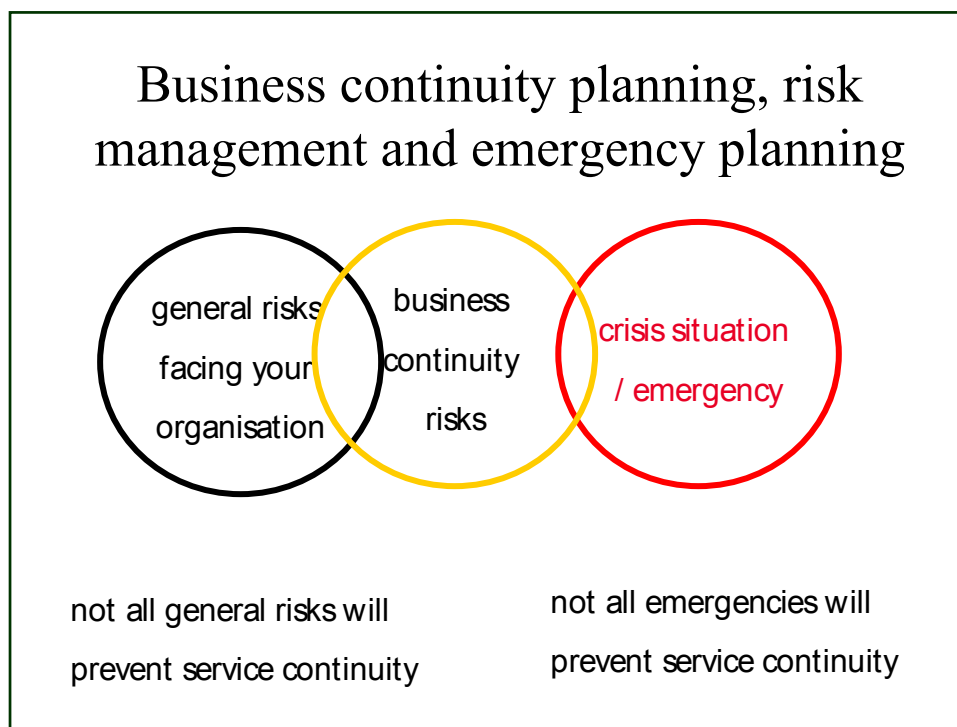
- Increased chance of achieving strategic objectives as key risks are minimised.
- Improved communication, consensus and prioritisation
- An organisation can become less risk averse (because risks are understood)
- improved performance (accountability and prioritisation) - feeds into performance management framework
- better governance (can be demonstrated to stakeholders)

Strategic approach to risk management

Risk management, emergency planning and business continuity

It is vital for the success of risk management that the roles of each are clearly understood. The diagram below sets out to demonstrate the differences.

Risk management is about trying to identify and manage those risks which are more than likely to occur and where the impact on strategic objectives can be critical or even catastrophic.



Business continuity is about trying to identify and put in place measures to protect your priority functions against catastrophic risks that can stop your organisation in its tracks. There are some areas of overlap e.g. where the I.T infrastructure is not robust then this will feature as part of the organisation risk assessment and also be factored into the business continuity plans. Business continuity is about managing those issues, which can stop the council from delivering.

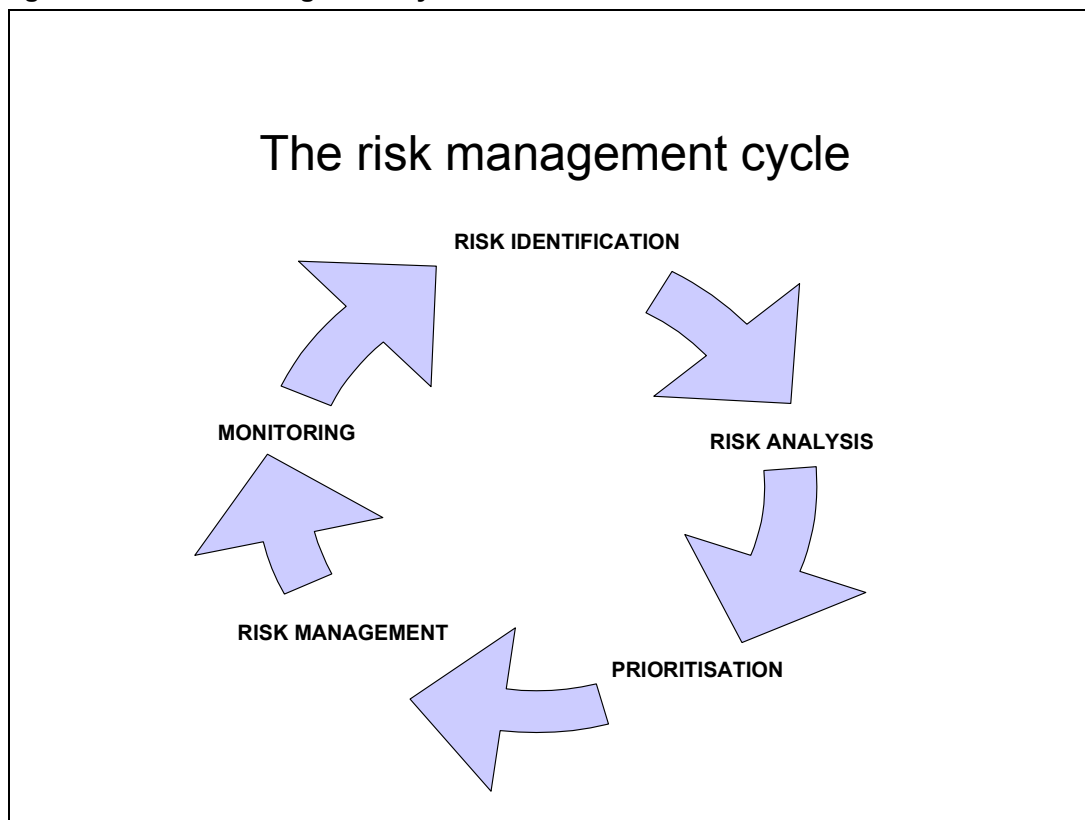
Emergency planning is about managing those incidents that can impact on the community (in some cases they could also be a business continuity issue) e.g. a plane crash is an emergency, it becomes a continuity event if it crashes on the office!

The risk management process

The risk management cycle

Implementing the strategy involves a 5-stage process to identify, analyse, prioritise, manage and monitor risks as shown in figure 1.

Figure 1: The risk management cycle



Stage 1 – Identification of the risks

The first step is to identify the 'key' risks that could have an adverse affect or prevent key business objectives from being met. It is important that those involved with the process clearly understand the service or organisation's key business objectives i.e. *'what it wants to achieve'* in order to be able to identify *'the barriers to achievement'*.

Using Appendix 1 as a prompt, various techniques can then be used to begin to identify 'key' or 'significant' business risks including:

- A 'brainstorm' session;
- Own (risk) experience;
- 'Strengths, Weakness, Opportunities and Threats' analysis or similar;
- Experiences of others - can we learn from others mistakes?
- Exchange of information/best practice with other authorities, organisations or partners.

It is also recommended that a review of published information such as service plans, strategies, financial accounts, media mentions, inspectorate and audit reports be used to inform this stage, as they are a useful source of information.

The identification of risk should take place for projects, partnerships, departments and at a corporate level. Details of who contributes to this stage is explained further in the roles and responsibilities section.

Stage 2 – Analysing the risks

The information that is gathered needs to be analysed into risk scenarios to provide clear, shared understanding and to ensure the root cause of the risk is clarified. Risk scenarios also illustrate the possible consequences of the risk if it occurs so that its full impact can be assessed. There are 2 parts to a risk scenario. The cause describes the situation and/or event (that may be perceived) that exposes the Council to a hazard. The consequences are the events that follow in the wake of the risk.

Figure 2: Example of the structure of a risk scenario

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

Each risk scenario is logged on the respective risk register being corporate, departmental or project risk register. A template of the risk register is shown in appendix 2. The purpose of the risk register is to store details of the risk, its likelihood and impact (see stage 3) and mitigation activity.

Stage 3 – Risk Profiling and prioritisation

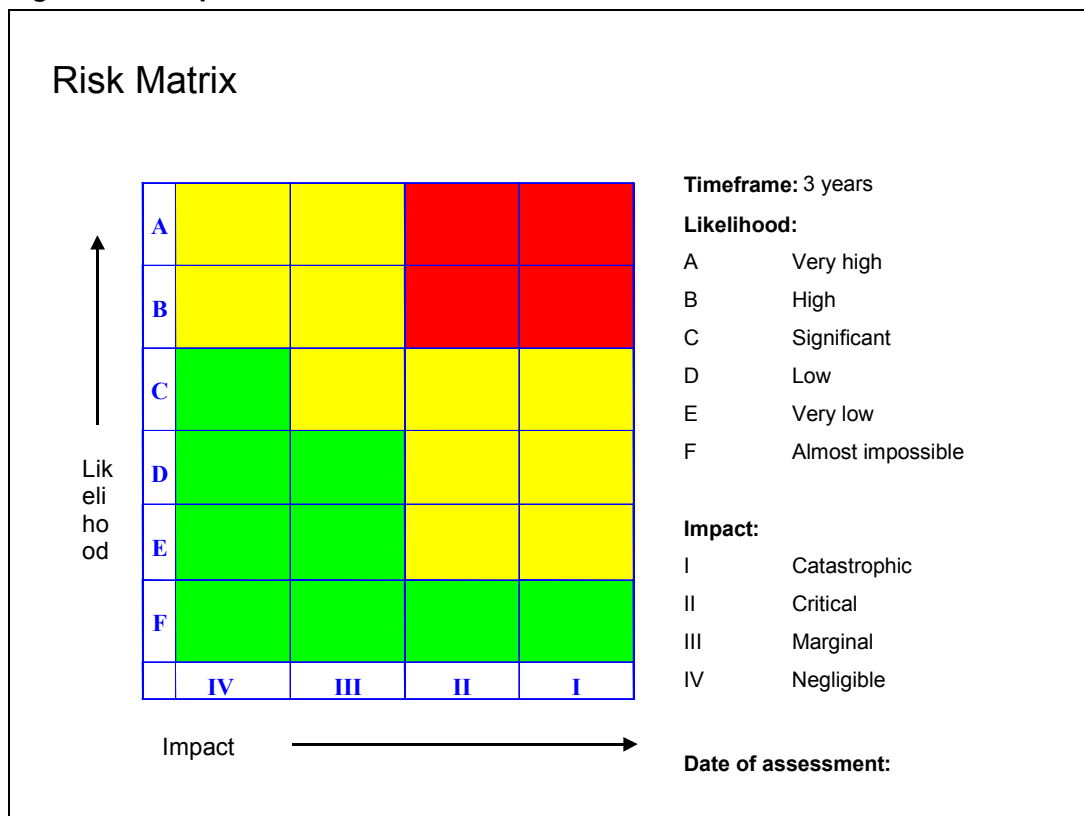
Following identification and analysis the risks will need to be evaluated. This can be undertaken through a team meeting or through a facilitated workshop. The aim of the event is the same, participants to review the risk scenarios and **decide their ranking according to the potential likelihood of the risk occurring and its impact if it did occur**. A matrix is used to plot the risks and once completed this risk profile clearly illustrates the priority of each risk. Appendix 3 provides guidance on the categories used on the matrix.

When assessing the potential likelihood and impact the risks must be compared to the appropriate objectives e.g. corporate objectives for the corporate risk profile and departmental objectives for the departmental risk profile. The challenge for each risk is how much impact could it have on the ability to reach the objective. This allows the risks to be set in perspective against each other.

At the beginning of this stage a timeframe needs to be agreed. Often a **3 year time horizon** is used so that the likelihood and impact can be considered within this timeframe.

The matrix is also constructed around 3 filters - these being red, amber and green. The red filtered risks are of greatest priority and require immediate attention. Amber risks should be reviewed and moderate risk mitigation action may be required. Green risks are likely to require no further action and should be monitored at 3-monthly intervals, in case the situation changes.

Figure 3: Example of a risk matrix and filters



If there are numerous red and amber risks to be managed it is prudent to cluster similar risks together. This is to aid the action planning process as a number of risks can be managed by the same or similar activity. Each cluster should be given a title e.g. recruitment and retention, staff empowerment etc. This technique of clustering should only be used when there are many risks to be managed eg in excess of 15 red and amber risks and where risks share common causes and consequences and therefore could be managed in a similar way.

Stage 4 – Action Planning

This is the process of turning 'knowing' into 'doing'. It is assessing whether to control, accept transfer or terminate the risk based on an agreed 'risk appetite'. Risks may be able to be: -

Controlled - It may be possible to mitigate the risk by 'managing down' the likelihood, the impact or both. The control measures should, however, be commensurate with the potential frequency, severity and financial consequences of the risk event.

Accepted - Certain risks may have to be accepted as they form part of, or are inherent in, the activity. The important point is that these risks have been identified and are clearly understood.

Transferred - to another body or organisation i.e. insurance, contractual arrangements, outsourcing, partnerships etc.

Terminated - By ending all or part of a particular service or project

It is important to recognise that, in many cases, existing controls will already be in place. It is therefore necessary to look at these controls before considering further action. It may be that these controls are not being complied with or are 'out of date'.

The potential for controlling the risks identified will be addressed through service plans. Most risks are capable of being managed – either by managing down the likelihood or impact or both. Relatively few risks have to be transferred or terminated. These service plans will also identify the resources required to deliver the improvements, timescale and monitoring arrangements.

Existing controls, new mitigation measures and associated action planning information is all recorded on the risk register. Full details of the risk mitigation measures that are to be delivered are likely to be recorded in the respective business plans and cross reference should be made to this in the risk registers.

Stage 5 – Monitoring risk management

CMT Corporate responsibility

The Corporate Management Team (CMT) is responsible for ensuring that the key risks on the corporate risk register are managed and the progress with the risk mitigation measures being monitored at appropriate intervals.

Departmental responsibility

Department Heads are responsible for ensuring that the key risks in their departmental risk registers are managed. This may include developing mitigation plans for corporate risks that CMT has assigned ownership of to a Department.

There is a quarterly process for the review and escalation of risks.

Quarterly review of Corporate and Departmental Risks

On a quarterly basis, the corporate and departmental risk registers will be reviewed and where necessary risks re-prioritised. Risks are amended so they reflect the current situation, obsolete risks are deleted and new risks identified. This ensures that throughout the organisation there is always an up to date view of the risks facing the Council.

Quarterly Escalation

There will be a formal review of risks and especially those above an acceptable threshold (i.e. the red risks) every quarter at CMT to ensure risks are understood and are being practically mitigated. This will be co-ordinated by the Head of Policy and Performance Management.

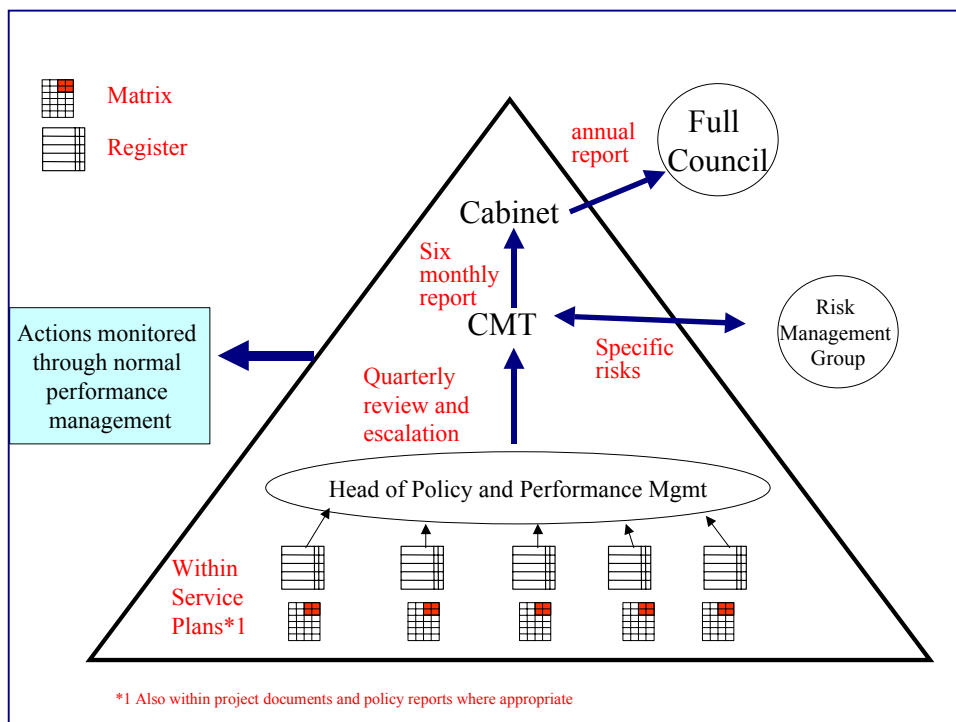
Members

Every six months CMT will report the headline red risks to the Cabinet for consideration and challenge. This challenge (in a positive spirit) will seek to provide confidence that the key risks have been reported and the mitigation measures are adequate. Annually the risk register and matrix will be sent to the full Council.

Annual Assurance

Cabinet should seek from Internal Audit that the risk process is being operated consistently in line with this strategy.

Figure 4 Risk management reporting arrangements



Roles and responsibility

The following describes the roles and responsibilities that members and officers will play in embedding and owning the risk management:

Those highlighted in **bold** are the critical priority areas.

- | | |
|---|--|
| Members | <ul style="list-style-type: none">• 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 will also be kept informed on the management of those risks through the regular performance management framework. All members will have the responsibility to consider the risks associated with the decisions they undertake and will be informed of these risks in the reports that are submitted to them. They should not seek to avoid or delegate this overall responsibility, as it is key to their stewardship responsibilities |
| Cabinet | <ul style="list-style-type: none">• approving the risk management strategy• ensuring the Council's risk management and internal control arrangements are robust• the Leader approves the statement of internal control approving the public disclosure of the annual outcome of this assessment (the assurance statement), and publishing it in the annual Statement of Accounts.• using the option appraisal section of reports to consider the strategic risks associated with the decisions they are required to undertake• Reviewing every six months the top risks identified by the Council |
| Overview and Scrutiny Committee | <ul style="list-style-type: none">• reviewing the effectiveness of the risk management and internal control framework• challenging the appropriateness of mitigation measures |
| Chief Executive and Corporate Management Board (CMT) | <ul style="list-style-type: none">• The Chief Executive and CMT are pivotal in the promotion, demonstration and embedding of risk management within the Council. The successful outcome of this will be risk management practised throughout the organisation as part of usual activities and the sharing of best practice and experience between services.• The Chief Executive and CMT's key tasks are:<ul style="list-style-type: none">• recommending to the Cabinet the risk management strategy and subsequent revisions thereof• supporting and promoting risk management throughout the Council• identify, assess and monitor corporate strategic risks on a quarterly basis using the risks reported via the performance management arrangements• reporting the headline risks and mitigation plans to Cabinet and the Audit and Performance Committee on a quarterly basis• the Chief Executive is required to agree and sign the annual statement of internal control (assurance statement) approving the public disclosure of the annual outcome of this assessment, and publishing it in the annual Statement of Accounts.• to monitor the practice of risk management at departmental and project level to ensure that the process set out in the strategy is complied with• Passing common risks to the Risk Management Group to manage and report back |

Heads of Department	<ul style="list-style-type: none"> • Heads of Department will demonstrate their commitment to risk management through: <ul style="list-style-type: none"> • being actively involved in the identification and assessment of departmental level risks resulting in an up to date departmental risk register • incorporating the risk management process into the service plans • encouraging staff to be open and honest in identifying risks or missed opportunities • ensuring that the risk management process is part of all major projects and change management initiatives • ensuring that all reports written for Members include a risk assessment of the options presented for a decision • monitoring and reviewing relevant PI's regularly to reduce or control the significant risks via the performance management framework. • Reporting quarterly to the Chief Executives (through Head of Policy and Performance and Management) on the progress being undertaken to manage the risks and an up date on the nature of the high priority red risks. • Verbal presentation to CMT on key risks and the mitigation measures in place to manage them.
Head of Policy and Performance management	<ul style="list-style-type: none"> • As a Head of Department above PLUS • Collation of "red" risks from Heads of Department on a quarterly basis • Submission of composite report to CMT • Reporting to Cabinet on a six monthly basis of current risk position • Ensuring that mitigation measures and captured and monitored normal performance management arrangements
Council Officers	<ul style="list-style-type: none"> • To manage risk effectively in their job and report hazards/risks to their service managers. To undertake their job within risk management guidelines.
Risk Management Group	<ul style="list-style-type: none"> • Manage specific risks as directed by CMT • Report to CMT on the said management of those risks. • Highlight to CMT potential new operational risks emerging through frontline activity • Research, consider and recommend to Corporate Management Team best practice in order to reduce or mitigate losses or risks and to comply with legislation;
Internal Audit	<ul style="list-style-type: none"> • use the corporate and service risk registers to inform the internal audit timetable and plan • provide independent assurance on the adequacy of the Council's risk and control procedures • provide independent assurance on the management of high priority risks • provide professional advice on cost effective ways of identifying and managing risk, based on their view of the whole of the Council's services and resources

Appendix 1 – Categories of risk

Risk	Definition	Examples
Political	Associated with the failure to deliver either local or central government policy or meet the local administration's manifest commitment	New political arrangements, Political personalities, Political make-up
Economic	Affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance cover, external macro level economic changes or consequences proposed investment decisions	Cost of living, changes in interest rates, inflation, poverty indicators
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the council's ability to meet its objectives	Staff levels from available workforce, ageing population, health statistics
Technological	Associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the council's ability to deliver its objectives	E-Gov. agenda, IT infrastructure, Staff/client needs, security standards
Legislative	Associated with current or potential changes in national or European law	Human rights, appliance or non-appliance of TUPE regulations
Environmental	Relating to the environmental consequences of progressing the council's strategic objectives	Land use, recycling, pollution
Professional/ Managerial	Associated with the particular nature of each profession, internal protocols and managerial abilities	Staff restructure, key personalities, internal capacity
Financial	Associated with financial planning and control	Budget overspends, level of council tax, level of reserves
Legal	Related to possible breaches of legislation	Client brings legal challenge
Physical	Related to fire, security, accident prevention and health and safety	Offices in poor state of repair, use of equipment
Partnership/ Contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification	Contractor fails to deliver, partnership agencies do not have common goals
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value	Fail to win quality accreditation, position in league tables
Customer/ Citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens	Managing expectations, extent of consultation

Appendix 2 – Risk Register

Example Risk Register												
Risk No.	Objective	Owner/ service	Cause	Consequences	Likelihood /impact	Current mitigation	Adequacy	Further planned action	Action owner	Key action dates and review frequency	Target risk score	Comments from independent assurance

Risk Number	This is the unique identification number given to each individual risk
Objective	Cross reference to the strategic objectives as stated in the corporate, departmental or project plans
Owner/service	Who is the risk owner (and their service) and therefore responsible for ensuring the mitigation work is undertaken
Cause	This describes the existing, potential or perceived risk/threat to the strategic objectives
Consequence	The impact of the cause is often a chain of events that can impact on many stakeholders
Likelihood/ impact	Based on the risk matrix, how is the risk likelihood scored eg A, B, C, D or E Based on the risk matrix, how is the impact scored eg 1, 2, 3 or 4
Impact	
Current mitigation	THE EXISTING MEASURES THAT ARE IN PLACE TO CONTROL /PREVENT THE RISK (RISK MITIGATION)
Adequacy	An assessment on the suitability of the current mitigation measures
Further planned action	Activity that is planned to further manage the risk
Action owner	Who will be responsible for undertaking the further planned action
Key action dates & review frequency	Specific deadlines for the new risk control measures to be put in place with associated review frequency
Comments from independent assurance	Record of comments received from inspectors, internal audit and other independent assessors

Appendix 3 – Risk Matrix Scoring Definitions

The definitions below provide guidance as to what is meant by both likelihood and impact. Using this table will aid consistency.

	IMPACTS			
	Negligible	Marginal	Critical	Catastrophic
Financial Impact	£0K - £25K	£25k - £250K	£250K - £2M	£2M+
Service Provision	No effect	Slightly Reduced	Service Suspended Short Term / reduced	Service Suspended Long Term Statutory duties not delivered
Health & Safety	Sticking Plaster / first aider	Broken bones/Illness	Loss of Life/Major illness	Major loss of life/Large scale major illness
Objectives		Objectives of one section not met	Directorate Objectives not met	Corporate objectives not met
Morale		Some hostile relationship and minor non co-operation	Industrial action	Mass staff leaving/Unable to attract staff
Reputation	No media attention / minor letters	Adverse Local media Leader	Adverse National publicity	Remembered for years!!
Government relations		Poor Assessment(s)	Service taken over temporarily	Service taken over permanently

LIKELIHOOD	PROBABILITY	TIMING
Very High	> 90%	This week
High	55% to 90%	Next week / this month
Significant	15% to 55%	This year
Low	5% to 15%	Next year
Very Low	1% to 5%	Next year to five years
Almost Impossible	0% to 1%	Next ten years

Appendix 4 - Management Action Plan

Risk Group:

Likelihood	A				
	B				
	C				
	D				
	E				
	F				
		IV	III	II	I
	Impact				

Owned by:

Risk Number [no.]	Current Risk Score [matrix position]	Target Risk Score [improved position]	Description [short name]

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
[actions/controls already being done that relate to this risk/cluster]	[how effective are the actions/controls already in place?]	[new actions/controls required to manage the risk down to its target score]	[the person responsible for this action plan being carried out]	[what will success look like?, how will performance indicators improve?]	[frequency of reviewing this action plan]	Milestones / deadlines

Notes

Completed by

Date