Bath & North East Somerset Council

Risk Management Strategy

"Everyone is a risk manager"

Approval Date: 2011

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Appendices

If you require any clarification on any aspect of the Risk Management Strategy or require this document in a different format, please contact:

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1 Foreword

Welcome to the Risk Management Strategy 2011 approved and endorsed by Bath & North East Somerset Council's Cabinet Member for Resources & Support Services.

The vision to make Bath & North East Somerset an even better place to live work and visit is underpinned by the effective management of risks and opportunities. An effective risk management strategy will help to successfully deliver the corporate objectives of the Council which are aligned to the Local Strategic Partnership's Sustainable Community Strategy 2009 - 2026.

Working in partnership we are responsible for the delivery of essential services to the people and communities of Bath & North East Somerset.

This Strategy aims to improve the integration of risk management into the culture and working practices of the organisation and its partners.

The Strategy explains the approach to risk management and outlines the risk management framework by which the organisation can view, manage and respond to risk, both threats and opportunities, in a robust, systematic and documented way.

The benefits gained in managing risk and opportunity are improved strategic, operational and financial management, continuity of knowledge and information management processes, improved statutory compliance, meeting best practice and ultimately improving the services we deliver.

Cabinet Member Resources & Support Services

Malcolm Hanney

Council Chief Executive

John Everitt

2 Introduction

‘Risk Management is an integral part of the Corporate Governance framework for Local Government ’.

The Council’s Risk Management Strategy has been subject to annual review but it required a formal update to reflect the progress made and detail what is still required to fully integrate risk management into the culture and working practices of the organisation.

Risk management is an integral part of the corporate governance framework for Local Government. This is detailed in the Council’s Local Code of Corporate Governance which is reviewed annually and reported in the Council’s Annual Governance Statement.

The Risk Management Strategy will help support and underpin the delivery of the Local Strategic Partnership Sustainable Community Strategy and the Council’s improvement priorities:

Bath & North East Somerset Council Improvement Priorities

▪ Improving Transport and the Public Realm	▪ Building Communities Where People Feel Safe and Secure
▪ Tackling the causes and effects of Climate Change	▪ Improving the availability of affordable housing
▪ Promoting the independence of older people	▪ Improving the life chances of disadvantaged children & young people
▪ Improving School Buildings	▪ Sustainable Growth

It is recognised that risks and opportunities have and are being managed on a daily basis, either through formal risk management processes already in place or sometimes through an intuitive and instinctive basis. Unfortunately the later approach often fails to identify all of the risks and does not provide a systematic process to monitor and manage potential exposure. A more formal framework to methodically address the risks (threats and opportunities) attached to our activities must be adopted with the aim of securing and maximising planned outcomes.

We need to be able to understand and respond to our risks and embed a risk management ethos in all our core business processes.

What is a Risk?

- **A Risk is an event or series of events which will adversely affect the ability to meet objectives – in part or in full. A risk can also be the failure to take advantage of opportunities to optimise the achievement of objectives.**

The focus of good risk management is the identification, evaluation, control and review of threats and opportunities. Its objective is to add maximum value to all the activities. It analyses the potential downside (threats) and upside (opportunities) of all factors which can affect the achievement of key objectives and service delivery to the Community.

A clear overarching principle of this strategy is to develop our risk management processes and procedures alongside existing corporate arrangements. This has the clear advantage of achieving and demonstrating an embedded risk management process, but also reduces the need for additional reporting. Our aim therefore is to integrate - as far as possible - the processes and reporting mechanisms of the three key building blocks of Corporate Governance, Performance, Risk and Financial Management.

Benefits:

Integration of risk management has numerous business benefits, which include:

▪ Protecting and adding value by supporting the achievement of the Sustainable Community Strategy.	▪ Safeguarding of tangible and intangible assets.
▪ Improved strategic, operational and financial management.	▪ Promotion of innovation and change.
▪ Contributing to more efficient use/allocation of resources.	▪ Optimising operational efficiency and therefore delivering efficiency gains and value for money.
▪ Mitigation of key threats and taking advantage of key opportunities.	▪ Allocating time and management effort based on formal assessment of threats and opportunities.
▪ Protecting and enhancing assets and image.	▪ Avoid nasty surprises, shocks, crises and the time taken to ‘fire fight’ these.
▪ Improving decision-making (making the right decisions).	▪ Improved customer service delivery.

3 Risk Management Vision & Objectives

The purpose of the Risk Management Strategy is set out in its vision which is supported by six strategic risk management objectives. **Appendix 1** records each objective, the related actions, timescale for delivery, lead officers/bodies and the success criteria for assessing achievement.

Bath & North East Somerset Local Strategic Partnership
Sustainable Communities Strategy

B& NES Council
Corporate Plan

Vision For Risk Management

Embedment of an approach to managing risk and taking opportunities which results in improved Strategic and Operational Management for the organisation and actively enables the delivery of the Sustainable Community Strategy and the Council's Corporate Plan.

Strategic Objectives

1. Provision & Implementation of a comprehensive Risk Management Framework
2. Regular monitoring, review & reporting on Corporate & Operational Risks
3. Improved Decision Making (openness & transparency) including incorporation of Sustainability Impact Assessments
4. Identification & evaluation of risks associated with key partners, contractors & community groups
5. Provision of effective risk management training for all relevant staff & Councillors.
6. Improve efficiency & effectiveness of Risk Management support through the collaboration of systems & resources with key partners

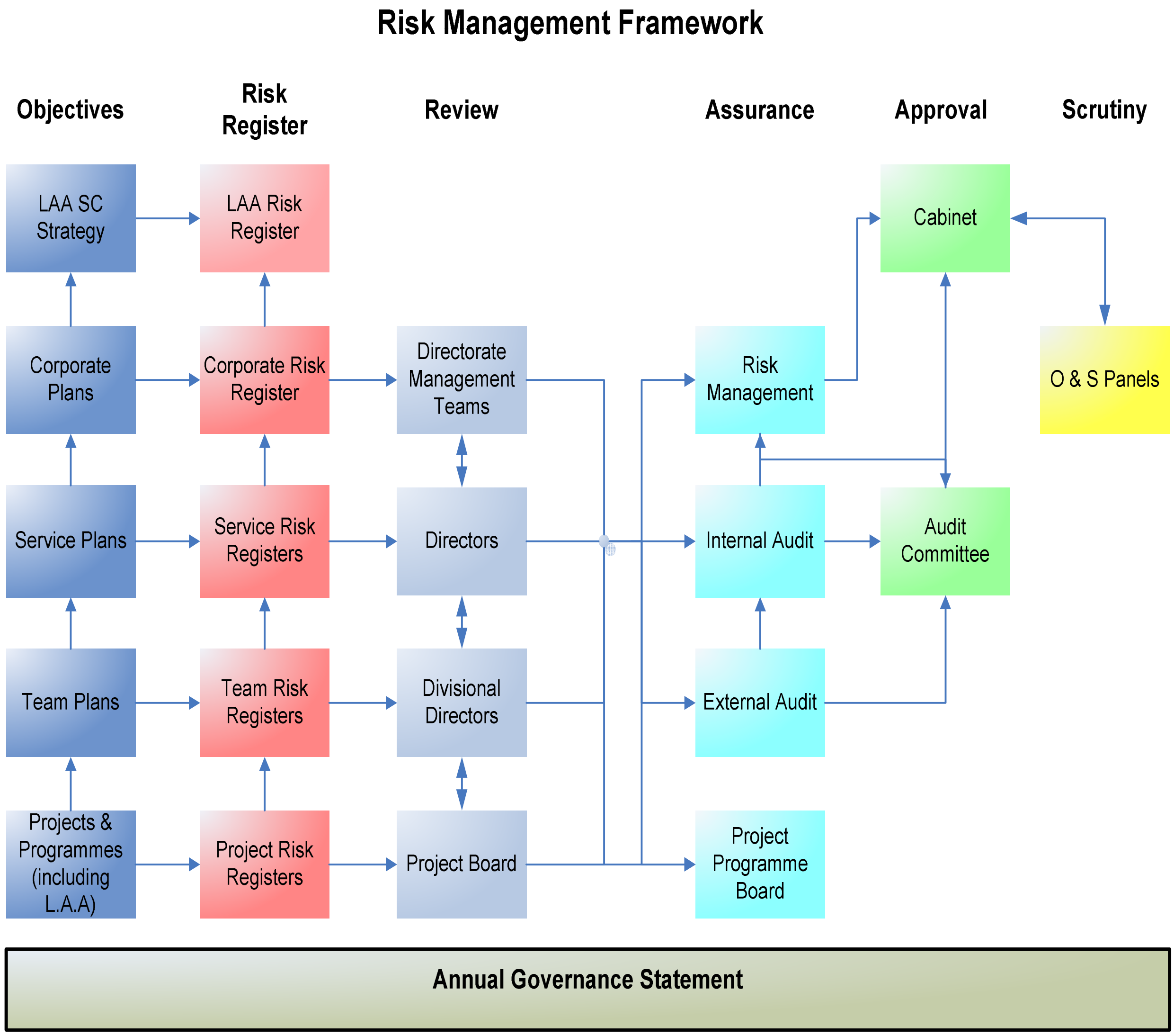
Achievement of the "Vision for Risk Management"
- See Appendix 1

4 Risk Management Framework

The Risk Management Framework sets out the approach for implementing the Risk Management Strategy and integrating risk management into the culture and working practices of the organisation and its partners.

To work effectively the risk management framework requires: -

- Commitment from the Cabinet (Council), Corporate Audit Committee, Directors & Directorate Management Teams.
- Assignment, acceptance and adoption of roles & responsibilities
- Allocation of appropriate resources for providing support and advice.



Attached to the risk management framework is an integrated set of tools and techniques for use in the various stages of the risk management process (see next section).

Roles & Responsibilities

The table below summarise the key roles and responsibilities relating to risk management.

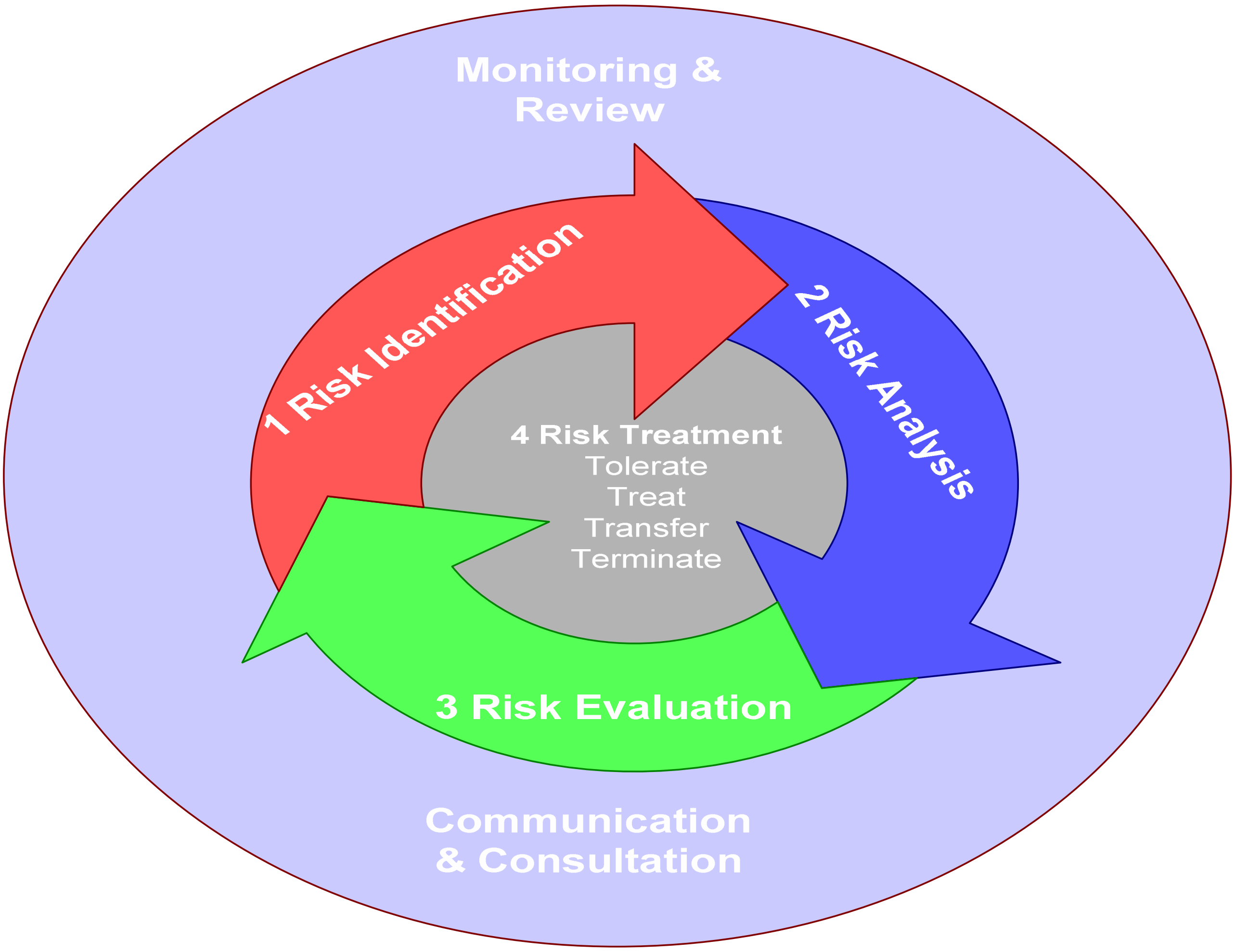
Group or Individual	Role
Member Champion	Gain an understanding and promote risk management and its benefits throughout the Council & it's partners, ensuring Members take risk management into consideration when making decisions.
Cabinet & Elected Members	Oversee the effective management of risk throughout the Council and its partnerships, and gain an understanding of its benefits, ensuring officers develop and implement an all encompassing approach to risk management.
Corporate Audit Committee	Provide independent assurance of the risk management framework and associated control environment, independent scrutiny of the Council and partners financial and non-financial performance, and oversee the financial reporting process.
Directorate Management Teams	Gain an understanding and promote the risk management process and its benefits, oversee the implementation of the risk management strategy and agree any inputs and resources required supporting the work corporately.
Directors	Ensure that the risk management process is promoted, managed and implemented effectively in their service areas within the organisation. Liaising with external agencies to identify and manage risk. Disseminating relevant information to service managers and employees.
Service Managers	Raise awareness, manage and implement the risk management process effectively in their service areas, recommending any necessary training for employees on risk management. Incorporating risk ownership through the appraisal scheme with employees and share relevant information with colleagues in other service areas.
Employees	Manage risk effectively in their jobs, liaising with their line manager to assess areas of risk in their job. Identify new or changing risks in their job and feed these back to their line manager.
Internal Audit	Challenge the risk management process, including the identification and evaluation of risk and provide assurance to offices and members on the effectiveness of controls.
Risk Management Team	Support the Council and its services in the effective development, implementation and review of the Council's risk management processes. Identify and communicate risk management issues to services, and assist in undertaking risk management activity through training or direct support.

5 Risk Management Process

The risk management process adopted by the Council follows the new international standard 'ISO31000:2009 – Risk Management Principles & Guidelines'.

The standard recommends that organisations develop, implement and continuously improve a risk management framework as an integral component of their management system. It was stated in the introduction to this Strategy that a clear overarching principle of this strategy is to develop risk management processes and procedures alongside existing corporate arrangements.

The risk management process is a planned and systematic approach. The stages of the process are shown below.



1 Risk Identification Describing the risks and recording them in risk registers.	**2 Risk Analysis** Estimating the likelihood and impact of risks
3 Risk Evaluation Ascertain whether the risks are within the Partnerships "risk Appetite"	**4 Risk Treatment** Actions to reduce the likelihood or impact of the risks to a level which is acceptable to the Partnership

5.1 Risk Identification, Analysis & Evaluation

Risk registers are used to apply the risk management process and should be considered a key management tool. A standard risk register template has been adopted and this is available for use through the intranet. (Copy at Appendix 2)

A hierarchy of risk registers is maintained and therefore responsibility for identifying, documenting, analysing / evaluating risks and agreeing risk treatment will be dependent on the level of risk register (see roles and responsibilities).

Risk Registers are then used to formally document risks with the objective of formulating a plan of action to manage the identified risks. It is the responsibility of all to ensure risks are identified ("everyone is a risk manager"). A number of tools assist this process, i.e. –

- Performance Development Review meetings;
- 1:1 Performance Meetings;
- Team or Management Meetings;
- Risk Management Workshops

When risks are identified it is essential that the risk is accurately described recording the key elements:

1) Trigger (Cause);

2) Consequence (Implication)

By clearly describing the trigger and consequence(s) it will be easier to understand what it is that needs to be managed. For example, if you can understand the potential 'trigger' you'll be able to consider the measures that can be put in place to prevent / detect the trigger and therefore reduce the chance of the risk being realised. If the consequence is fully understood you will be able to consider the cost / benefit analysis of taking action i.e. agreeing your 'strategy' to manage the risk.

To ensure that focus is concentrated in the first instance on those risks that present the greatest threat or opportunity, defined risks need to be measured. The measurement of risk is calculated by assessing:

- **IMPACT** – if the risk occurred
- **LIKELIHOOD** – of the risk occurring

Each defined risk will be scored by assessing the 'Impact' on a scale of one to five and multiplying this figure by the score for 'likelihood' (also gauged on a scale of one to five).

This 5 x 5 scoring matrix has been adopted by the majority of public sector bodies and is consistent with the national model adopted within the Emergency Services.

The product of this calculation of impact and likelihood is a "**Risk Score**", which can range from a minimum of 1 to a maximum of 25.

Example: ***Risk Impact Score (5) x Risk Likelihood Score (5)***

= Risk Score (5 x 5 =25)

IMPACT –

The following criteria are used as guidance to assess the potential Impact of each risk occurring;

Impact Score	Negligible 1	Low 2	Medium 3	High 4	Critical 5
Service Objectives	Minimal impact on the ability to deliver service objectives or meet national targets	Low impact on the ability to deliver service objectives or meet national targets	Some impact on ability to meet one or more service objective or meet national targets	Significant impact on ability to meet one or more service objective or meet national targets	Unable to deliver service objectives or meet national targets
Service Disruption	Minimal disruption not impacting on an important service which can be resolved in less than a day	Brief disruption of important service area Service disruption 1 day	Major effect to an important service area Service Disruption 2-3 Days	Complete loss of an important service area Service Disruption 3-5 Days	Major loss of service, Service Disruption 5+ Days
Financial	Up to 1% of budget	1% to 5% of budget	6% to 15% of budget	16% to 25% of budget	More than 25% of budget
Reputation	No Reputational Impact	Contained within team or Service	Adverse local publicity /local public opinion aware	Adverse publicity in local/ professional/ municipal press	Adverse and persistent national media coverage
Effect on project objectives / schedule deadlines	Minimal impact to project / slight delay less than 1 week	Minimal impact to project / slight delay less than 2 weeks	Adverse effect on project / significant slippage 3 weeks – 2 months	Significant impact on project or most or most of expected benefits fail / major delay 2 – 3 months	Complete failure of project / extreme delay 3 months or more
People & Personal Safety	Minor incident	Minor incident	Severe injury to one or more people	Major injury to one or more people	Death of an individual or several people
Safeguarding & duties of Care	Minimal or no impact on the Services Safeguarding or Duty of Care requirements	Consideration needs to be given to Safeguarding or Duty of Care requirements but unlikely to have an adverse impact on meeting overall requirements.	There are Safeguarding or Duty of Care issues that may have an impact on meeting overall requirements	Significant impact on meeting Safeguarding or Duty of Care Responsibilities	Not meeting legal responsibilities placing children or vulnerable adults at risk leading to a Serious Case Review

Impact Score	Negligible 1	Low 2	Medium 3	High 4	Critical 5
Environmental or Social	No detrimental impact	No lasting detrimental impact	Short-term detrimental impact	Long-term detrimental impact	Extensive long-term detrimental impact
Legal obligations / Litigation	Litigation, claims or fines Services up to £10K Corporate: £25K	Litigation, claims or fines Services: up to £25K Corporate: £50K	Litigation, claims or fines Services: up to £50K Corporate: £100K	Litigation, claims or fines Services: up to £125K Corporate: £250K	Litigation, claims or fines Services: up to £250K Corporate: £500K
Governance	Little or no impact on Governance arrangements	Low impact on Governance arrangement s	Has an impact on the Governance arrangements	Significant issue on the Annual Governance Statement or non compliance the Constitution or Financial Regulations	Council does not meet its statutory governance requirements resulting in unable to provide assurance to stakeholders in its Annual Governance Statement
Personal Privacy infringement	Isolated individual personal detail compromised	Isolated individual personal detail compromised	Some individual personal details compromised	Many individual personal details compromised	All personal details compromised

LIKELIHOOD –

Once the Impact has been assessed, the focus then turns to the Likelihood. The following criteria are used to assess the potential likelihood of each of the identified risks becoming a reality, and would generally be based on a five year period.

Assessment of Likelihood		
1	Rare	0 – 5% chance of occurring
2	Unlikely	6 - 20% chance of occurring
3	Possible	21 – 50% chance of occurring
4	Likely	51 – 80% chance of occurring
5	Almost Certain (Highly Likely)	80 – 100% chance of occurring

RISK MATRIX

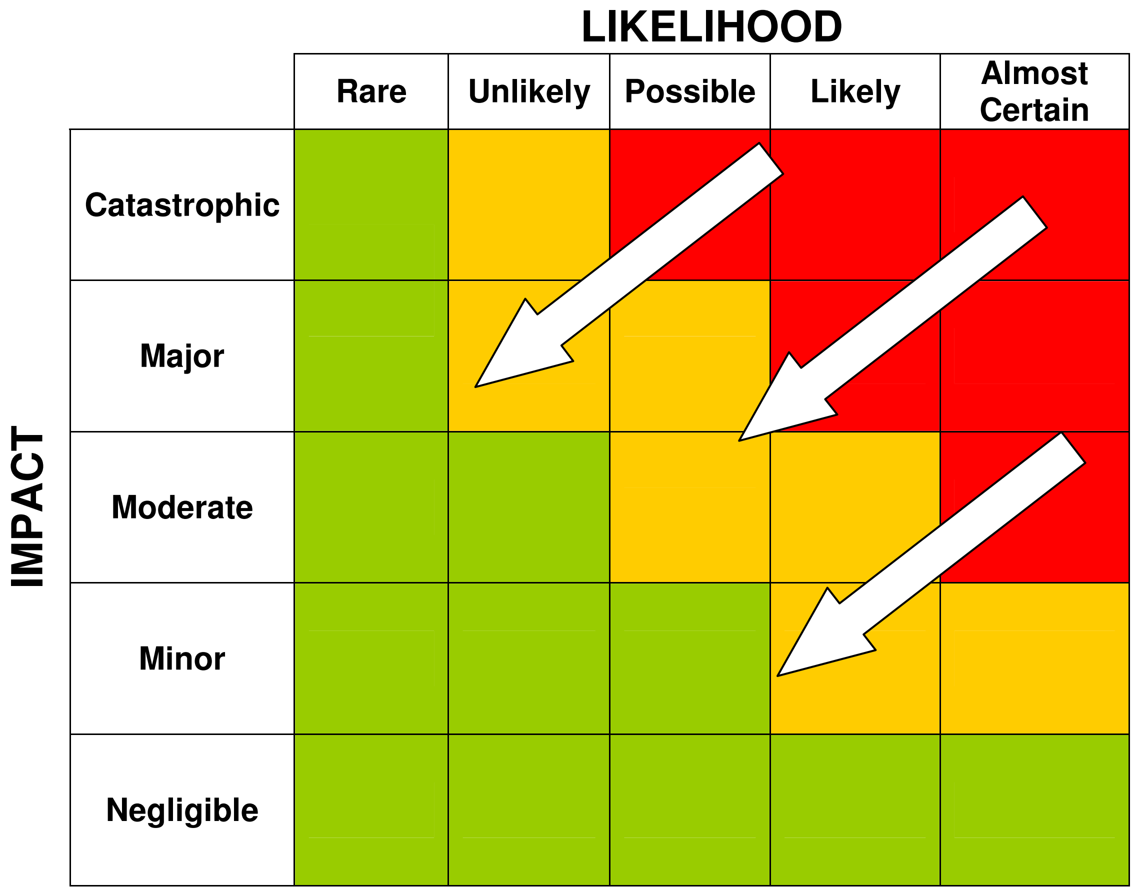
By comparing the risk score to a Risk Matrix, the risk can be assessed as to whether the identified risk is considered High (Red), Medium (Amber) or Low (Green).

LIKELIHOOD

		1	2	3	4	5
		Rare	**Unlikely**	**Possible**	**Likely**	**Almost Certain**
		< 5 %	*5% - 20%*	*21% - 50%*	*51% - 80%*	*> 80%*
IMPACT 5	**Critical**	5	10	15	20	25
4	**High**	4	8	12	16	20
3	**Medium**	3	6	9	12	15
2	**Low**	2	4	6	8	10
1	**Negligible**	1	2	3	4	5

5.2 ACTIVE MANAGEMENT OF RISKS

Clearly the aim of the risk management process is to **Actively Manage** risks down the risk matrix in terms of their potential impact on the organisation from "Red to Amber" & "Amber to Green".



The use of a Risk Matrix table is useful in producing a 'risk aware' culture and to provide focus at the various management levels across the organisation.

The mapping and colour coding of risks enables risks to be monitored and if necessary these risks can be "escalated" to the next level of management for review and action.

When risks have been initially assessed and ranked within their relevant zones, there are four strategy options that are available.

These options are sometimes referred to as the 4 T's:

Treat	Take direct action to reduce the level of risk to an acceptable level. Current 'ongoing' controls / actions to be continually monitored and actions planned to be implemented. Actions recorded in risk registers must be 'SMART' (specific, measurable, agreed, realistic & timed out). This will required defined actions to be allocated to individuals, implementation dates agreed and implementation status to be monitored

Tolerate	Decision taken not to implement any additional controls / actions as assessment of potential additional controls indicates that cost of control will exceed benefits of risk reduction. When deciding on this management strategy care will need to be taken to ensure consequences of the defined risk are fully considered, e.g. potential breach of legislation, reputational loss. Current 'ongoing' controls / actions (established 'routine' controls) will need to be monitored.
Transfer	It may be that the risk can be transferred to another organisation by way of a contractual agreement (for instance the private sector) or shared with partner organisations. In some instances, a risk may be insurable either totally or in part (eg legal liability, property, motor vehicle). However, it must be remembered that responsibility for statutory functions cannot be fully transferred and the reputational implications of risks need to be managed.
Terminate	The risk may be so serious that adding controls or modifications do not reduce the risk to an acceptable level. At this stage withdrawal from the activity should be considered.

Early consideration must be given to the **COST** / **BENEFIT** of the 'strategy' to be adopted. To implement a solution which brings with it an unacceptable level of cost that outweighs the benefits of attempting to mitigate is clearly a poor use of resources.

The COST / BENEFIT analysis applied during the risk management process assists the decision making process. Decision makers need to be satisfied that the risks and opportunities related to proposals are fully considered. It is therefore important that all those involved in the decision making process have consciously analysed proposals submitted. Decision Making Risk Management Guidance is available **(See Appendix 3).**

In addition to the decision maker obtaining a level of assurance that the proposal and the implementation of recommendations has been subject to a robust risk assessment, it is also an important principle of good governance that decisions taken can be subjected to effective scrutiny (Accountability).

Decision makers can be held accountable for decisions both internally and externally (Inspectorates, members of the public and press -via Freedom of Information requests). They will want to see that the decision and the information used to make the decision are documented and accessible, i.e. the decision is 'informed' and 'transparent'.

5.3 MONITORING & REVIEW

Monitoring & review of risks and related actions plans will be carried out using the established forums (Performance Development Review meetings, 1:1 Performance Meetings, Team Meetings, and Management Meetings). It will be for Divisional Directors and Managers to agree the best way to communicate and consult on the maintenance of the risk management process.

The embedment of risk management processes will be supported by attendance of Risk Management personnel at least quarterly at Directorate Management Team meetings or meetings with individual Directors & Divisional Directors. These meetings will discuss Service Risk Management and the Corporate Risk Register.

<u>Service Risk Management</u>
In addition to the quarterly meetings, Divisional Directors will be requested to complete a Service Risk Management 'sign-off' procedure through the QPR system. This 'sign-off' is focussed on the embedment / application of the 'risk management process' within their Service area.

The Divisional Director Service Risk Management 'sign-off' on QPR will be compared against an assessment of the effectiveness of risk management within each Service using an assessment methodology which provides a 'Red', 'Amber' or 'Green' indicator for reporting purposes. The results of the 'sign-off' and the 'independent' assessment will be reported each quarter.

<u>Council - Corporate Risk Register</u>
Risk Owners (Directors) and Action Owners will be required to update the risk assessment and action status at the end of each quarter. Key issues will be included within the integrated report on finance, performance and risk. A separate dashboard will record all revisions to the Corporate Risk Register including information on:

- New Risks
- Closed Risks
- Risks Reduced
- Action Plan Summary Status (Complete, On-Target, Potentially Off-Target & Off-Target)

6 Monitoring of Risk Management Strategy

The Council's Corporate Audit Committee will evaluate the effectiveness of the Risk Management Strategy & Framework. This is recorded in the 'Terms of Reference' of the Committee and reports will be submitted to the Committee as detailed in the Committee Forward Plan.