ISLE OF ANGLESEY COUNTY COUNCIL

COMMITTEE:	**AUDIT COMMITTEE**
DATE:	**25 SEPTEMBER 2012**
TITLE OF REPORT:	**RISK MANAGEMENT FRAMEWORK**
PURPOSE OF REPORT:	**FOR INFORMATION AND RECOMMENDATION TO EXECUTIVE**
REPORT BY:	**INTERIM HEAD OF FUNCTION (RESOURCES)**
ACTION:	**RECOMMENDATION TO THE EXECUTIVE TO ADOPT THE DRAFT RISK MANAGEMENT STRATEGY AND GUIDANCE DOCUMENTS**

1. **INTRODUCTION**

   1.1   The Audit Committee has at previous meetings requested that the process of developing a Risk Management framework for the Authority be brought to completion and the framework implemented. The Risk and Insurance Manager has made considerable progress in achieving this and a Corporate Risk Register can now be presented to this Committee.

   1.2   A draft Risk Management Strategy and Draft Guidance have been produced and are attached to this report as Appendix A and B. The Committee is asked to recommend the adoption of the draft Risk Management Strategy and Draft Guidance by the Executive at its next meeting.

   1.3   Once the draft Risk Management Strategy and Risk Management Guidance are adopted there will be a functioning Risk Management framework in place within the Council to ensure that risks can be identified, evaluated, mitigated, and reported on.

   1.4   Training on the Risk Management framework has been arranged for the first week in November 2012 for Members of the Audit and Scrutiny Committees. Members of the Executive will also be invited to attend. The training will explain what the adopted Risk Management framework is and what the roles of both officers and Members are in the Risk Management process.

2. **PROGRESS ON IMPLEMENTATION OF RISK MANAGEMENT FRAMEWORK**

   2.1   The Risk and Insurance Manager has provided the following chronology of progress towards implementation of a Risk Management framework within the Council:

   - Zurich Risk Engineering facilitated workshops for each directorate and the Senior Leadership Team (SLT). The workshops were held in November / December 2011.

- From these workshops a Corporate Risk Register and Service Risk Registers where drafted.

- The Corporate Risk Register contains those risks which are considered significant in relation to the Council's corporate aims and objectives, those Service risks that could have a detrimental effect on the Council as a whole should they materialise, and significant risks which are common across a number of Services.

- Service Risk Registers have been presented to the Quarterly Performance Review meetings for some time.

- During July / August 2012 the Head of Service – Audit and Risk & Insurance Manager met with each member of the SLT to review the draft Corporate Risk Register and agree a Lead Officer for each identified risk, mitigating actions required, the responsible officers for implementing each action, the time scale for this to be done, and the expected effect this will have on the level of risk.

- It is recognised that SLT has collective responsibility for the Corporate Risk Register, however, as each member of the SLT have their own areas of expertise, each risk has been allocated to an individual member of the SLT to act as the driving force or Lead Officer to manage that risk.

- Draft Risk Management Strategy, Risk Management Guidance and Corporate Risk Register documents were presented to the SLT on 11th September 2012.

- These draft documents will be presented to the Audit Committee on the 25th September 2012 and the Committee requested to recommend adoption of the Strategy and Guidance to the next Executive Committee.

- These documents are also scheduled to be presented to the next meeting of the Sustainability Board, and subsequently to the Scrutiny Committee.

- It is recognised that the current Corporate Risk Register needs refining.

- Once the Risk Management Strategy and Risk Management Guidance are adopted there will be functioning framework in which risks can be identified, evaluated, mitigated, and reported on.

- Risk Management training has been arranged for the first week in November 2012 for Members of the Audit and Scrutiny Committees, which Members of the Executive will also be welcome to attend should they wish to.

- The Risk & Insurance Manager is continuing to support each Head of Service in developing and strengthening their Service Risk Registers.

3. CORPORATE RISK REGISTER

3.1 The initial version of the Corporate Risk Register is attached to this report at Appendix C. The Register has been compiled in consultation with members of the Strategic Leadership Team.

3.2 It is accepted that this version of the Corporate Risk Register is still a work in progress in terms of defining risks and mitigating actions but it is also accepted that such a Register will always be a living and developing document.

4. RECOMMENDATIONS TO EXECUTIVE

4.1 The Committee is requested to recommend the adoption of the draft Risk Management Strategy and Draft Guidance by the Executive at its next meeting.

4.2 The Committee is requested to consider the Corporate Risk Register.

GILL LEWIS
INTERIM HEAD OF FUNCTION (RESOURCES)   **12 SEPTEMBER 2012**

RISK MANAGEMENT GUIDANCE

Implementing Risk Management

This guidance document accompanies the Council's Risk Management Strategy so reference should be made to both documents.

The purpose of this document is to improve the management of risk and provide a consistent approach across the Council.

The Risk Management Process

The process for identifying, assessing, managing and monitoring risk is an integral part of the management process. The continual identification and assessment of risk is key to the successful delivery of our outcomes.

The changing external environment and the decisions made in the course of running the Council will continuously alter the status of risks identified and new risks emerging. The risk assessment process should support this on-going and forward-looking identification and assessment of risk as part of running the Council.

An overview of the risk assessment process is shown below:
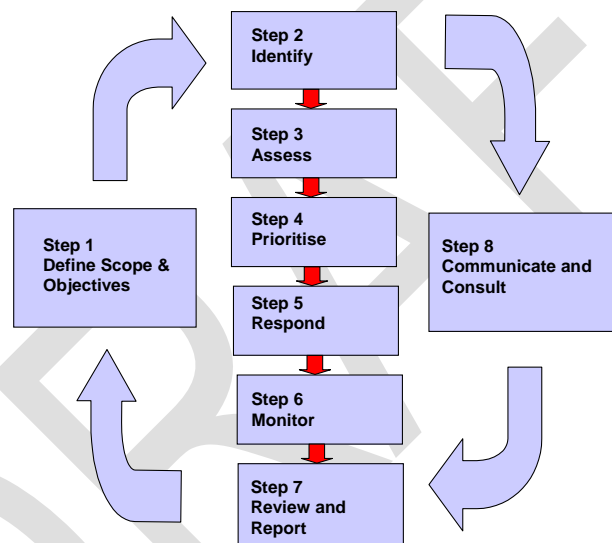
The risk register is how risks are documented. The current risk register format is included in Appendix 1. Its purpose is to provide a consistent method for capturing risk information. While it should be used at all steps in the process, it is important to make it a relevant and dynamic document. Its main purpose is to help ensure we <u>take action</u> where we need to.

The Corporate Risk Register documents the risks to the Council as a whole. In addition, each Service and Partnership is required to maintain an up-to-date risk register. It is left to the Service to decide whether it also records its risk assessment and maintains risk registers at business unit level. This will depend on the size, complexity and range of activities in the service. Project risks should be identified during the PID stage and, where a project progresses, the Project Manager is required to maintain an up-to-date risk register for that project.

Risk assessment will not be relevant or dynamic if we just go through the motions of writing down lists of risks.

Risk assessments, at all levels, are carried out within the regular business planning cycle, making risk management part of an established process, and ensures that the mitigation actions for key risks are included within business plans. As risk management is integrated with business planning, the existing performance management system is used to measure risk management performance.

Stage 1 – Define Objectives

It is important that those involved in the risk assessment process clearly understand the relevant key business objectives i.e. *'what we want to achieve'* in order to be able to identify *'the barriers to achievement'*. The more clearly objectives are defined, the easier it will be to consider those risks that could actually impact on objectives. Objectives must therefore be SMART (Specific, Measurable, Agreed, Realistic and Time bound). It follows therefore that:-

- Corporate and strategic risks are identified and prioritised in relation to the Council's Vision and key objectives;
- Service risks are identified and prioritised in relation to the service business plan;
- Partnership and project risks are identified and prioritised in relation to the particular objectives of the partnership / project.

Stage 2 – Risk Identification

Risk identification attempts to identify the Council's exposure to uncertainty. To ensure that key risks are identified, the process requires imagination, creativity, ingenuity and wide involvement as well as a methodical framework.

This is probably one of the most important steps of the process, as we can only attempt to manage risks we have identified.

To try and achieve a robust risk assessment, it is useful to consider the whole spectrum of risk, which is all of the various areas where the Council or service may face risk. The following categories may be used as prompts to aid the thought process:
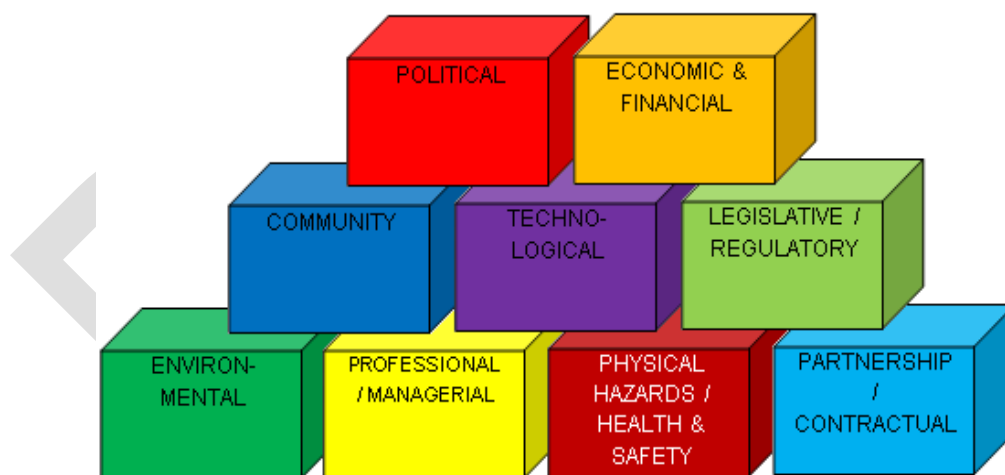
These are explained in more detail within Appendix 2. Using the prompts, various techniques can be used to begin to identify risks including:-

- Brainstorming;
- Past experience;
- 'Strengths, Weakness, Opportunities and Threats' analysis or similar;
- Exchange of information/best practice with others.

No one person holds all the risks, so to ensure that the process is as comprehensive as possible a group should identify the risks whatever method(s) are used.

It is important to also identify those risks where their contribution to objectives are not totally clear, particularly at operational or service levels where risks to safety and financial loss should also be considered, as should risks around compliance and statutory requirements.

Risks should be captured whether they are under the Council's direct control or not. For significant partnerships, the risks to the Council as well as the risks to the partnership itself need to be considered.

Finding the right words to properly define a risk is important in order that it is clear what the risk is. A good guide is that we must be able to look back and say whether the risk event has occurred or not. It is advisable to start a description with "The risk that.......", or "The risk of......". Only using a short phrase normally leaves too much room for different interpretation, e.g. "IT failure" compared to "The risk that failure of the xxx system results in significant disruption to service provision".

Stage 3 – Assess
Having identified a risk (or vulnerability) it is important to assess the causes or triggers, the potential consequences/impact and how effectively it is being managed. It is the management of the cause(s) and consequence(s) that determines how well a risk is controlled. This, in turn, determines what further actions may be necessary.

The vulnerability is essentially the risk, or the weakness that currently exists. The triggers are what are or could cause the risk to materialise, whilst the consequences are the 'worst likely' chain of events that could occur were the trigger to occur.

When assessing the risk impact and likelihood we do so on a residual basis. The residual risk is the risk as it currently stands with existing controls in place.
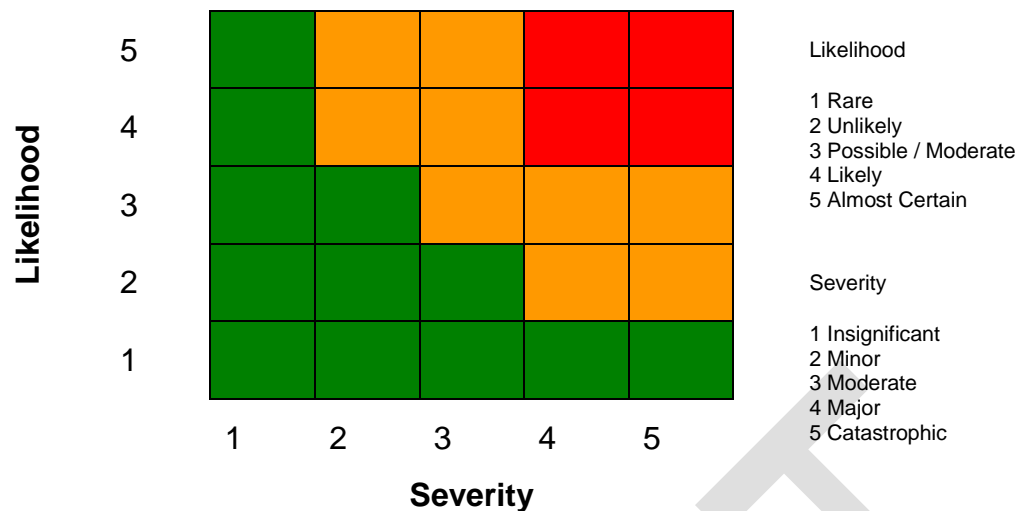
Stage 4 – Prioritise Risks
As there is finite time and resources available, not all identified risks can be managed, so following identification and analysis the risks will need to be evaluated to assess the really key ones. The likelihood and severity of each risk is, therefore, assessed within the relevant timeframe of the business plan/project.

Likelihood is assessed by asking how likely it is that the trigger event should occur in the given timeframe.

The potential impact or severity of the risks, or more specifically the identified consequences, should be compared to the appropriate objectives. The challenge for each risk is how much impact it could have or is having on the ability to achieve the objectives.

Appendix 3 provides a risk assessment criteria for corporate risks. The risk assessment criteria used are "semi-quantitative" which allows the assessment to be more objective and enables risks to be prioritised and escalated consistently. The risk assessment criteria can be used as a guide for Service, Project, and Partnership risks but will need to be scaled in relation to size, budget and prominence of the Service, Project or Partnership concerned. To give some guidance, a likelihood of 5 could be said to be "something that is already occurring, or certain to occur", the other categories, therefore, scale down. On severity 5 it could be said "the impact is such that all, or a substantial number, of the relevant objectives cannot be achieved" and the others scale down. It is important when scoring the likelihood and impact of risks that a balanced view is taken.

The combination of likelihood and severity provides a risk score allowing risks to be plotted on the matrix and set the risks in perspective against each other.

Likelihood
1 Rare
2 Unlikely
3 Possible / Moderate
4 Likely
5 Almost Certain

Severity

1 Insignificant
2 Minor
3 Moderate
4 Major
5 Catastrophic

Those risks towards the top right hand corner with higher likelihoods and impacts (red) are the most pressing with the priority falling as we move down to the bottom left hand corner.

This prioritisation helps us decide where to focus our risk management efforts. Those risks in the green blocks should not be ignored but no significant effort or resource will be used to manage them.

Stage 5 – Respond To Risks
This is vitally important as it is during this stage that improvement actually occurs. There are normally options for improving the management of a risk and they fall into the following categories.

Response	Which means?	Example
Tolerate	Do nothing 'extra' to manage the risk.	Where current control measures are sufficient to reduce the likelihood and impact of risk to a tolerable level that there is no added value in doing more, or not cost effective or realistic to try and manage it further. Where risks that are outside of our control and we have no influence over them e.g. Government introducing legislation that has a negative impact on the Council. These risks have to be accepted, but can be monitored.
Treat	Mitigating the risk by managing: • the likelihood • the impact • or both	The most likely form of management for the majority of risks. Developing SMART actions to manage the likelihood of risks occurring, their impact if they were to occur, or both. Preventative controls are used to mitigate likelihood – to ensure something does not happen e.g. training so that staff do not do something in the wrong way or fire walls to prevent computer virus attack. Impact is often mitigated with some kind of contingency e.g. alternative service providers or alternative service arrangements.

Transfer	Insurance / outsourcing / partnerships	Insurance, although will not be applicable for most of the risks faced. Outsourcing or entering into partnerships may transfer certain risks, however, will inevitably create new and different risks which have to be managed.
Terminate	Stop doing an activity	Where a risk could be so serious that there is no other option but to terminate the activity that is generating the risk. This can be difficult for a local authority given the number of statutory functions, however, non-statutory services could cease.

Where required, specific actions should be developed with defined ownership and timescales. When the risk assessment is conducted alongside the business planning process, actions should be integrated in the business plan.

In determining what actions are required, it is important to consider the effect these will have on controlling the risk in question, and specifically what change they will make to the impact and/or likelihood of the risk. Consideration should also be given here as to the 'Cost-Benefit' of each control weighed against the potential cost/impact of the risk occurring. N.B. 'cost/impact' here includes all aspects including financial, resourcing, but also reputational.

Stage 6 – Monitor Risks
The monitoring of risks is a normal management activity and as such should be integrated as part of normal line management responsibilities. Risk Management is not a one off exercise – it needs to be an integral part of the way we work. Progress in managing risks will be monitored and reported so that losses are minimised and intended objectives are achieved.

Monitoring of risks and the actions identified to mitigate them is, therefore:
- part of existing performance monitoring timetables;
- focused on those risks that have been given the higher priority (red).

Service risks and the actions identified to mitigate them will be formally monitored and reviewed as part of the quarterly Service Performance Reviews.

### Stage 7/8 – Review And Report / Communicate And Consult
The annual planning process is the point at which outcomes are reviewed and revised and is, therefore, a logical point at which to also review key risks and how they are managed. Business planning presents the opportunity to be forward looking and pro-active in our management of risk. Within the planning process (e.g. business cases, service plans) it is necessary to answer three main questions:
- Have we considered what we need to do in the year(s) ahead to deliver our plans, and the risks of not doing these things?
- Have we considered what might go wrong, with significant impact, in our plan, and how we would spot it in a timely manner?
- Have we considered external risks and identified those it is realistic for us to plan for?

Discussion, review and reporting of risk should take place at regular management and team meetings. Key risks and action progress should be reviewed at these meetings as determined by the severity of the risk.

Regular internal reports enable senior managers and Members to be fully aware of the extent of the risks and the changes occurring to them. In practice, risks will be reported as part of the performance management and business planning processes.

Internal reporting arrangements provide different levels of the Council with the most appropriate information. The reporting process is explained in detail in the Risk Management Strategy but is summarised below:
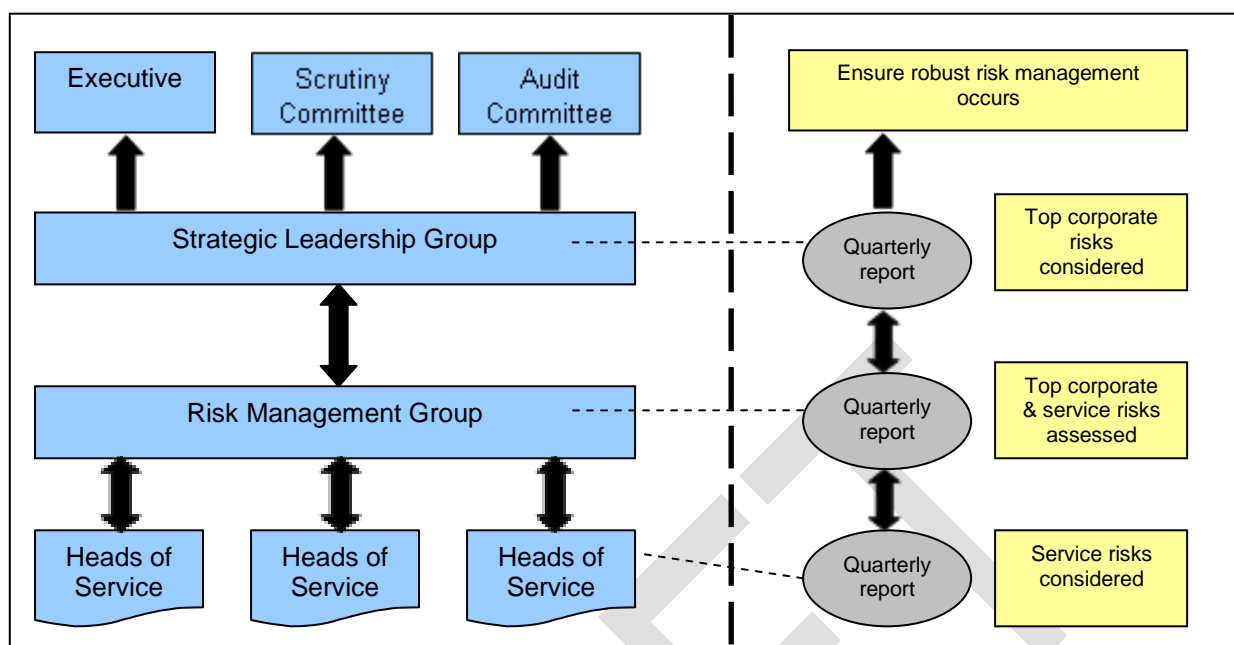
The Risk Management Group will act as "gatekeeper" for those risks being pushed up from Service Risk Registers to the Corporate Risk Register and risks pushed down from the Corporate Risk Register to Service Risk Registers. This will ensure consistency and identify common themes.

New risks identified should be added to the relevant risk register as soon as they have been identified. Where this is a significant (red) risk it must be reported on an exception basis through the relevant management structure and not left until the next routine round of reporting.

The likelihood and impact of each risk must be regularly reviewed in the light of the effects of control measures or other factors affecting the risk. Where the control measures are successful the risk score should reduce but where the control measures are ineffective or inadequate the risk score could increase. Under such circumstances the existing mitigation action must be reviewed and consideration given to introducing additional control measures.

Where a previously identified risk is no longer a risk to the objectives, consideration should be given to removing the risk from the relevant risk register. This should only be done once the risk has been sufficiently scrutinised as part of the relevant performance management review.

All aspects of the risk management process will reviewed at least once a year.

Appendix 1 – Risk Register

RISK REGISTER

| Risk Reference | Risk Owner / Lead Officer | Date Identified or Amended | Risk Identified | | | Risk Level | | | Additional Control Measures / Treatment Required | | | Residual Risk Level | | | Review Date / Frequency |
			Vulnerability / Hazard	Trigger	Consequences / What or who will be effected and how / Outcome / Effect on objectives	Likelihood	Severity	Score	Action	Responsible Officer	Target Date	Likelihood	Severity	Score	

Notes

Likelihood:
1 = Rare
2 = Unlikely
3 = Possible / Moderate
4 = Likely
5 = Almost Certain / Already happening

Severity:
1 = Insignificant
2 = Minor
3 = Moderate
4 = Major
5 = Catastrophic

Score = Likelihood x Severity

Appendix 2 – Categories of Risk

Political Arising from the political situation • Change of Government Policy • Political make-up • Election cycles • Decision-making structure • Abuse (e.g. fraud, corruption) • Reputation management	**Economic & Financial** Arising from the economic situation and the financial planning framework • Treasury – investment, reforms • Demand predictions • Competition and the effect on price • General/regional economic situation • Value/cost of capital assets	**Community** Demographics, social trends and meeting customer needs or expectations • Residential patterns and profile • Social care • Regeneration • Customer care • Quality of community consultation
Technological Arising from the ability to deal with pace of change, and the technological situation • Capacity to deal with change/advance • State of architecture • Obsolescence of technology • Current performance and reliability • Security and standards • Failure of key system or project	**Legislative/Regulatory** Arising from current and potential legal changes and/or possible breaches and the organisation's regulatory information • New legislation and regulations • Exposure to regulators • Legal challenges/judicial review • Adequacy of legal support	**Environmental** Concerned with the physical environment • Type of environment (urban, rural, mixed) • Land use – green belt, brown field sites • Waste disposal and recycling issues • Impact of civil emergency (i.e. flood) • Traffic problems, planning & transport • Pollution, emissions, noise • Climate change & energy efficiency
Professional/Managerial The need to be managerially and professionally competent • Peer reviews (e.g. IDeA, consultancy) • Stability of officer structure • Competency and capacity • Management frameworks and processes • Turnover, recruitment and retention • Profession-specific issues	**Physical Hazards and Health & Safety** Physical hazards associated with people, land, buildings, vehicles and equipment • Health, safety and wellbeing of staff, partners and the community • Accident and incident record keeping • Maintenance practises • Security of staff, assets, buildings, equipment • Nature and state of asset base	**Partnership/Contractual** Partnerships, contracts and collaboration • Key partners - public, private & voluntary • Accountability frameworks and partnership boundaries • Large-scale projects with joint ventures • Outsourced services • Relationship management • Change control/exit strategies • Business continuity • Partnerships – contractual liabilities

Appendix 3 – Risk Assessment Criteria

LIKELIHOOD				1	2	3	4	5
Event is expected to occur or occurs regularly	Monthly or more frequently	Almost Certain	5	Green	Amber	Amber	Red	Red
Event will probably occur	Annually	Likely	4	Green	Amber	Amber	Red	Red
Event may occur	1 in 2 years	Possible / Moderate	3	Green	Green	Amber	Amber	Amber
Event could occur	1 in 3 years	Unlikely	2	Green	Green	Green	Amber	Amber
Event may occur in certain circumstances	1 in 10 years	Rare	1	Green	Green	Green	Green	Green

		1	2	3	4	5
		Insignificant	Minor	Moderate	Major	Catastrophic
Service / Operations		No impact to service quality, limited disruption to operations	Minor impact on service quality, minor service standards are not met, short term disruption to operations	Significant fall in service quality, serious disruption to service standards	Major impact to service quality, multiple service standards not met, long term disruption to operations	Catastrophic fall in service quality and key service standards are not met, long term catastrophic interruption to operations
Reputation		Public concern restricted to local complaints	Minor adverse local / public / media attention and complaints	Adverse regional or national media public attention	Serious negative regional or national criticism	Prolonged regional & national condemnation
Financial	Cost (£)	< £50k	£50k - £350k	£350k - £1m	£1m - £5m	>£5m

SEVERITY

RISK MANAGEMENT STRATEGY

1. INTRODUCTION

1.1 Purpose And Objectives Of The Strategy
The purpose of this Risk Management Strategy is to establish a framework for the effective and systematic management of risk, which will ensure that risk management is embedded throughout the Council and makes a real contribution to the achievement of the Council's vision and objectives.

The objectives of this strategy are:
- Define what risk management is about and what drives risk management within the Council;
- Set out the benefits of risk management and the strategic approach to risk management;
- Outline how the strategy will be implemented;
- Identify the relevant roles and responsibilities for risk management within the Council.

Risk management is not a new responsibility, but simply the formalisation of what is already part of normal good working practices. It is important to emphasise, therefore, that Risk Management should not be an "add on". It is not a separate activity that happens once a year along-side other management activities. Rather, it should form an integral part of the performance management approach of the Council.

There is a detailed Risk Management Guidance document that accompanies this Strategy and gives further detail on how the risk management process should be carried out.

1.2 Approval, Communication, Implementation And Review Of The Risk Management Strategy
This Risk Management Strategy will be endorsed by the Executive and reviewed by the Audit Committee and, following approval, issued to:-
- All Members of the Council;
- Strategic Leadership Team;
- All Managers;
- Key Stakeholders such as Local Strategic Partners;
- Other interested parties such as the Wales Audit Office.

It will be placed on the Council's intranet site so that all members of staff can have access and easily refer to it. It will be part of the staff induction process so that individual members of staff are aware of both their's and others' role and responsibilities for risk management within the Council, departments and services.

The strategy will be reviewed internally each year and following any key changes in Central Government policy or inspection regimes, and following internal reorganisation or changes in policy.

1.3 What Is Risk Management?
Risk can be defined as "the uncertainty of outcome, whether a positive opportunity or a negative threat, of actions or events".

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, therefore, is essentially about identifying all the obstacles and weaknesses that exist within the Council. The holistic approach is vital to ensuring that all elements of the organisation are challenged, including decision making processes, working with partners, consultation processes, existing policies and procedures and, also, the effective use of assets – both staff and physical assets. Once the obstacles have been identified, the next stage is to prioritise them to identify the key obstacles to the organisation moving forward. Once prioritised, it is essential that steps are taken to then effectively manage those key obstacles / risks. The result 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.

The risks facing the Council will change over time, some changing continually, so this is not a one-off process. Instead, the approach to risk management should be continual and the risks and the approach to managing them should be reviewed regularly.

It is important to note that risks can also have an upside; their impact can in some cases be positive as well as negative. Risk is also often said to be the flipside of opportunity, so the whole risk management process can also help the Council identify positive opportunities that will take it forward.

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

1.4 Why Do We Want (And Need) To Do 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.

1.4.1 We Are Required To Do It
Risk management is something that the Council is required to do, for example:
- The CIPFA/SOLACE framework on Corporate Governance requires the Council to make a public assurance statement annually on, amongst other areas, the Council's risk management strategy, process and framework. The framework requires the Council to establish and maintain a systematic strategy, framework and processes for managing risk;
- The Accounts & Audit Regulations for Wales 2005 introduced a requirement from 1st April 2005 for a complete Statement of Internal Control. This ensures that due regard is given to our corporate governance arrangements to include our approach to performance management and risk management;
- The Wales Programme for Improvement (WPI) requires all local authorities in Wales to secure continuous improvement by taking a more proactive role in the delivery of their functions at strategic and operational level. The production of a service based risk register and a corporate risk register are one of the main elements of the WPI requirements;
- Risk management is increasingly becoming best practice in both the public and private sectors.

1.4.2 Benefits Of Risk Management
Successful implementation of risk management will produce many benefits for the Council if it becomes a living tool. These include:
- a consistent approach to the way risks are managed throughout the Council;
- improved informed decision making – risks reported and considered within Council decision making;
- becoming less risk averse in innovation (because you understand) and, hence, more innovative;
- improved business planning through a risk based decision making process;
- a focus on outcomes not processes;
- improved performance (accountability and prioritisation) - feeds into performance management framework;
- better governance - and demonstration of it to stakeholders;
- helping to protect the organisation.

The main benefit though is that the Council will be more likely to achieve its vision and the key objectives underpinning this, because the barriers are being actively identified and managed. So helping to achieve the strategic aim:

> "*To promote and protect the interest of the island, its citizens and communities through collaborative working locally, regionally, nationally and internationally".*

1.5 Where Does Risk Management Fit?

In short, the answer is "everywhere". Effective risk management should be applied within all decision making processes at an *appropriate scale*. So, the risk management approach should encompass the Council's:

Strategic and Corporate risks	• Risks that need to be taken into account in judgment about the medium to long term goals and objectives of the Council. • Risks that affect the successful delivery of corporate objectives and impact across the Council as a whole.
Service risks	Risks that affect the successful delivery of individual service objectives. They are often built into the service planning process.
Operational risks	Risks that managers and staff will encounter in the daily course of their work.
Project risks	Effective management of risk within projects is key to their eventual success, so major projects should have a robust risk management approach.
Partnership risks	The increasing number and scale of partnership working with public, private and voluntary sector partners exposes us to risk, so significant partnerships should have a robust risk management approach.

There is, therefore, a consistent approach from the top to the bottom of the Council. So a mechanism will exist for risks to be escalated up (bottom up) within the Council whilst the top risks are also explicitly identified and managed (top down).

In practice this means that the Council will carry out risk assessments and develop the following risk registers:
- Corporate risk register (CRR) – the strategic and corporate risks, related specifically to the Community Plan and Improvement Plan objectives.
- Service risk register (SRR) – the risks facing the service and the achievement of its service objectives, as outlined in the Service Business Plan. Depending on the structure and complexity of the service there may also be a need / desire to have Business Unit risk registers which feed into the Service risk register.

Given the changing landscape of local government, the importance of projects and partnerships are ever increasing, so a more specific and tailored risk management approach is required.

1.5.1 Project Risk Management
A project can be defined as:

"a temporary organisation that is needed to produce a unique and predefined outcome or result at a pre-specified time using predetermined resources" PRINCE2

And, to be effective, managers need to be able to control three aspects of the project:
- that the project delivers on time;
- that the project delivers to quality;
- that the project delivers to budget.

It is quite obvious that effective risk management will help this process, and is a requirement of all effective project management approaches. Risks should be identified and managed from the very outset and throughout the life of the project. It is essential that risks are effectively communicated and escalated within the project structure.

All major projects should have their own risk registers relevant to the project objectives and plan. Any significant risks identified should be reported to the relevant officers, group, committee and included in the relevant service and / or corporate risk register.

1.5.2 Partnership Risk Management

*"A third of those working in partnerships experience problems, according to auditors. These problems arise when governance and accountability are weak: leadership, decision-making, scrutiny and systems and processes such as **risk management** are all under-developed in partnerships."* Governing Partnerships, Audit Commission, 2005

Effective risk management of the Council's significant partnerships is, therefore, essential. This will require clarity of what partnerships are and, in particular, which are significant. Those then require a twin track approach to risk management:
- Outside looking in – the risks to the Council in getting involved in the partnership;
- Inside out – the risks to the partnership achieving its objectives.

The outside looking in risk should be included in the relevant service and / or corporate risk register. Each significant partnership should develop their own risk register relevant to the partnership's objectives and plan. This should be developed in conjunction with all of the partners. Risk management should be integrated within the governance processes of the partnership.

2. RISK MANAGEMENT STRUCTURE

2.1 Reporting Structure
The risk management process is a continuous one and risks can, therefore, be reported at anytime. However, risks will be formally reported in accordance with the existing business planning process and Quarterly Performance Management Meetings.

Services will, therefore, be required to revisit their risks in the light of any change and at least on a quarterly basis. They will report any new risks identified, progress on actions to mitigate existing risks, and any changes to the perceived level of risk as part of the Quarterly Performance Management Meetings or on an exceptions basis if any significant activity occurs between the Quarterly Performance Management Meetings. Any risks being reported on an exceptions basis should be reported to the Risk Management Group using the pro forma included in Appendix 3 of the Risk Management Guidance which accompanies this strategy.

Similarly, the Strategic Leadership Team will consider new corporate risks, changes to existing risks and escalated risks on at least a quarterly basis. The Strategic Leadership Team will report on the top corporate risks, the progress on actions to mitigate those existing risks, and any significant changes to the perceived level of those risks formally to the Executive, Audit Committee and Scrutiny Committee on a three monthly basis. Any significant activity occurring between the formal reporting will be considered and reported on an exceptions basis.

The Risk Management Group will act as a filter to assess Service risks which need to be escalated for consideration by the Strategic Leadership Team and also the Corporate risks which need consideration at a Service level. This will ensure a consistent top down and bottom up approach and that there is always an up to date view of the key risks facing the Council and how they are being managed.

This risk management strategy should also be reviewed and updated if considered necessary on an annual basis.

The reporting structure is represented below:
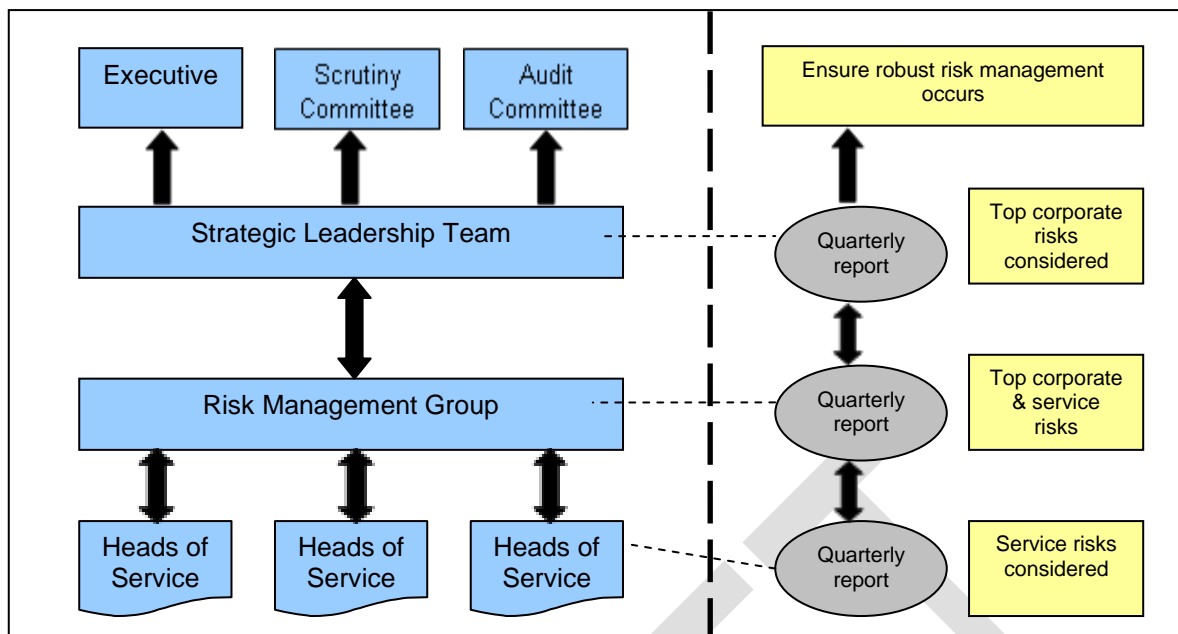
2.2 Roles And Responsibilities
The following describes the roles and responsibilities that Members and officers will play in introducing, embedding and owning the risk management process:

2.2.1 Executive
- Endorse the Risk Management Strategy;
- Approve the "risk appetite" of the Council i.e. the definition of high (red) risk, medium (amber) risk and low (green) risk as recommended by the Strategic Leadership Team;
- Hold the Strategic Leadership Team accountable for the effective management of risk;
- Monitor the arrangements for managing the Council's strategic and corporate risks through quarterly progress reports;
- Consider the risks involved when making any decisions;
- Receive and review the risk register and resultant action plans for the top corporate risks;
- Make an appropriate allocation of resources to address identified risks and risk management framework;
- Ensure that appropriate and effective communication reporting lines are in place in the context of risk management;
- The Leader approves and signs the Annual Governance Statement. 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.

2.2.2 Audit Committee
- Review the effectiveness of the risk management and internal control framework;
- Review the Council's Risk Management Strategy and how it is being implemented;
- Review and challenge the risk register and resultant action plans for the top corporate risks;
- Receive, review and challenge progress in implementing action plans for the Council's key strategic and corporate risks;
- Satisfy itself that robust processes and procedures exist and are applied for the management of operational risks, including health & safety risks;
- Scrutinises and approves the Annual Governance Statement as part of the Statement of Accounts.

2.2.3 Scrutiny Committee

- Identify significant risks to be scrutinised in more detail as part of their annual work programme, as appropriate;
- Receive, review and challenge progress in implementing action plans for the Council's key strategic and corporate risks;
- Satisfy itself that robust processes and procedures exist and are applied for the management of operational risks, including health & safety risks.

2.2.4 Lead Member – Risk Management

The Lead Member for risk management is the Portfolio Holder for Finance, Information Technology and Human Resources. Responsibilities include:

- Champions and encourages the use of effective risk management within the Council – to both members and officers;
- Raise awareness of risk management within the Council and to ensure that training and education needs in respect of risk management are identified and addressed;
- Attends the Audit Committee and Scrutiny Committee to report progress on risk management, with appropriate officers;
- Attempts to resolve issues/barriers facing the embedding of effective risk management.

2.2.5 All Members

Members are responsible for governing the delivery of services to the local community and have a responsibility to understand the risks that their Council faces and be aware of how these risks are being managed. One way of gaining assurance that identified risks are being effectively managed is by robust, constructive challenge and scrutiny.

2.2.6 Chief Executive And Strategic Leadership Team

The Chief Executive and Strategic Leadership Team are pivotal in the promotion and embedding of risk management by managing a culture change within the Council. They are responsible for managing strategic and corporate risks, as well as the service risks in their individual areas of responsibility.

Their key tasks are to:

- Review the Council's approach to risk management and supporting processes and recommend for approval any subsequent changes;
- Recommend the Risk Management Strategy to members;
- Propose the "risk appetite" of the Council i.e. the definition of high (red) risk, medium (amber) risk and low (green) risk;
- Support and promote risk management throughout the Council – with each member of Strategic Leadership Team ensuring that it works effectively in their own areas of responsibility;
- Actively identify, analyse and profile strategic and corporate risks at least quarterly;
- Determine and prioritise action on strategic and corporate risks, allocating individual ownership of the key risks to appropriate members of Strategic Leadership Team. Each Director will act as lead officer for the risks allocated to them and be held accountable for ensuring that risk improvements are delivered;
- Receive escalated service risks and consider their inclusion onto the corporate risk register;
- Monitor progress of risk arrangements as part of existing performance management arrangements;
- Report quarterly to the Executive on the key risks and their management;
- Ensure that (where appropriate) "key decision" reports include a section to demonstrate that arrangements are in place to manage any risks;
- Ensure that the Council has robust processes and procedures in place that are consistently applied, for the management of operational risks, including health & safety risks;
- The Chief Executive is required to agree and sign the Aannual Governance Sstatement 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.

2.2.7 Officer Risk Champion

The Deputy Chief Executive is the Officer Risk Champion and leads on all risk management issues. Responsibilities include:

- Ensuring that a Risk Management Strategy is developed and reviewed annually to reflect the changing nature of the Council;
- Ensure that a robust framework is developed to deliver and implement the Strategy;
- Inform Strategic Leadership Team on a regular basis of developments in the risk management processes and outcomes;
- Champion the process of risk management as good management practice and a valuable management tool;
- Chair the Risk Management Group.

2.2.8 Risk Management Group

- Annually assess the progress of risk management within the Council and report to Strategic Leadership Team, the Audit Committee and Scrutiny Committee;
- Research, consider and recommend improvements to the risk management process within the Council;
- Recommend the risk management strategy and subsequent revisions to Strategic Leadership Team;
- Support and promote risk management throughout the Council;
- Be the point of contact in the Council for risk management advice and guidance;
- Ensure that the Council has robust processes and procedures in place that are consistently applied for the management of all risks;
- Regularly monitor progress being made to compile risk registers and implement action plans and flag up issues Strategic Leadership Team the Audit Committee and Scrutiny Committee;
- Assess Service Risk Registers and escalate significant risks and common themes to the Strategic Leadership Team;
- Assess the Corporate Risks identified and escalate down any risks to the relevant Service(s);
- Recommend the inclusion of any new risks it discovers onto the appropriate risk registers.

2.2.9 Heads of Service

Their primary role is to manage service risks by:

- Promoting risk awareness within their Service;
- Facilitate risk assessments within their service area to develop a Service Risk Register – linked to the service performance plan;
- Receive escalated Business Unit risks and consider their inclusion onto the Service Risk Register;
- Actively identify, analyse and profile Service risks on a quarterly basis - linked to the service performance plan;
- Determining and prioritising action on Service risks, allocating individual ownership of the key risks to appropriate managers within their service;
- Escalate the top risks, those above the acceptable tolerance line, for consideration by Risk Management Group;
- Incorporating the risk management process into service planning processes – ensuring that these are fed into the business plan;
- Encouraging staff to be open and honest in identifying risks or missed opportunities;
- Ensuring that the risk management process is an explicit part of all major projects and change management initiatives;
- Monitor and report progress of risk management activities as part of existing performance management arrangements;
- Ensure that processes and procedures for the management of operational and Heath & Safety risks are consistently and robustly applied within the Service.

2.2.10 Internal Audit

To maintain independence and objectivity, Internal Audit is not responsible or accountable for risk management or for managing risks on management's behalf. Internal Audit will:

- Audit the risk management process;
- Support risk identification and assessment workshops, as appropriate;
- Assess the adequacy of the mechanisms for identifying, analysing and mitigating key risks;
- Provide assurance to officers and Members on the effectiveness of controls;
- The Risk Register will drive the Internal Audit Strategic Plan to ensure resources are used on the areas of highest risk and where the need for assurance is greatest.

2.2.11 Project Leaders

Project leaders have a responsibility to ensure that the risks associated with their projects are identified, recorded and regularly reviewed as part of the project management process. Significant risks must be reported and included in the relevant Service Risk Register or the Corporate Risk Register.

2.2.12 All Staff

All staff have a responsibility to:

- Manage risk effectively in their job and report opportunities and risks to their service managers;
- Participate in risk assessment and action planning where appropriate.
- Adhere to Council policies and procedures;
- Attend training and development sessions as appropriate.

2.3 Links to Other Business Processes

There is a link between risk management, emergency planning and business continuity, however, it is vital for the success of risk management that the roles of each, and the linkages, are clearly understood. The diagram below sets out to demonstrate the differences.
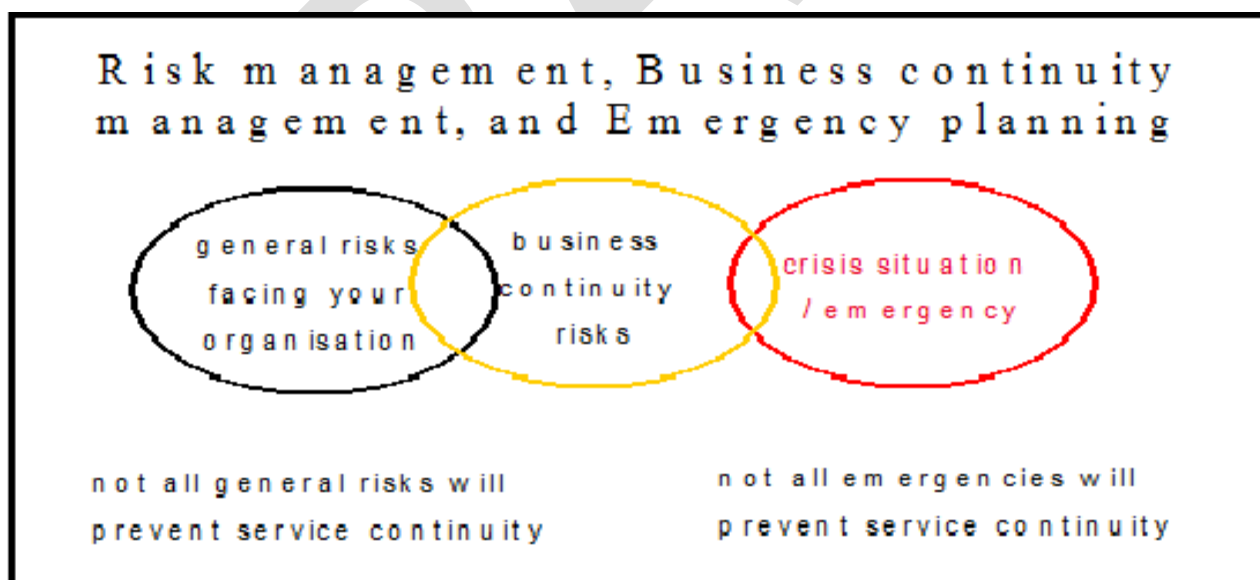
- **Risk Management** is about trying to identify and manage those risks which are more than likely to occur and where the impact on our objectives can be critical or even catastrophic.
- **Business Continuity Management** is about trying to identify and put in place measures to protect your priority 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.
- **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 Council has recognised there is a link between Risk Management and Business Continuity Management and Emergency Planning and this is reflected by the lead officers in these areas being members of the Risk Management Group thus ensuring collaboration, sharing of information, and reducing duplication.

3. **CONCLUSION**

This strategy will set the foundation for integrating risk management into the Council's culture. It will also formalise a process to be applied across the Council to ensure consistency and clarity in understanding the role and benefits of strategic risk management.

The quarterly reporting and escalation of risks should interlock with the existing quarterly arrangements for performance reporting. The intention being that the management of risks is incorporated into business plans so that reporting on performance naturally reports progress on the mitigation of risks.

The adoption of the strategy will formalise the risk management work undertaken to date and will move the Council towards meeting the requirements of recognised best practice and inspection.