ITEM NO: 35.00

TITLE	***Enterprise Risk Management Policy and Guidance***
FOR CONSIDERATION BY	Audit Committee on 28 November 2012
WARD	None Specific
STRATEGIC DIRECTOR	Muir Laurie, Director of Business Assurance & Democratic Services (and Head of Internal Audit)

OUTCOME / BENEFITS TO THE COMMUNITY

The Enterprise Risk Management (ERM) Policy and supporting guidance provide the framework for sustaining effective management of risk at the council. A robust risk management process will enable officers and members to make better informed decisions and become less risk adverse through a focus on risk and return. Effective risk management will help to reduce uncertainty and make effective provision for adverse events. These in turn will enhance the value for money delivered to taxpayers.

RECOMMENDATION

The Audit Committee is asked to:

- Approve the updated Enterprise Risk Management Policy; and
- Approve the updated Enterprise Risk Management Guidance.

SUMMARY OF REPORT

Both the policy and guidance have been subject to a high level review. They have been found to be sound and present a solid basis for the management of risk going forward. Consequently the amendments to existing documents in force have been very minor and largely reflect the updated vision and changes to the organisational structure of the council.

The most significant change is to the risk management guidance criteria on page 14 (Appendix 3) impact scores the wording for the highest level of impact (8) has been changed from "catastrophic" to "critical"; the definition has not been changed. The wording of the next level of impact (6) has been changed from "critical" to "major". This is a result of feedback from users on the descriptions not being reflective of the descriptors.

The ERM Policy sets out the council's approach to risk management. The policy aims to achieve a pragmatic and effective approach to risk management that adds value to decision makers and does not impose an excessive bureaucratic or administrative burden.

The scope of the policy includes all operations of the council, including arrangements with partners and interests in subsidiary companies. It does not currently extend to project risks or health and safety risks. The policy is principles based and these are detailed in section three of the policy. Key roles and responsibilities for ERM are outlined in the policy.

The Enterprise Risk Management Guidance provides guidance to management on the council's overall approach to risk management.

The guidance:

- defines risk management and details the drivers behind risk management in the council;
- outlines the benefits to risk management and the strategic approach;
- outlines how to implement effective risk management; and
- provides a common process and assessment criteria for risk to embed a common understanding on risk management.

Background

Both documents in their current form were last approved by the Audit Committee in September 2010. The policy and guidance were subject to independent review in February 2012 and found to be fundamentally sound.

Analysis of Issues

The key issue for the Audit Committee is whether the policy and supporting guidance provide a sufficiently robust framework for the management of the council's key strategic risks.

The Audit Committee may like to use this opportunity to consider the council's overall approach to risk management and whether this is aligned to the current level of risk the council is taking.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	Yes	N/A
Next Financial Year (Year 2)	N/A	Yes	N/A
Following Financial Year (Year 3)	N/A	Yes	N/A

Other financial information relevant to the Recommendation/Decision
Not applicable.

Cross-Council Implications (how does this decision impact on other Council services and priorities?)
Not applicable.

Reasons for considering the report in Part 2
Not applicable.

List of Background Papers
None.

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Date 14 November 2012	**Version No.** 2

WOKINGHAM
BOROUGH COUNCIL

Enterprise Risk Management Policy

A Framework for Managing Opportunity and Risk

Date: 14 November 2012

Version: 10.1

Classification: Public

Author(s): Penny Knowles, Senior Internal Auditor, Business Assurance

Quality Assurance: *Paul Ohsan Ellis, Internal Audit Manager, Business Assurance*

VERSION	DATE	DESCRIPTION
1.0	15 February 2009	Working Draft
2.0	3 March 2009	Working Draft
3.0	9 March 2009	Initial Release
4.0	11 March 2009	Draft for Consultation
5.0	25 March 2009	Draft for Board Approval
6.0	30 April 2009	Draft for Audit Committee Adoption
7.0	13 May 2009	Draft for Audit Committee Approval
8.0	14 May 2009	Final Adopted by Audit Committee (13 May 2009)
9.1	18 June 2010	Risk Management Group Refresh 2010/11
9.2	9 July 2010	Revised Draft for Board Adoption
9.3	9 September 2010	Revised Draft for Audit Committee Adoption
9.4	7 October 2010	Final Adopted by Audit Committee (22 Sept 2010)
10.0	31 October 2012	Revised Draft for Board Approval
10.1	**14 November 2012**	**Revised Draft for Audit Committee Adoption**

1.0 Introduction

1.1 Wokingham Borough Council's working environment is complex and dynamic. The council provides services directly, through partnership working and via contractors to approximately 150,000 residents of the Borough. The council's gross annual budget is in excess of £280 million. Risks (threats and opportunities) are inherent in all services and activities provided.

1.2 The importance of this Enterprise Risk Management Policy to the council will continue to increase given that the council is becoming less risk adverse (i.e. accepting greater levels of risk) through the implementation of its Transformation Programme, future structure and greater use of technology. Managers will be less controlled through rules based management but empowered to take risks and opportunities as they arise.

1.3 The council and its partners are working together to deliver the council's Corporate Plan and long term Vision for the borough: "A great place to live, an even better place to do business". The council has identified priorities and underlying principles to enable it to deliver on its Vision for the borough.

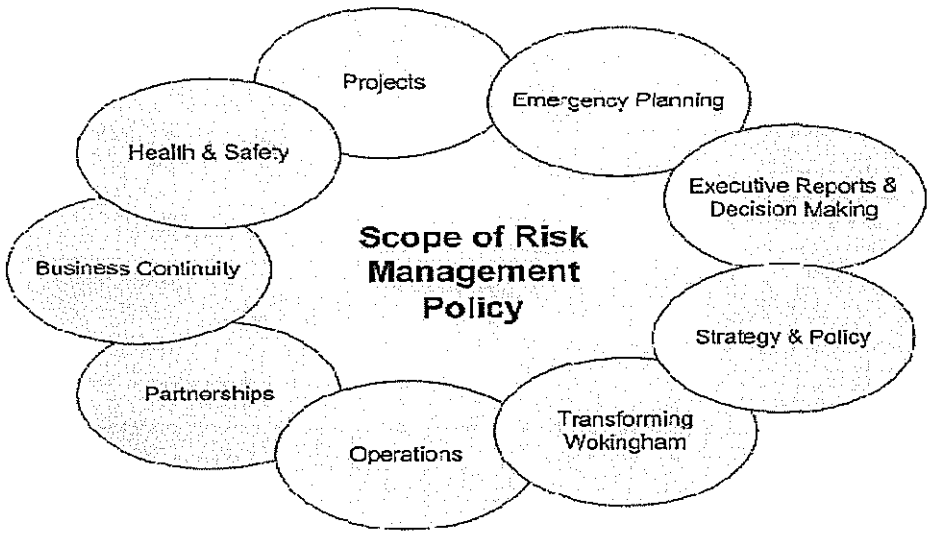
1.4 This Enterprise Risk Management Policy (ERM) commits the council to an effective Risk Management Guidance in which it will adopt best practices in the identification, evaluation and control of risks in order to:

- strengthen the ability of the council in achieving its vision, priorities, underlying principles and objectives and to enhance the value of the services it provides;
- integrate and embed proactive risk management into the culture of the council;
- heighten the understanding of all the positive risks (opportunities) as well as negative risks (threats) that the council faces;
- manage risks to an acceptable level;
- reduce the risk of injury and damage;
- help secure value for money;
- reduce the cost of risk;
- inform decision making;
- help enable the council to be less risk adverse;
- enhance partnership and project working; and
- raise awareness of the need for risk management.

1.5 This policy will allow management to make better informed business decisions and become less risk adverse through a focus on risk and return which in turn will enhance the value of money provided to our taxpayers (domestic and non-domestic). This policy will be implemented through the development and application of an ERM Guidance. The ERM Guidance shall be approved by Corporate Leadership Team and the Audit Committee on behalf of the council.

2.0 Scope

2.1 The importance of ERM within the council transcends every policy, Guidance and individual transaction, since losses arising from the failure to manage risk or take opportunities can have systemic repercussions for the council. As such, effective ERM is of interest to all our stakeholders including Members, managers, inspectors, residents, taxpayers and suppliers.



2.2 This policy is also applicable to the council's interests in its wholly-owned subsidiaries. The officer responsible for the council's interest in the subsidiary should be familiar with this policy and remains accountable for the management of all such risks.

2.3 This policy is not applicable to the management of project risks which are managed via Work.Together and health and safety risks which are managed in accordance with Health and Safety Executive guidance and are recorded in WISE.

2.4 The Chief Executive, the Corporate Leadership Team, 2nd and 3rd Tier Managers, Members of the Audit Committee, Members of the Overview and Scrutiny Committee and the Executive should be fully familiar with this policy.

2.5 *All other staff and elected Members should be aware of it.*

3.0 ERM Principles

3.1 This policy and the ERM Guidance shall be premised upon a common understanding and application of the following principles:

PRINCIPLE 1	The informed acceptance of risk is an essential element of good business guidance.
PRINCIPLE 2	Risk management is an effective means to enhance and protect the council over time.
PRINCIPLE 3	Common definition and understanding of risks is necessary, in order to better manage those risks and make more consistent and informed business decisions.
PRINCIPLE 4	The management of enterprise risk is an anticipatory, proactive process, to be embedded in the corporate culture and a key part of strategic planning, business planning and operational management.
PRINCIPLE 5	All risks are to be identified, assessed, measured, managed, monitored and reported on in accordance with the Enterprise Risk Management Guidance based on best available information.
PRINCIPLE 6	All business activities are to adhere to risk management practices which reflect effective internal controls that are appropriate for the business.
PRINCIPLE 7	2nd Tier Managers should bring to the attention of their respective executive portfolio holders all significant risks on a timely basis.

4.0 Approach to ERM

4.1 This policy is aligned with the council's Corporate Governance Framework. This policy recognises the actions that council makes with respect to the achievement of its Vision, priorities, underlying principles and business objectives are ultimately tied to decisions about the nature and level of risk it is prepared to take and the most effective means to manage and mitigate those risks.

4.2 Risk management at the council shall be based on an understanding of the quality and nature of the council's assets and its sources of revenue, and the impact of any associated potential liabilities. This policy, the ERM Guidance, the related management policies and procedures and management committees, shall enable management and the Corporate Leadership Team to meet their ERM responsibilities.

4.3 The council's approach to risk management is detailed in its ERM Guidance which is available on the council's internet and intranet.

5.0 Assignments and Responsibilities

5.1 Where possible, ERM shall be integrated into existing corporate processes, thus becoming part of regular day-to-day business and activities. ERM shall be part of the integrated control structure, and as such, a collective and collaborative effort by the council is necessary to achieve an appropriate level of ERM.

5.2 The following describes the roles and responsibilities that Members and Officers will play in introducing, embedding and owning the risk management process and therefore contributing towards the best practice standards for risk management.

5.3 Chief Executive

5.3.1 The Chief Executive has overall responsibility for the management of all significant risk within the council including the creation, membership and functions of management committees with risk management roles. This includes the Corporate Leadership Team and the assignment and performance review of 2nd tier managers with responsibility for the management of identified risks.

5.3.2 The Chief Executive also has a critical role in reporting to the Executive on identified strategic risks and communicating the strategic value of effective risk management to the Executive. The Chief Executive also has a role to play in ensuring adequate funding and resources are available for risk management activities.

5.4 Corporate Leadership Team

- To ensure that effective systems of risk management and internal control are in place to support the Corporate Governance of the council;
- To approve the risk appetite for each risk detailed in the council's Corporate Risk Register;
- To take a leading role in identifying and managing the risks and opportunities to the council and to set the example and standards for all staff;
- To identify, analyse and profile high-level strategic and cross-cutting risks on a regular basis as outlined in the monitoring process; and
- To ensure that appropriate risk management skills training and awareness is provided to all elected Members and staff.

5.5 Director of Business Assurance and Democratic Services

- To facilitate the communication and implementation of this Policy and ERM Guidance to all elected Members, managers and staff and fully embed them in the council's business planning and monitoring processes (as per their respective roles and responsibilities);
- To report to Corporate Leadership Team and Audit Committee on the management of corporate and other significant risks and the overall effectiveness of risk management controls; and
- To co-ordinate the completion all of the council's risk management registers.

5.6 2nd Tier Managers (Strategic Directors/ Directors)

- Each 2nd Tier Manager is individually responsible for proper monitoring of the risks identified in their relevant service plans, local action plans and for embedding risk management into the business and service planning of their relevant services;
- Ensuring that the risk management process is part of all major projects, partnerships and change management initiatives;
- Ensuring that all reports of a strategic nature written for Executive Members include a risk assessment of the options presented for a decision;
- Report regularly to the Corporate Leadership Team on the progress being undertaken to manage their risks and provide updates on the nature of the significant risks in their relevant service areas;
- To determine the risk appetite for each risk detailed in their Service Risk Registers;
- Provide assurance on the adequacy of their relevant service's risk and control procedures; and
- Bring to the attention of their respective Executive portfolio holders all significant risks on a timely basis.

5.7 3rd Tier Managers (Head of Service)

5.7.1 *In respect of risk management, each 3rd Tier Manager is individually responsible for:*

- the proper identification, assessment and monitoring of the risks associated in their area of activity;
- bringing to the attention of their 2nd Tier Manager all significant risks on a timely basis;
- ensuring that all reports of a strategic nature written for Executive Members include a risk assessment of the options being presented for a decision;
- recommending (to the Risk Management Group) risk management training for their staff (where relevant);
- implementing approved risk management action plans, including the determination of their risks' risk appetite; and
- maintaining an awareness of risks and feed them into the risk identification process.

5.8 Audit Committee

5.8.1 To provide independent assurance of the adequacy of the ERM Policy and Guidance and the associated control environment. In particular:

- to receive the annual review of internal controls and be satisfied that the Assurance Statement properly reflects the risk environment and any actions required to improve it;

- to receive regular reports covering implementation of the council's ERM Policy and Guidance to determine whether strategic risks are being actively managed;
- to review, revise as necessary and recommend adoption of the ERM Policy and Guidance to Executive on a regular basis; and
- to have the knowledge and skills requisite to their role with regard to risk management and to undertake awareness training in respect of ERM as and when specific training needs are identified.

5.9 Executive Members

5.9.1 Executive Members are responsible for governing the delivery of services to the local community. Executive Members therefore have a responsibility to be aware and fully understand the strategic risks that the council faces.

5.9.2 Executive Members have the responsibility to consider the risks associated with the decisions they make and will be informed of these risks in the reports that are submitted to them. They cannot avoid or delegate this overall responsibility, as it is vital to their stewardship responsibilities.

5.9.3 To have the knowledge and skills requisite to their role with regard to risk management and to undertake awareness training in respect of ERM as and when specific training needs are identified.

5.9.4 To receive regular reports, as presented to the Audit Committee covering the implementation of the council's Risk Management Policy and Guidance, including updates over the management of all strategic risks.

5.10 Overview and Scrutiny Committee

5.10.1 To have due regard for this policy, and specifically, when undertaking scrutiny reviews to consider the Executive's risk identification and evaluation process.

5.11 Members

5.11.1 To have the knowledge and skills requisite to their role with regard to risk management and to undertake awareness training in respect of ERM as and when specific training needs are identified.

5.12 Risk Management Group

- To collate on a quarterly basis the key and consistent themes from service, project and partnership risk registers and feed these to Corporate Leadership Team and give feedback to the services;
- To collate the highest level and most common operational risks (those risks of a more health and safety or liability perspective) from a service level for communication and if required, consideration by Corporate Leadership Team;
- To monitor the implementation and embedding of risk management within key council processes;
- To identify risk management training needs, approve training programmes and presentations;
- To provide training and support to relevant members and managers with regard to risk management;
- To act as a forum for the sharing of best practice;

- To facilitate services on an ongoing basis with maintaining their risk registers and matrix;
- To implement the detail of the Enterprise Risk Management Guidance;
- To maintain the awareness of risks and feed them into the risk identification process;
- To facilitate risk management training for staff as highlighted by service managers;
- To ensure that risks and action plans are updated in the Corporate Risk Register;
- To share/exchange relevant information with colleagues in other service areas;
- To feed experiences of Guidance implementation to the appropriate services;
- To publicise and promote risk management across the council;
- To address other matters related to risk as may arise from time to time; and
- To report regularly to the council's Corporate Governance Group on the achievement of the group's remit and its effectiveness.

5.13 Business Assurance

5.13.1 To carry out a continuous independent review of the ERM Policy and Guidance and processes and to report thereon. Also:

- to provide assurance to the council through an independent and objective opinion on the control environment comprising risk management, control procedures and governance;
- to report to Members on the control environment; and
- to provide an Audit Plan (on at least an annual basis) that is based on a reasonable evaluation of risk and to provide an annual assurance statement to the council based on work undertaken in the previous year.

5.14 Staff

Staff have a responsibility to identify risks surrounding their every day work processes and working environment. They are also responsible for:

- participating in ongoing risk management within service areas;
- actively managing risks and risk actions (where appropriate); and
- demonstrating an awareness of risk and risk management relevant to their role and to take action accordingly.

6.0 Review and Continual Improvement

6.1 The Audit Committee shall review and recommend adoption of the ERM Policy to the council on a regular basis or when significant changes require a revision of it.

6.2 The council should continue to improve the effectiveness of its risk management arrangements through:

- learning from risk events and the application of controls;
- review risk occurrences to identify emerging trends; and
- learn from other organisations about their risk occurrences in order to consider whether there is a likelihood of the council experiencing a similar occurrence.

Andy Couldrick
Chief Executive

Councillor Philip Mirfin
Chairman of Audit Committee

WOKINGHAM
BOROUGH COUNCIL

Enterprise Risk Management Guidance

A Framework for Managing Opportunity and Risk

Date: 14 November 2012

Version: 12.1

Classification: Public

Author(s): Penny Knowles, Senior Internal Auditor, Business Assurance

Quality Assurance: Paul Ohsan Ellis, Internal Audit Manager, Business Assurance

VERSION	DATE	DESCRIPTION
1.0	15 February 2009	Working Draft
2.0	3 March 2009	Working Draft
3.0	9 March 2009	Initial Release
4.0	11 March 2009	Draft for Consultation
5.0	25 March 2009	Draft for SLB Approval
6.0	30 April 2009	Draft for Audit Committee Adoption
7.0	13 May 2009	Draft for approval by Audit Committee
8.0	14 May 2009	Final approved by Audit Committee
9.0	18 June 2010	Refresh by Corporate Governance Group
10.0	3 September 2010	Refresh for approval by Audit Committee
11.0	22 September 2010	Final approved by Audit Committee
12.1	31 October 2012	Draft for Audit Committee Approval
12.2	**14 November 2012**	**Revised Draft for Audit Committee Adoption**

Contents

1.0 Introduction

1.1 Risk Management is about managing opportunities and threats to objectives and in doing so helps create an environment of "no surprises". It is a crucial element of good management and a key part of corporate governance. It should be viewed as a mainstream activity and something that is an integral part of the management of the organisation, an every day activity.

1.2 Risk Management is already inherent in much of what the Council does. Good practices like good safety systems, procurement and contract regulations, financial regulations and internal control are not labelled Risk Management but these and many other processes and procedures are used to manage risk.

2.0 Purpose of the Guidance

2.1 The purpose of this Enterprise Risk Management Guidance is to establish a framework for the systematic management of risk, which will ensure that the objectives of the Council's Risk Management policy are realised.

The Purpose of this Guidance
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 Risk Management will be implemented
Formalise the Risk Management process across the Council

2.2 An overview of this framework is detailed in Appendix 1.

3.0 Approval, Communication, Implementation and Review

3.1 The Enterprise Risk Management Guidance has been adopted by the Corporate Leadership Team and has been approved by the Council via the Audit Committee. It has been issued to:

- All Members of the Council;
- Corporate Leadership Team;
- All Heads of Service;
- Other Key Stakeholders;
- Other interested parties such as External Audit

3.2 It has been placed on the Council's intranet site so that all members of staff can have access and easily refer to it. It is included on all new staff's corporate induction. Therefore all individual members of staff are aware of both their roles and responsibilities for Risk Management within the Council and their service (depending on their own role within the Council). Risk Management is included within the Council's performance management framework so that staff and managers are aware of how Risk Management contributes to the achievement of the Council's and Service objectives.

3.3 All elected Members have been issued with a copy of the Guidance. It is part of all newly elected Members' induction to the Council it has been included as a training area within the Members Training and Development Programme. The Guidance will be reviewed annually by the Audit Committee.

4.0 What is Enterprise Risk Management?

4.1 Risk is an unexpected event or action that can adversely affect the Council's ability to achieve its objectives and successfully execute its strategies. The event may be foreseeable but one over which the Council has little or no control other than to manage or mitigate its impacts. It can be a positive (an opportunity) or negative (a threat). Risk Management is the process by which risks are identified, evaluated and controlled.

4.2 It has critical links to the following areas:

- Corporate governance;
- Community focus;
- Structure and processes;
- Standards of conduct;
- Service delivery arrangements; and
- Effective use of resources.

4.3 Enterprise Risk Management can be defined as:

> ***"The management of integrated or holistic business risk and opportunity 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".***

4.4 Risk Management therefore is essentially about identifying the opportunities, risks and weaknesses that exist within the Council. A holistic approach is vital to ensuring that all elements of the Council 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. This identification process is integral to all our strategic, service and work planning.

4.5 Once the risks have been identified the next stage is to prioritise them to identify the key risks to the organisation moving forward. Once prioritised it is essential that steps are taken to then effectively manage these key risks. The result is that significant risks that exist within the Council can be mitigated to provide the Council with a greater chance of being able to achieve its objectives. Included within this should also be a consideration of the positive or 'opportunity' risk aspect.

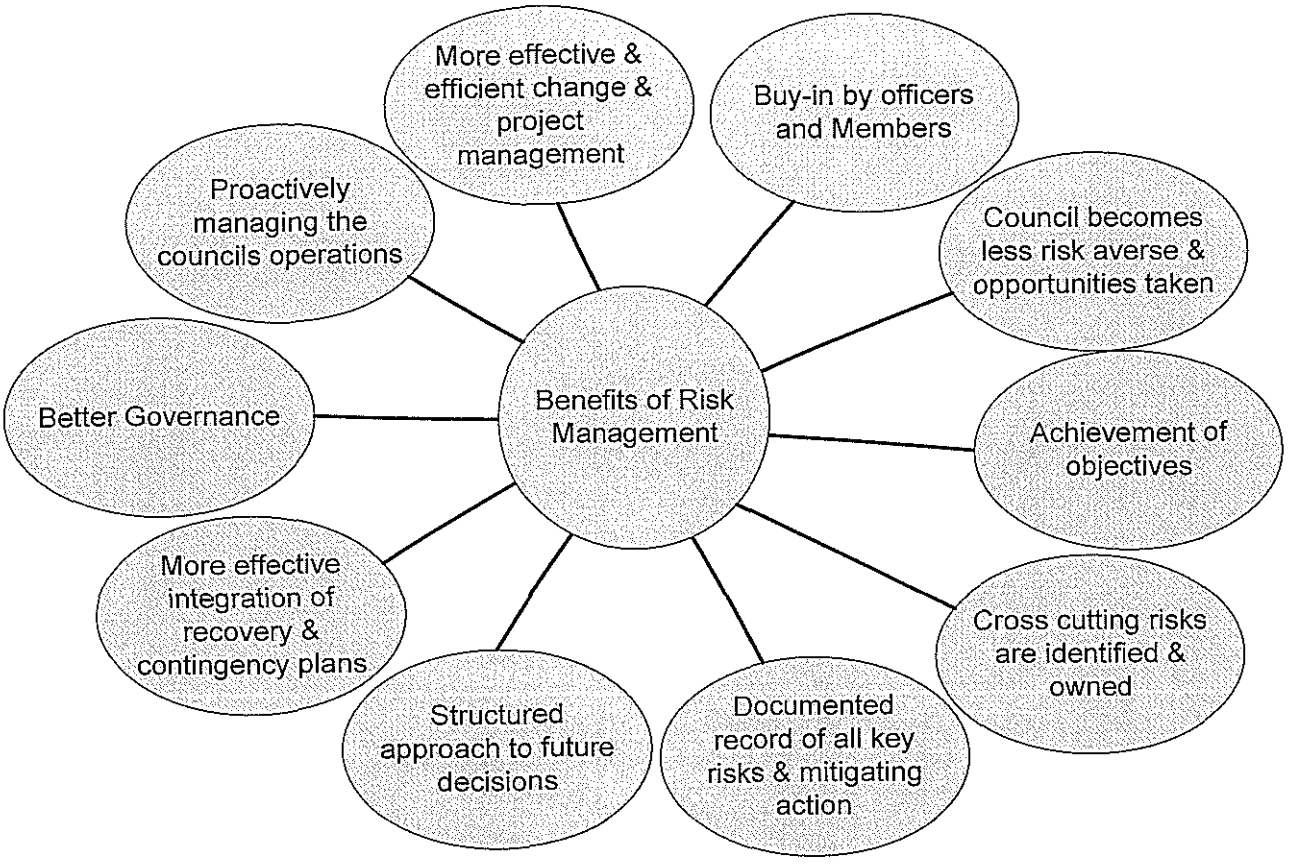
4.6 Risk Management needs to be seen as a strategic tool, it will become an essential part of effective and efficient management and planning. Risk Management is a key skill that is assessed in the Council's 'Skill's Audit' and is a core task included within the 'Analysis and *Judgement' criteria of the Behaviours Framework.*

4.7 Risk Management will improve 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.

4.8 In order to strive to meet our Vision and strategic objectives, the Council has recognised the need to further embed Risk Management arrangements. The desired outcome is that risks associated with these objectives can be managed and the potential impact limited, providing greater assurance that the Vision will be achieved.

5.0 Benefits of Risk Management

5.1 Successful implementation of Risk Management will produce many benefits for the Council if it becomes a living tool. These include:



6.0 Critical Success Factors

6.1 The critical success factors are:

Reference	Critical Success Factors
1	Enables the Council's performance and take advantage of opportunities.
2	Focus on the major risks to our strategies and objectives.
3	Provide a clear picture of the major risks the Council faces, their nature, potential impact and their likelihood.
4	Establish a shared and unambiguous understanding of what risks will be tolerated.
5	Develop an awareness of our ability to control the risks we have identified.
6	Is embedded in our planning and decision-making processes.
7	Actively involve all those responsible for planning and delivering services.
8	Clarify and establish roles, responsibilities and processes.
9	Enable and empower managers to manage those risks in their area of responsibility.
10	Capture information about key risks from across the Council.
11	Include regular risk monitoring and review of the effectiveness of internal control.
12	Is non-bureaucratic, cost efficient and sustainable.

7.0 Relationship between Risk Management and Internal Controls

7.1 The Council recognises that Risk Management is an integral part of its internal control environment. Its Financial Regulations states that internal controls are required to manage and monitor progress towards strategic objectives.

7.2 The system of internal control also provides measurable achievement of:

- Efficient and effective operations;
- Reliable financial information and reporting;
- Compliance with laws and regulations; and
- Risk Management.

7.3 The Business Assurance Internal Audit team, when evaluating risks during the course of it's Internal Audit work, will categorise risks as per this Guidance and will analyse their likelihood and impact in accordance with the qualitative measures / tables contained in this Guidance. This further integrates and embeds the Risk Management Guidance into the Council's internal control environment.

8.0 Risk Management, Business Continuity and Emergency Planning

8.1 There is a link between these areas. However it is vital for the success of Risk Management that the roles of each, and the links, are clearly understood. The Council recognises that there is a link between Risk Management, Business Continuity Management and Emergency Planning. This is demonstrated by the lead in all three issues being taken by the Corporate Leadership Team.

Business continuity management

8.2 Business continuity management is about trying to identify and put in place measures to protect the Council's priority functions against catastrophic risks that can stop it 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 relevant Risk Register and also be factored into the business continuity plans.

Emergency planning

8.3 Emergency planning is about managing the response to 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 into the office building.

9.0 Risk Management in Projects, Partnerships and Health and Safety

9.1 It is recognised that Risk Management needs to be a key part of the ongoing management of projects, Health and Safety and partnerships.

Project and Programme Management

9.2 There is a consistent and robust approach to Risk Management used in projects, both at Project Initiation Document stage and throughout the duration of the project. Written guidance is available on the intranet. Project risks are managed via 'Work Together'.

Partnerships

9.3 The Council has a Partnership Protocol, of which Risk Management is a key aspect. The Partnership Protocol requires that this approach to risk management is adhered to. The Partnership Protocol is available on the intranet.

Health and Safety

9.4 The Council has a Health and Safety Policy, of which management of risk is a critical aspect. Health and safety risks are managed in accordance with Health and Safety Executive guidance and are recorded in WISE. The Health and Safety Policy is available on the intranet.

10.0 Strategic Approach to Risk Management

10.1 In order to formalise and structure Risk Management the Council has recognised that there are obvious and clear links between Risk Management and: strategic and financial planning; policy making and review; and performance management.

10.2 The links are as follows:

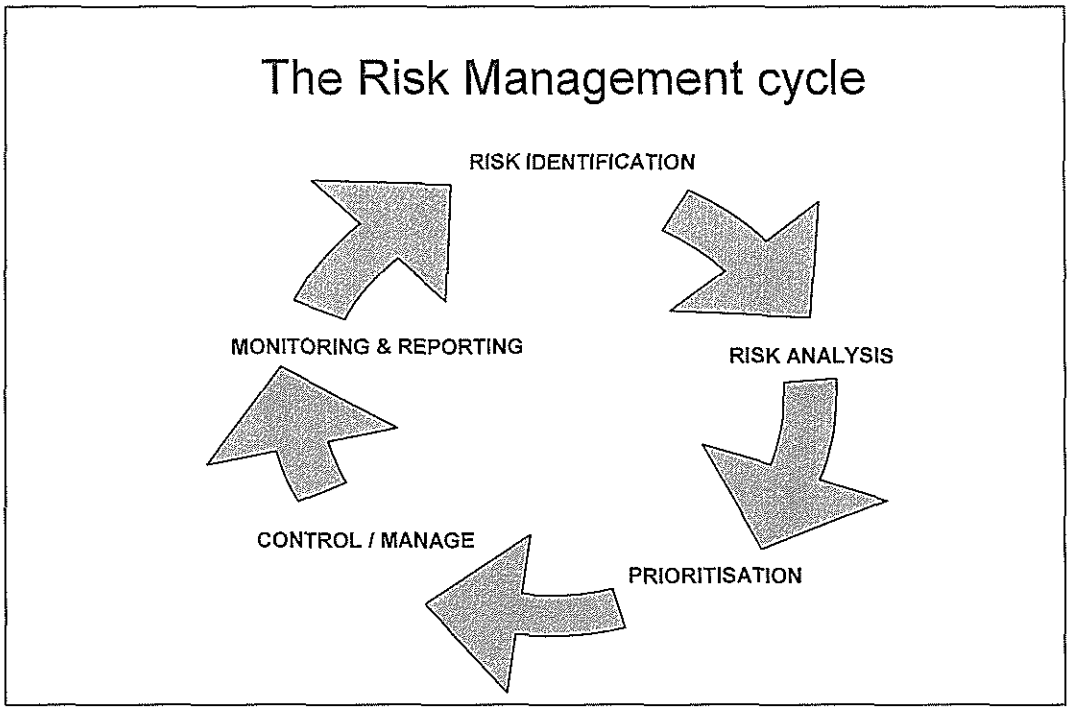
- Each priority and underlying principle identified in the Vision has been translated into the various Service Delivery Plans (SDP's). During the lifetime of the Vision there will be direct and indirect threats to successfully achieving them (and these are the risks).
- *Measurement of performance against the key objectives, performance indicators and* key tasks.
- Management of Key Strategic Risks which could affect the delivery of the above Council objectives/targets is undertaken by the Corporate Leadership Team.
- Individual SDP's feed from the higher key objectives of the Council, and explain how the Service helps to deliver the Council's objectives in respect of the Council's vision and values.
- An assessment of service risks forms part of all SDP's, which is an identification and prioritisation of the most significant risks faced in delivering the key elements of the SDP, with actions identified to mitigate and manage these. These risks are managed as part of the action plans within the SDP's.
- Performance management is also cascaded down to individual employees via the Council's appraisal process which ensures that all employees have clear accountabilities and objectives linked to those of the service and the Council. To this end, Risk Management is cascaded down to staff as a corporate objective which aims to gain their support and awareness to ensure effective management of risk within the Council.

11.0 Implementation Guidance Risk Management

The risk management process

11.1 Implementing this Guidance involves a 5-stage process to identify, analyse, prioritise, manage and monitor risks as shown in figure 1. This section will outline the approach.

Figure 1: The Risk Management Cycle



Stage 1 – Risk Identification

The first step is to identify the 'key' risks that could have an adverse effect on or prevent key business objectives from being met. It is important that those involved with the process clearly understand the service or Council's key business objectives i.e. *'what it intends to achieve'* in order to be able to identify *'the risks to achievement'*. It is important to consider the relevant SDP in a broader context, i.e. not focusing solely on specific detailed targets but considering the wider direction and aims of the service and what it is trying to achieve.

When identifying risks it is important to remember that as well as the 'direct threats', risk management is about 'making the most of opportunities' e.g. making bids for funding, successfully delivering major projects and initiatives, pursuing beacon status or other awards, taking a national or regional lead on policy development etc.

Using Appendix 2 as a prompt, various techniques can then be used to begin to identify 'key' or 'significant' business risks including:

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

It is also recommended that a review of published information such as other SDP's, strategies, financial accounts, press releases, and inspectorate and audit reports be used to inform this stage, as they are a useful source of information.

The process for the identification of risk should be undertaken for projects (at the beginning of each project stage), partnerships and for all major revenue and capital contracts. Details of who contributes to these stages are explained further in the 'Roles, Assignments and Responsibilities' section of the Enterprise Risk Management Policy.

Risks, both opportunity and threats, identified should be recorded in a Risk Register as per figure 2. A standard template for recording risks is on the risk management area of grapevine.

Figure 2: Risk Register Summary

Risk Register for:	Corporate Risk Register	Previous Review	19/11/09	Updated on	23/03/2010

Ref	Risk (Cause & Consequence)	Potential Impacts	Officer Lead	Executive Lead	Risk Score	Further Actions to Mitigate Risk
(1)	There needs to be clarity and agreement on key priorities and objectives. This should be articulated in the Corporate Plan and should inform a shared agenda which has buy-in across the whole organisation	Organisational dissonance, Ability to engage on wider levels affected, Disharmony across organisation, Lack of clarity, Different objectives / targets , Delivery affected, Fall behind neighbours,	HT	DL	H	Refresh Corporate Plan with new Executive. Refresh New Business Plan 2010/11 with new Executive. Refreshed Corporate Plan to be approved by Council.
	Risk of organisation not buying into a shared agenda.		Risk Appetite	Direction of Travel		
			L	▼		

Stage 2 – Risk Analysis

The information that is gathered needs to be analysed into risk scenarios to provide clear, shared understanding and to ensure the potential root cause of the risk is clarified. Risk scenarios also illustrate the possible consequences of the risk if it occurs so that its full impact can be assessed.

There are 2 parts to a risk scenario:

- The cause describes the situation and/or event (that may be perceived) that exposes the organisation to a risk; and
- The consequences are the events that follow in the wake of the risk.

Risk Scenario

Figure 3: Example of the structure of a risk scenario

Cause	Consequence
Statement of fact or perception about the Council, service or project that exposes it to an event. Include the event that could occur in a positive or negative impact on the objectives being achieved **LIKELIHOOD**	The positive or negative impact: • How big? • How bad? • How much? • Who is affected? **IMPACT**

Each risk scenario is logged on the respective Risk Register (example template Figure 4). These registers could be potentially strategic, against a specific SDP, or relating to a project or partnership. The purpose of the Risk Action Log is to store details of the risk, its likelihood and impact and mitigation activity for each risk.

Figure 4: Example of the risk action log.

Risk Ref (14) | Control / Manage

Risk (Cause ... leading to ... Consequence)	Risk Rating
	Impact [ ] Score 0
	Likelihood [ ] Change [–]
	Appetite [ ]
	Action Required *Monitor Only*
	Officer Lead
	Executive Lead
	Link to Corporate/Service Objectives

Potential Impacts	Link to other risks registers/risks

Existing Controls

Additional Actions to Mitigate Risk	Action Owner	Implementation Date	Review Date

For further information on the project Risk Register template and guidelines, please refer to the project management methodology.

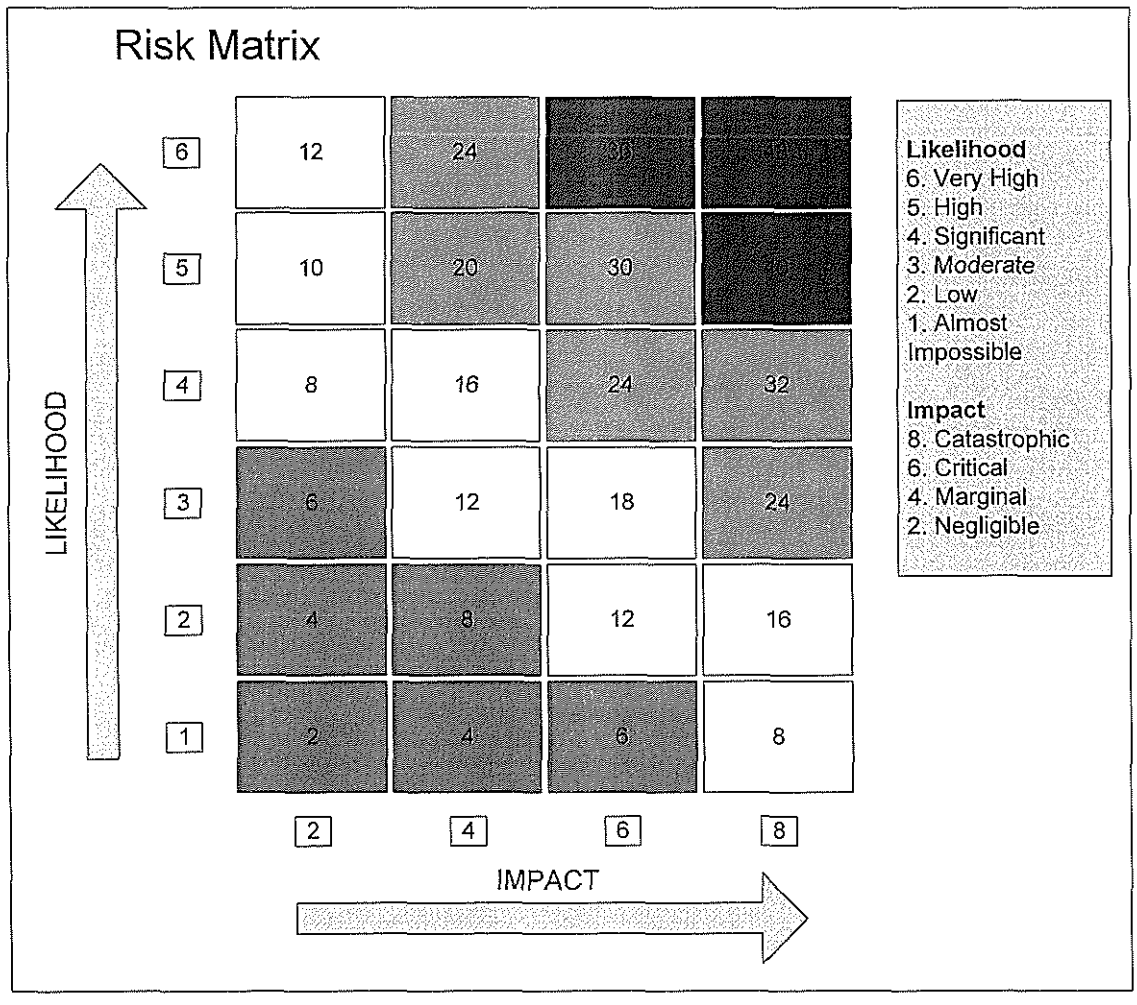
Stage 3 – Prioritisation

Following identification and analysis the risks will need to be evaluated in a facilitated session, with the workshop participants looking at the risk scenarios and deciding their ranking according to the potential likelihood of the risk occurring and its impact if it did occur. A matrix is used to plot the risks (Figure 5) and once completed this risk profile clearly illustrates the priority of each risk.

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

At the beginning of this stage a timeframe needs to be agreed, and the likelihood and impact should be considered within the relevant timeframe. Often a 3-year time horizon is used at strategic level, with perhaps a 1-year timeframe used at service level, to link with service delivery planning. The likelihood and impact should also be considered with existing controls in place, not taking future ones into account at that time.

Figure 5: Example of the Council risk matrix and filters



The matrix is also constructed around 4 filters - these being red (very high), orange (high), amber (medium) and green (low). The red and orange filtered risks are of greatest priority. Amber risks represent moderate priority risks. Green risks are low priority but should be monitored.

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

Stage 4 – Control / Manage

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

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

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

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

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

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

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

Existing controls, their adequacy, new mitigation measures and associated action planning information is all recorded on the Risk Register, including ownership of the risk and allocation of responsibility for each mitigating action. Full details of the risk mitigation measures that are to be delivered are likely to be recorded in the respective business plans and cross reference should be made to this in the Risk Registers.

A further judgement which should be made is the 'target risk score' and 'target evaluation', which is where the risk could be managed to, should the identified controls be successfully implemented.

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'

High cost/low impact of mitigating risk	**High cost/big impact of mitigating risk**
Low cost/low impact of mitigating risk	**Low cost/big impact of mitigating risk**

Stage 5 – Monitoring & Reporting

The Corporate Leadership Team is responsible for ensuring that the key risks on the Corporate Risk Register are managed and the progress with the risk mitigation measures should be monitored at appropriate intervals. 2nd and 3rd Tier Managers are responsible for ensuring that the

key risks in the Risk Registers linked to respective SDP's are managed. It is recommended that the 'red risks' feature as a standing item on '3rd Tier Managers' meeting agendas.

On a quarterly basis, the Corporate and SDP Risk Registers should be reviewed and where necessary risks re-prioritised. Risks should be amended so they reflect the current situation, obsolete risks should be deleted and new risks identified. This ensures that the Risk Registers and resulting risk mitigation measures are appropriate for the current service and corporate objectives. The quarterly review of the Corporate Risk Register must be undertaken by Corporate Leadership Team and the SDP Registers must be reviewed / updated by the respective 2nd and 3rd Tier Managers with their management teams.

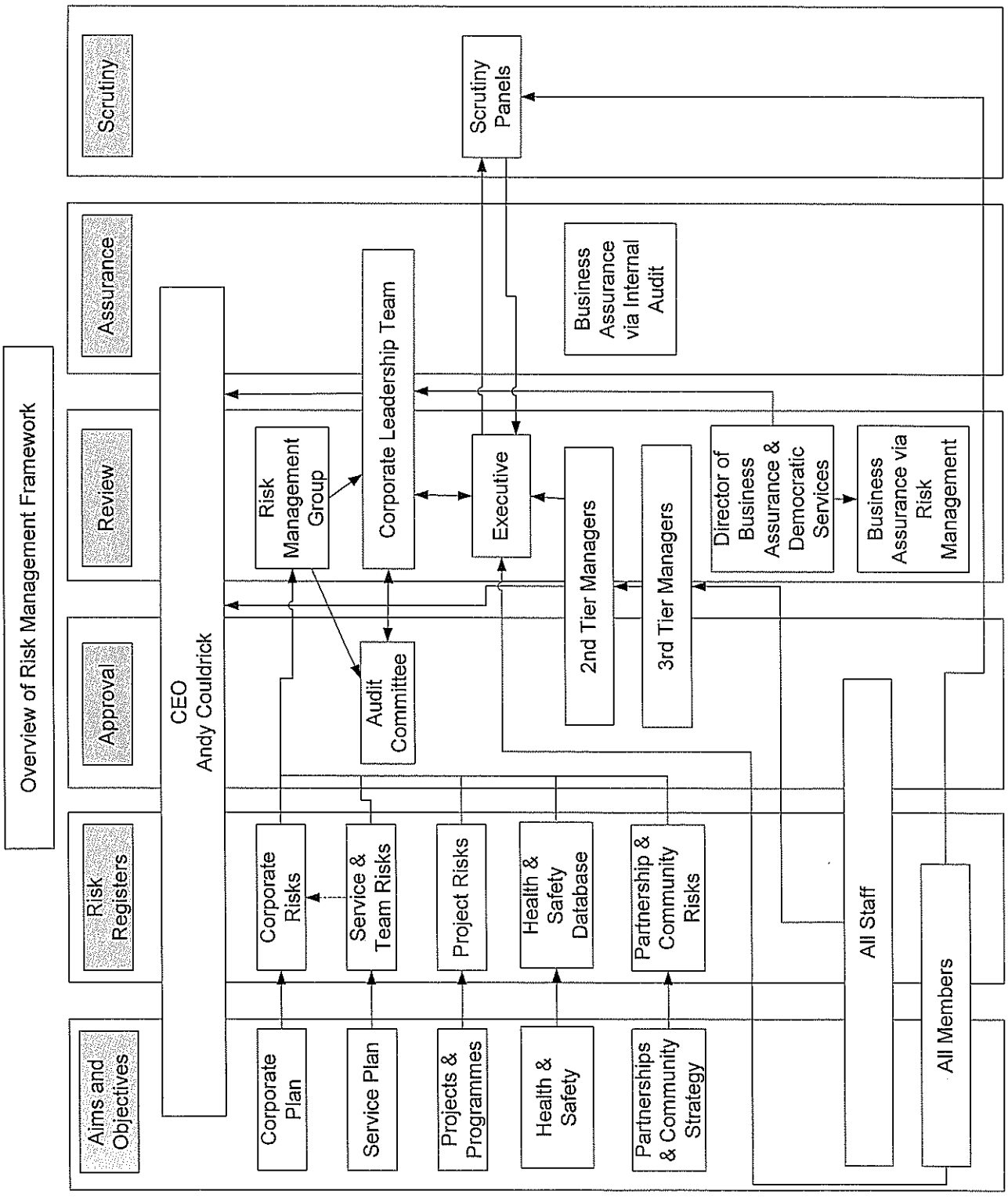
During the year new risks are likely to arise that have not previously been considered on the existing Risk Registers. Also the environment in which the risks exist will change making some risks more critical or others less important. Every quarter the respective Risk Registers and matrices at each level should be updated to reflect these changes. If such risks require Corporate Leadership Team ownership and management then they should be incorporated into the Corporate Risk Register. If the management of such risks is more appropriate at a service level then it should be included in the respective SDP Risk Register. This will need to be undertaken on a quarterly basis by Corporate Leadership Team and 2nd and 3rd Tier Managers.

It is recognised that some service risks have the potential to impact on the corporate objectives and these will often be the red risks on the matrix. Every quarter, the Risk Management Group will collate the red risks from SDP's, which will be fed into Corporate Leadership Team where a decision will be taken on whether to prioritise any of these risks on the strategic risk matrix and include them on the Corporate Risk Register (owned by Corporate Leadership Team). At the relevant Corporate Leadership Team session to review risk management, each "2nd Tier Manager will also feedback the headline risks from their individual areas.

Quarterly, the Risk Management Group will also collate the highest level and most common operational risks (those risks of a more health and safety or liability perspective) from a service level for communication and if required, consideration by Corporate Leadership Team.

After this is undertaken quarterly, Corporate Leadership Team will report the headline risks to the Audit Committee and Executive.

Appendix 1


Overview of Risk Management Framework
Aims and Objectives
Risk Registers
Approval
Review
Assurance
Scrutiny
CEO
Andy Couldrick
Corporate Plan
Service Plan
Projects & Programmes
Health & Safety
Partnerships & Community Strategy
Corporate Risks
Service & Team Risks
Project Risks
Health & Safety Database
Partnership & Community Risks
Audit Committee
Risk Management Group
Corporate Leadership Team
Executive
2nd Tier Managers
3rd Tier Managers
Scrutiny Panels
Business Assurance via Internal Audit
Director of Business Assurance & Democratic Services
Business Assurance via Risk Management
All Staff
All Members

Appendix 2 – Example of Risk Categories

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

Impact Scores

Score	Level		Description
8	**Critical**	Critical impact on the achievement of objectives and overall performance. Hugh impact on costs and / or reputation. Very difficult and possibly long term to recover.	• Unable to function without aid of Government or other external Agency • Inability to fulfil obligations • Medium - long term damage to service capability • Severe financial loss – supplementary estimate needed which will have a catastrophic impact on the council's financial plan and resources are unlikely to be available. • Death • Adverse national publicity – highly damaging, severe loss of public confidence. • Litigation certain and difficult to defend • Breaches of law punishable by imprisonment
6	**Major**	Major impact on costs and objectives. Serious impact on output and / or quality and reputation. Medium to long term effect and expensive to recover.	• Significant impact on service objectives • Short – medium term impairment to service capability • Major financial loss - supplementary estimate needed which will have a major impact on the council's financial plan • Extensive injuries, major permanent harm, long term sick • Major adverse local publicity, major loss of confidence • Litigation likely and may be difficult to defend • Breaches of law punishable by fines or possible imprisonment
4	**Marginal**	Significant waste of time and resources. Impact on operational efficient, output and quality. Medium term effect which may be expensive to recover.	• Service objectives partially achievable • Short term disruption to service capability • Significant financial loss - supplementary estimate needed which will have an impact on the council's financial • Medical treatment require, semi- permanent harm up to 1 year • Some adverse publicity, need careful public relations • High potential for complaint, litigation possible. • Breaches of law punishable by fines only
2	**Negligible**	Minimal loss, delay, inconvenience or interruption. Short to medium term affect.	• Minor impact on service objectives • No significant disruption to service capability • Moderate financial loss – can be accommodated • First aid treatment, non-permanent harm up to I month • Some public embarrassment, no damage to reputation • May result in complaints / litigation • Breaches of regulations / standards

Likelihood scores

Score	Level	Description				
6	**Very High**	Certain.	>95%	Annually or more frequently	>1 in 10 times	An event that is has a 50% chance of occurring in the next 6 months or has happened in the last year. This event has occurred at other local authorities
5	**High**	Almost Certain. The risk will materialise in most circumstances.	80 – 94%	3 years +	>1 in 10 - 50 times	An event that has a 50% chance of occurring in the next year or has happened in the past two years.
4	**Significant**	The risk will probably materialise at least once.	50 – 79%	7 years +	>1 in 10 – 100 times	An event that has a 50% chance of occurring in the next 2 years or has happened in the past 5 years.
3	***Moderate***	Possible the risk might materialise at some time.	49 – 20%	20 years +	>1 in 100 – 1,000 times	An event that has a 50% chance of occurring in the next 5 or has happened in the past 7 years.
2	**Low**	The risk will materialise only in exceptional circumstances.	5 – 19%	30 years +	>1 in 1,000 – 10,000 times	An event that has a 50% chance of occurring in the next 10 year or has happened in the past 15 years.
1	**Almost Impossible**	The risk may never happen.	< 5%	50 years +	>1 in 10,000 +	An event that has a less than 5% chance of occurring in the next 10 years and has not happened in the last 25 years.