

TELFORD & WREKIN COUNCIL

CABINET 27TH APRIL 2010

REVIEW OF THE RISK MANAGEMENT STRATEGY 2010

REPORT OF THE CHIEF EXECUTIVE – LEAD OFFICER FOR GOVERNANCE

1.0 PURPOSE

1.1 For Cabinet to approve the revised Risk Management Strategy.

2.0 RECOMMENDATIONS

2.1 Cabinet is asked to approve the revised Risk Management Strategy attached as Appendix 1.

3.0 SUMMARY

3.1 In line with good corporate governance and the requirements of the Audit Commission's CAA Use of Resources, the risk management strategy is reviewed annually. The 2009 review was delayed to ensure any revisions would reflect the new organisational structure. The current Risk Management Strategy was agreed by Cabinet in December 2008.

4.0 PREVIOUS MINUTES

Cabinet – 8th December 2008

5.0 INFORMATION

5.1 The Risk Management Strategy has been reviewed in line with best practice, the revised organisation structure and revised arrangements agreed with CMT. SMT has been consulted on the draft strategy.

5.2 The Risk Management Strategy has been simplified in line with One Council, One Team, One Vision. The Risk Management methodology remains the same.

6.0 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	If business decisions are made using risk management principles, they will ensure that equal access of opportunity is offered to all.
Environmental Impact	The changes made to the strategy support the delivery of the Council's sustainability agenda. In addition failure to manage environmental risks and abide by regulations could have significant impacts on the Council.
Legal Implications	Failure to manage risks could have severe legal consequences and affect the standing of the Council. The Council has statutory duties and failure to fulfil these could give rise to statutory liabilities. Challenges may also arise from individual actions against the Council. In all cases defending any legal challenge will result in a cost to the Council; for example defending a judicial review challenge could give rise to costs liability in the order of £20-30K. There is also the possibility of criminal liability both for the Council as a whole (Corporate Manslaughter actions) and for individual officers (e.g. health and safety actions).
Opportunities and Risks	Ensuring our Risk Management Strategy is clear, concise and understandable assists in its effective use and also maximising

	opportunities whilst managing the risks.
Links with Corporate Priorities	The effective management of risk links with the priority of building an efficient, community-focussed council. It is also assessed as part of CAA Use of Resources process.
Financial Implications	An effective risk management strategy will help prevent/ minimise financial losses and damage to the reputation of the Council.
Ward Implications	None.

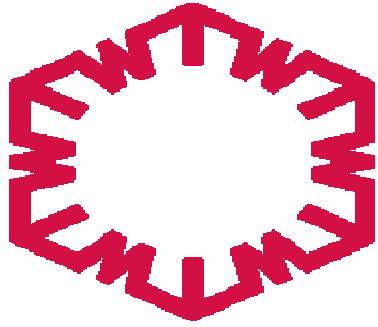
7.0 **BACKGROUND PAPERS**

Risk Management Strategy 2008

CAA Use of Resources 2009/10

Risk Management Strategies from other Local Authorities

Report prepared by Sarah Daffern, Principal Risk Officer, 01952 383112



Telford & Wrekin

C O U N C I L

Risk Management Strategy

March 2010

This Risk Management Strategy has the full support of the Members, Chief Executive and the Corporate Management Team. The co-operation and commitment of all employees is required to ensure that the authority's activities and resources are managed within a consistent risk management framework.

Lead Member for Governance (including Risk Management): Cabinet Member for Efficient, Community Focussed Council – Cllr Sean Kelly
Lead Officer: Chief Executive - Victor Brownlees

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Telford and Wrekin Risk Management Strategy

Risk Management is about exploiting potential opportunities as well as preventing potential problems. It is an essential part of good management.

INTRODUCTION - RISK MANAGEMENT STRATEGY OBJECTIVES

The aim of this strategy is to give a clear explanation of what risk management is, and what is expected from members and employees at all levels of the council. Risk Management does not intend to constrain members or employees from innovation and effective service delivery but to assist them in their activities and achieving the Council's priorities.

The function of Risk Management is to support the authority to achieve its priorities and to protect the assets and resources of Telford & Wrekin against risk in the most efficient way. As such the objectives of Risk Management are:

- To promote good corporate governance and therefore contribute to the annual governance statement incorporating the statement on internal control
- To identify, assess and manage the opportunities and risks to which the authority is exposed, both at strategic and operational level and within partnerships and projects
- To assist in decision making at all levels within the authority
- To enable effective service delivery, maximise the opportunities presented to minimise risk and improve outcomes for the local community.
- To ensure that the opportunities and risks associated with the Council's information assets are properly managed.
- To place a greater emphasis on identifying the opportunities and risks associated with the Council's budget options and levels of balances.
- To integrate, within the Council's planning processes, appropriate measures to ensure that all service areas, projects and partnerships are avoiding, reducing and economically controlling risks and maximising opportunities.
- To support Members and employees in their responsibilities for implementing the risk management strategy and to promote the benefits of risk management.
- To protect physical assets, promote employee and public safety and maximise resources.
- To learn from risk failures to improve the systems of internal control and risk and information management

The Council and this Strategy recognises that it is the responsibility of all members and employees to have regard for risk in the carrying out of their duties. If uncontrolled, risks can

result in a drain on resources that could better be directed to front line service provision and to meeting the authority's priorities.

This strategy helps to ensure that all areas of risk are identified, evaluated, controlled, monitored and reported. The process applies equally to both strategic and operational risks and is integrated into service delivery planning.

1. THE TELFORD AND WREKIN METHOD OF MANAGING RISKS

The cycle of risk management involves a number of key stages which are outlined below but are shown in more detail in Appendix A:

Stage 1: Objectives

Agrees the objectives for the organisation, Priority plan, Service Delivery Unit, project or partnership

Stage 2: Risk Identification

Identifies the risks or barriers to achieving the agreed objectives.

Stage 3: Risk Scoring/Evaluation

Using the Risk Matrix for each identified risk to give an assessment of impact and likelihood of the risk occurring.

Stage 4: Risk Mitigation/Control – Gross Risk Score

Recognises and records the Controls which are currently in place.

Stage 5: Re-assessment of risk – Residual Risk Score.

Stage 6: Further Actions and Timescales

Identify what further action can be taken to further manage the risk to reduce the score

Stage 7: Allocate Responsibility

Each Risk is allocated a risk owner to take responsibility for managing the risk, ensuring controls remain effective and actions are taken.

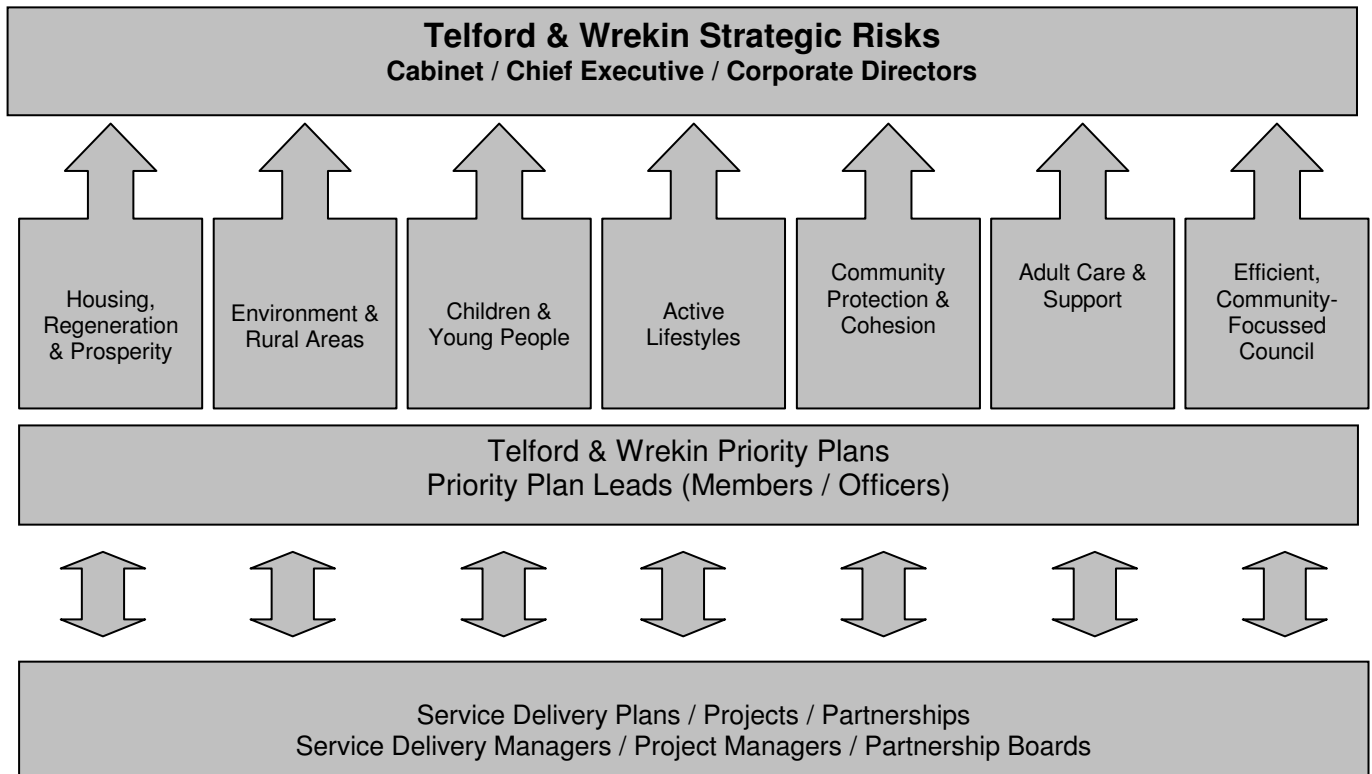
Stage 8: Recording Risks in Risk Register

All risks, including controls, actions, gross and residual scores, as well as Risk Owners should be detailed in the Risk Register (Template shown in Appendix A)

Stage 9: Monitoring and Reporting

Risks change over time and therefore need close and regular monitoring to ensure that they are current and that the controls remain in place and are effective.

2. TELFORD AND WREKIN RISK STRUCTURE:



Strategic Level:

- Strategic Risks may affect the achievement of the Council's Priorities. They are recorded on the Strategic Risk Register.
- Strategic Risks are monitored by CMT by exception, agreed by Cabinet and reported to the Audit Committee.

Priority Plan:

- Each Priority Plan should hold the appropriate information on Strategic Risks corresponding to its priorities and / or sub-priorities.
- Priority Plans including their risks are monitored and reviewed as part of the performance management and action plan monitoring process.
- Cross-cutting risks are captured in the Efficient, Community-Focussed Council plan.

Service Delivery Units:

- Service Delivery Plans should include service area risks registers detailing the risks which relate to their Priority Plan and service objectives.

Projects:

- At the initiation stages of the project, the risks and opportunities should be identified using the Corporate Risk Management Methodology and reported in the initiation documentation.
- Risks attached to projects should be fed into the appropriate Priority Plan Risk Register.

Partnerships:

- We are required to identify and manage the risks attached to all Partnerships in which the authority is involved. These could be risks for the Council itself, and or the Partnership.
- Risks attached to Partnerships should be fed into the appropriate Priority Plans Risk Registers as well as the Strategic Risk Register if required.

Please refer to Appendix B for more information on roles and responsibilities for risk management.

3. REPORTING AND COMMUNICATION OF RISK MANAGEMENT

Risks should be reviewed regularly and any changes should be reported appropriately. (Refer to Appendix B for Risk Management Roles and Responsibilities). Latest information on the Council's risks should be communicated at all levels of the organisation to ensure all members and employees have access to the most current risk information.

- **Strategic Risks / Key Risks**

The risk management process requires a robust reporting and monitoring system, which will report effectively on the Council's current risk profile as follows:

- Corporate Directors agree and review all Strategic Risks by exception
- Cabinet review and approve Key Strategic Risks
- Audit Committee review Key Strategic Risks
- Annual Report on progress in Risk Management approved by Cabinet and for information to Audit Committee.
- Full details of latest Key Strategic Risks are posted on the intranet.

- **Priority Plan Risks**

- Priority Plan Lead and Performance Monitoring group agree and review Priority Plan risks.

- **Strategy**

- The Risk Management Strategy is reviewed annually by Senior Management Team, Corporate Management Team and approved by Cabinet.
- Strategy is posted on the intranet.

- **Employees**

There is a dedicated Risk Management page on the intranet. In order to ensure that every employee within the organisation is aware of the importance of risk management there are leaflets for Managers and Employees.

Information on managing procurement risks is available on the Procurement intranet page.

- **Members**

Members have a very important role to play in corporate governance and therefore risk management.

- They should be concerned with strategic risk management and the achievement of the council's priorities.
- Awareness sessions are regularly held for the Cabinet and all members.

CONTACTS:

Principal Risk Officer – Sarah Daffern (sarah.daffern@telford.gov.uk)

Audit and Risk Manager – Jenny Marriott (jenny.marriott@telford.gov.uk)

Appendix A - TELFORD & WREKIN – RISK MANAGEMENT METHODOLOGY

Stage 1: Objectives

- Be clear on what the objectives are (Strategic, Priority Plan, Service Delivery Unit, Project or Partnership)

Stage 2: Risk Identification

- Once you know what your objectives are, have a risk workshop with your team to list all the risks (threats and opportunities) that could influence the ability to achieve your objectives. Include those risks related to partnerships or other parties you are working with. Be specific; try to avoid only identifying generalised risks such as staff shortages and include information about the potential consequences should the risk occur. The Principal Risk Officer can assist you with this.

Stage 3: Risk Scoring / Evaluation

- Use the Risk Matrix below to score each risk you have identified. You are assessing the **impact** it will have on you achieving your **objectives** and the **likelihood** of it happening. This is why the risks you identify need to be specific to achieving your objectives.
- Score the risk without controls in place to give you the “**gross**” risk score¹

Risk Matrix

Catastrophic
Impact

Impact

HIGH Impact LOW Likelihood 6	HIGH Impact MEDIUM Likelihood 7	HIGH Impact HIGH Likelihood 9
MEDIUM Impact LOW Likelihood 3	MEDIUM Impact MEDIUM Likelihood 5	MEDIUM Impact HIGH Likelihood 8
LOW Impact LOW Likelihood 1	LOW Impact MEDIUM Likelihood 2	LOW Impact HIGH Likelihood 4

Minor
Impact

Very Unlikely

Very Likely

Likelihood

¹ Gross risk is also known as inherent risk.

How to use the Matrix:

Scores are arrived at by assessing the impact of the risk on you achieving your objectives as high, medium or low, then assessing the likelihood of the risk occurring as high, medium or low. Where the two points meet is the score allocated to the risk.

So if the Impact will be high (catastrophic) and the likelihood of it happening is high, the score will be 9.

However, if the likelihood of the risk happening is low, and the impact of it happening is also low, the score will be 1.

Stage 4: Risk Mitigation / Controls – Gross Risk Score

- Once you have identified the risks and allocated them a gross score, you need to identify the controls you currently have in place to reduce the likelihood and or impact of this risk. A control is a measure already in place which is “controlling” the risk. If it is something you plan to do, it is an action and does not currently have an effect on the residual risk score.
- Record the current controls on the risk register.

Stage 5: Re-assessment of Risk - Residual Risk Score

- Decide if the controls identified reduce the gross risk score. Do they reduce the likelihood or the impact of the risk?
- Use the risk matrix again to re-score the risk with the controls in place to give the ‘**Residual Risk Score**’. If the controls in place are working then this score should be lower than the gross risk score.

Stage 6: Further Action and Timescales

- Decide if you feel the Residual Score is too high. If it is, you will need to identify what further action you can take to reduce the impact or likelihood, including dates by when the actions should be completed.

Stage 7: Allocate responsibility

- Allocate responsibility for the risk to a named individual. This person is the Risk Owner, they are responsible for the risk and should ensure that all controls are working and relevant actions are taken.

Stage 8: Recording the Risk in Risk Register

- You will need to record the outcome of all these stages in your risk register in the format shown below.

Risk	Risk Description (include information about the consequence)	Risk Category	Gross Risk Score	Key Controls	Residual Risk Score	Further Actions Required	Action Due Date	Risk Owner	Obj
1	Demographic changes across the Borough in terms of age and complexity of need places increased pressures on budgets and service capacity	OP FIN STRAT REP	9	1. Transition protocols in place between Children's Services and Adult Services.	8	1. Further develop transition protocols between departments and partner agencies (e.g. Connexions and LSC)	March 2010	SDM	All
2	Failure to promote through training and exercising, the full range of plans	OP STRAT	9	1. Civil Resilience Team in place 2. Plans in place.	8	1. Ongoing Emergency Plan Training 2. Continue EPDM Training.	July 2010	SDM	All
3.	Loss of key staff from the project team, project board and supplier	OP REP PEO FIN	7	1. Supervision and PPD processes to manage workload 2. Terms and conditions. 3. Notice periods	3	1. Use of contract staff for the short term.	Ongoing	SDM	All

Stage 9: Monitoring and Review

- All risks on your risk register should be reviewed as part of the monitoring process for the Priority or Service Delivery Plans and reported appropriately.
- Best practise is that risks should be reviewed on a regular basis, more often in key projects or in times of change.
- You should monitor and manage risks attached to all Partnerships in which you are involved.
- Be aware that risk scores can go up as well as down.
- All changes should be recorded with a date of review.
- Key risks (those with residual risk scores of 7 and over) will need very close and regular attention in order to manage them effectively.

If the Residual Risk Score is 7,8 or 9	This would be classed as a key risk; immediate action is needed to further manage the risk to reduce its likelihood and impact.
If the Residual Risk Score is 4,5 or 6	You need to monitor this risk, consider what action you could take and consider a contingency plan
If the Residual Risk Score is 1,2 or 3	You will need to monitor this risk to ensure the likelihood and impact remains low.

Appendix B

RESPONSIBILITIES FOR RISK MANAGEMENT – TERMS OF REFERENCE

- **Cabinet Member for Efficient, Community-Focussed Council**
 - The lead member for Governance.
- **Cabinet Members**
 - Have a collective responsibility to understand the strategic risks that the authority faces, to oversee the effective identification and management of these risks by officers.
 - Ensure that all identified risks and opportunities have been considered in decision making.
 - Seek clarification from Corporate Management Team and / or Senior Management Team if risks are not specifically shown in reports.
 - Agree the risk management strategy and review its effectiveness.
 - Agree the Council's Key Strategic Risks taking account of any concerns raised by the Audit Committee.
 - Receive an Annual Report on Risk Management.
- **Audit Committee Members**
 - Be satisfied that the authority's Annual Governance Statement properly reflect the risk environment and any actions required to improve it.
 - Monitor the effectiveness of the authority's risk management arrangements by receiving and reviewing reports on Key Strategic Risks and the Risk Management Annual Report.
 - Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
- **All Members**
 - Have a responsibility to understand the strategic risks that the authority faces, to oversee the effective identification and management of these risks by officers.
 - Ensure that all identified risks and opportunities have been considered in decision making.
 - Use the Key Strategic Risk Register to help select items for Scrutiny reviews
- **Chief Executive**
 - Leads on the wider corporate governance agenda, of which risk management is a part.
 - Signs off the Annual Governance Statement along with the Leader of the Council.
 - Ensures that risks are fully considered in all strategic decision making and that the risk management strategy supports the Council to achieve its priorities and to protect its assets.
- **Corporate Management Team (CMT)**
 - Provide leadership to ensure that the risk management process is embedded across Council including priority and service delivery levels.
 - Ensure that Priority Plan Risks are reviewed as part of the priority plan performance management and action plan monitoring process and that any new or emerging risks or changes are fed into the Strategic Risk Register, if appropriate.
 - Monitor the Strategic Risks detailed in their Priority Plan Risk Register and review these with the Principal Risk Officer as part of the priority plan performance and action plan monitoring process
 - Ensure that risks are fully considered in decision making and highlighted in all reports to Members.

- Ensure that projects undertaken are managed according to the relevant and proportionate principles of PRINCE2 including the establishment and maintenance of a risk register for the project.
- **Heads of Service and Service Delivery Managers**
 - Cascade the principles of good risk management in their services, report potential strategic risks to CMT and manage all the risks associated with their service.
 - Involve their services in the identification and management of risks ensuring everyone understands their role and responsibilities for risk management.
 - Ensure officers are aware who they report risks to.
 - Ensure that risks are fully considered in decision making processes.
 - Ensure that risks are reviewed on a regular basis and reported appropriately.
 - Ensure that risks are managed appropriately in any projects and partnerships that they are responsible for or are involved with.
 - Ensure that any policies or procedures for which they are responsible make the appropriate linkages to risk management.
 - Ensure that all reports presented from their service area contain the relevant risk and opportunity information
- **Project Managers and Managers of Partnerships**
 - Use the Corporate Risk Management Methodology to identify and manage their risks.
 - Establish a risk register for their project or partnership at the initiation stage.
 - Report their risks to the appropriate Partnership / Project Board on a regular basis.
 - Ensure that their risks are included in the appropriate Priority Plan Risk Register if necessary and / or the Strategic Risk Register.
- **Audit & Risk Manager**
 - Responsible for the management of the corporate risk management function.
 - Implementation of the Risk Management strategy on behalf of the Chief Executive.
 - Reporting to Members on Risk Management Strategy, Key Strategic Risk Register and Annual Report of Risk Management function.
 - Provides training and awareness for Members and Officers
 - Oversee and authorise expenditure of the Risk Management Fund
- **Principal Risk Officer**
 - Maintains the authority's risks registers at Strategic and Priority Plan level as well as supporting Service Delivery Plans, significant projects and partnerships and reports results to Audit and Risk Manager and Head of Governance.
 - Supports, raises awareness and provides training on risk management strategy for all members and employees.
 - Supports service areas, projects and partnerships and ensures that risk management continues to be an integral part of the financial planning and service delivery planning process.
 - Liaises with the Insurance Manager to assess the impact of operational risk on the delivery of services and develop potential strategies for mitigating them.
 - Undertakes regular benchmarking exercises with other Local Authorities and professional organisations in order to continuously improve practices.
- **Insurance Manager**
 - Day to day management of the insurance function, including the arrangement of cover, claims, etc.
 - Monitors claims experience and suggest ways that the authority could target resources in order to ensure that claims experience/levels are minimised.

- Assesses operational risk areas and liaises with the Principal Risk Officer on recommended solutions and action required.
- Identifies risk control strategies arising from the insurance function.
- **Employees**
 - All employees have a responsibility for identifying and managing the risks that they face on a day to day basis, and reporting these to their managers.
 - Access and refer to risk management information on the intranet.

Appendix C

RISK CATEGORIES

CATEGORIES OF RISKS, these should be used as **a guide** in the risk management process.

Risk Category	Description
Operational	Those risks associated with the day-to-day running of a specific Service Delivery area.
Regulatory	Those associated with current or potential changes in national or European law.
Financial	Those affecting the ability of the Authority to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance, the consequences of proposed investment decisions or the loss of opportunity, lack of availability of capital investment, interest rate instability and inflation, etc.
People	For example, recruitment/retention of qualified staff, over reliance on key officers or inability to implement change. Also, lack of clarity over roles and responsibilities.
Reputation	For example, bad publicity in local press over an extended period, items in the national press, matters raised in Parliament or the EU.
Strategic	Those associated with the medium to long-term objectives of the council as a whole.
Information	Those associated with the security, confidentiality, integrity and availability of any information held by the Council.