

Corporate Risk Management Strategy

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1. Introduction

- 1.1 Risk Management is critical to South Staffordshire Council's ability to achieve the aims and objectives contained in the Corporate Strategy. The Council has limited human, financial and material resources and prudent decision making in relation to their use is critical to the Council's achievement of its endorsed vision of developing South Staffordshire Council as "**a well managed council**". To this end, not only must Council staff identify and minimise threats to the safe and effective employment of Council resources, they also have an obligation to identify and exploit opportunities to make such employment more efficient.
- 1.2 By fostering a vibrant Risk Management culture that encourages all staff to systematically apply the principles and procedures outlined in this strategy, the Council seeks to minimise resource waste and ensure that all Council events, activities and projects are undertaken with minimal risk to staff and the general public.

2. What is Risk Management?

- 2.1 Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event.
- 2.1 Risk management implies adopting a planned and systematic approach to the identification, evaluation and economic control of those risks which can threaten the assets or financial and organisational well-being of the Council. It is a means of minimising the costs and disruption to the Council caused by undesired events. The aim is to reduce the frequency of risk events occurring, wherever possible, and minimise the severity of their consequences if they do occur.
- 2.2 Risk management covers the whole spectrum of risks and not just those associated with finance, health and safety and insurance. It also includes risks associated with public image (reputation), projects, partnership working, the environment, technology, breach of confidentiality, etc.
- 2.3 Risk management is not about being 'risk averse' – it is about being 'risk aware'. Risk is ever present and some amount of risk-taking is inevitable if the Council is to achieve its objectives.
- 2.4 Risk management is about making the most of opportunities and about achieving objectives. By being 'risk aware' the Council is in a better position to avoid threats and take advantage of opportunities.
- 2.5 Risk management is an important management tool in all organisations. The Council also has a statutory responsibility to have in place arrangements for managing risks, as stated in the following legislation :-

- Accounts & Audit Regulations 2003:-

"The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk."

- The Health and Safety at Work etc Act 1974

"In addition to placing duties of a general character on employers, manufacturers, employees and the self-employed and others, the Act provides a wide regulation-making power. Part I provides for securing the health, safety and welfare of people at work: protecting other people against risks to health or safety arising from the activity of people at work."

"Employers must safeguard so far as is reasonably practicable, the health, safety and welfare of people who work for them."

"Employers must, so far as reasonably practicable, have regard for the health and safety of self-employed or contractors' employees who may be working close to their own employees; and also for the health and safety of the public who may be affected by their firms activities"

"Employers must, so far as reasonably practicable, conduct their activities so as to ensure that people other than their employees, for example, members of the public, are not exposed to risks to health and safety."

"Employees have a duty under the Act to take reasonable care to avoid injury to themselves or to others by their work activities, and to co-operate with employers and others in meeting the statutory requirements."

Civil Contingencies Act 2004

"The act places a Risk Assessment duty on Category 1 Responders (Local Authorities). The purpose of the duty is to ensure that they have an accurate and shared understanding of the risks they face so that planning has a sound foundation and is proportionate to the risks"

and

"To enable them to provide an accessible overview of the emergency planning and business continuity planning context for the public and officials"

2.6 Effective risk management will deliver a number of tangible and intangible benefits to individual services and to the Council as a whole, e.g.:

- **Improved strategic management**
 - Greater ability to deliver against objectives and targets

- **Improved operational management**
 - Reduction in interruptions to service delivery
 - Reduction in managerial time spent dealing with the consequences of a risk event having occurred
 - Improved health and safety of those employed, and those affected, by the Council's undertaking
- **Improved financial management**
 - Better informed financial decision-making
 - Enhanced financial control
 - Reduction in the financial costs associated with losses due to service interruption, litigation, etc
 - Reduction in insurance premiums
- **Improved customer service**
 - Minimal service disruption to customers and a positive external image as a result of all of the above

3 RISK MANAGEMENT POLICY STATEMENT

The Council's policy for Risk Management is to apply best practice in identifying, evaluating and cost-effectively controlling risks to ensure that any residual risks are at an acceptable level. Whilst acknowledging that it is not possible to eliminate risk absolutely, the Council actively promotes and applies this best practice at all levels and to all its activities, including its work with external partners.

4 THE COUNCIL'S RISK MANAGEMENT AIMS AND OBJECTIVES

4.1 The aims of South Staffordshire's Risk Management Strategy are to:-

- Contribute to attainment of the Council's vision for the communities it serves
- Protect service delivery and its quality
- Protect the reputation and image of the Council
- Secure the Council's assets
- Secure the earning capacity and funding of the Council
- Secure the well-being of employees and users of services
- Ensure the integrity and resilience of information systems
- Ensure probity and sound ethical conduct
- Avoid criminal prosecution or civil litigation
- Avoid financial loss through fraud or corruption

4.2 The objectives of the Council's Risk Management Strategy are to:-

- Integrate risk management into the day to day workings of the Council and all of its services and functions
- Manage risk in accordance with best practice
- Anticipate and respond to changing social, environmental and legislative requirements
- Prevent injury, damage and losses and reduce the cost of risk

- Raise awareness of the need for risk management by all those involved with the delivery of council services.

4.3 These objectives will be achieved by:-

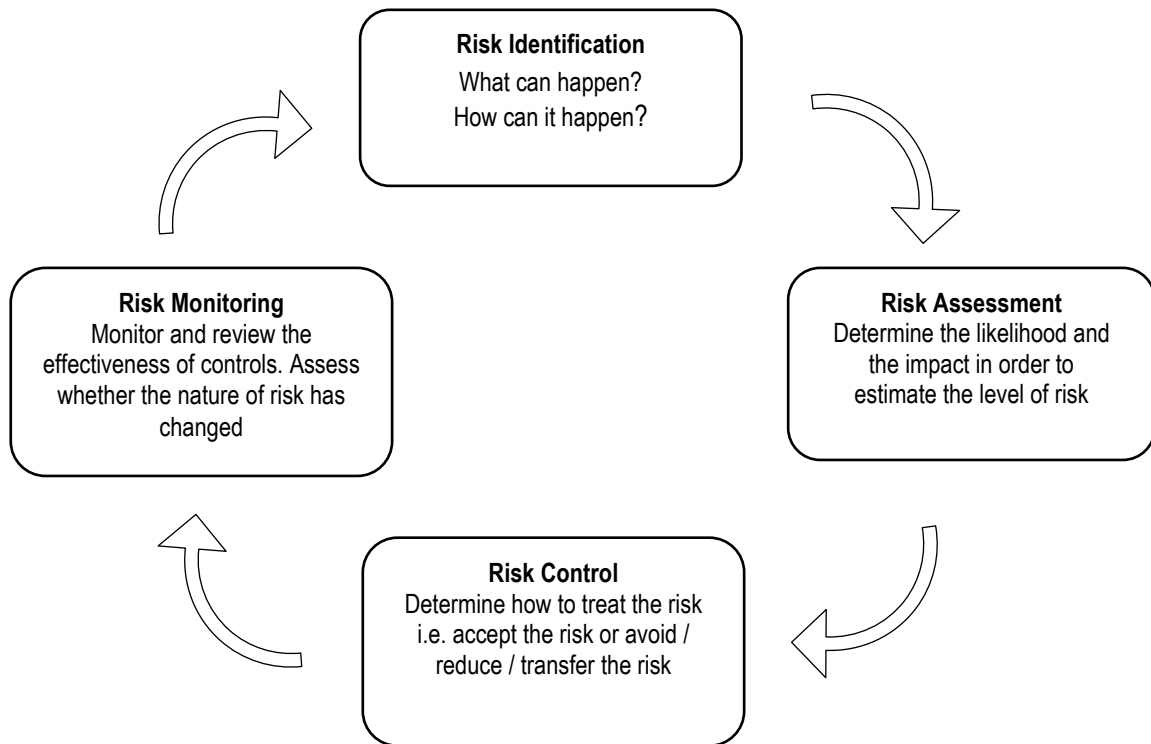
- Establishing clear roles, responsibilities and reporting lines within the Council for risk management;
- Providing relevant training on risk management to employees and members;
- Actively participating in inter-authority internal audit and insurance groups to develop and share best practice in risk management;
- Reinforcing the importance of effective risk management as part of the every day work of employees through training and briefings;
- Encouraging officers participating in other professional discipline groups to include risk management as an agenda topic;
- Disseminating published risk management information to officers as appropriate;
- Pro-actively monitoring progress in delivering the strategy and reviewing the risk management arrangements on an on-going basis;
- maintaining a risk management framework that will ensure the review on a rolling basis of strategic and operational risks faced by the Council
 - this framework will provide for;
 - the outcome/results of reviews to be reported to members;
 - the recording of identified risks and action to be taken in respect of such risks;
 - appropriate incident recording to facilitate the analysis of risk data;
 - reports proposing new initiatives to include a section on the risk management issues to be considered;
 - the annual review of the risk management framework.

5 ROLES AND RESPONSIBILITIES

- 5.1 In determining roles and responsibilities, consideration has been given to the need to ensure that risk management is embedded into policy approval (Strategic) and into service delivery (Operational).
- 5.2 Appendix 1 sets out the detailed roles and responsibilities associated with Risk Management.

6 ARRANGEMENTS FOR MANAGING RISKS

- 6.1 To manage risks effectively, they need to be systematically identified, analysed, controlled and monitored. The 4 stages in the risk management cycle are illustrated in the diagram below:-



6.2 The risk management methodology to be employed at the Council is outlined in Appendix 2.

7 MONITORING ARRANGEMENTS

7.1 Processes and controls for managing risks will be monitored and reported on so that losses are minimised and intended actions are achieved (see Appendix 1 for monitoring details). Reporting upwards is necessary on the whole spectrum of risks on the risk register – not just on those being controlled. This ensures there is a mechanism for monitoring the level and types of risks that Directors and Heads of Service and Service Managers are proposing to tolerate.

7.2 The reporting arrangements can be summarised as:



8. TRAINING & COMMUNICATION ARRANGEMENTS TO SUPPORT IMPLEMENTATION OF THE STRATEGY

- 8.1 Training in the risk management methodology will be provided for the Executive, Strategic Management Team, Heads of Service/Service Managers and Audit Committee.
- 8.2 Risk awareness sessions will be provided for relevant employees and Members.
- 8.3 Copies of relevant risk management documents will be provided on the intranet for easy access by all staff.
- 8.4 All risk management documents will be made available via the internet to external stakeholders, including partners and Audit Commission.

9. FUNDING OF RISK MANAGEMENT

- 9.1 Funding of risk management will be from within existing budgets.

10. ACTION PLANNING AND REVIEW OF RISK MANAGEMENT STRATEGY

- 10.1 To ensure that risk management is embedded within the day to day working of the Council a strategic action plan has been developed to guide this work. This is included at Appendix 3.
- 10.2 In recognition of the dynamic nature of risk management, this strategy will also be reviewed every year to ensure its continuing relevance to prevailing council structures and services.

11. CONCLUSION

- 11.1 Risk management is critical to the effective overall management of the Council.
- 11.2 In addition to offering cost savings, risk management can reduce service disruption and enhance the experience of stakeholders dealing with the Council. It can also help minimise the exposure of the Council to negative publicity and costly litigation. Risk management can also be used to help encourage innovation, on the basis that risks are reduced to acceptable levels, e.g. collaborative working with other Councils and obtaining external funding for additional services.
- 11.3 Many of the skills and resources needed to manage risk effectively already exist in the Council. This strategy offers a more structured approach to risk management.

APPENDIX 1

ROLES & RESPONSIBILITIES WITHIN THE RISK MANAGEMENT FRAMEWORK

1. Management Arrangements

- 1.1 Each Head of Service and Section Manager will be responsible for managing the operational risks faced by their service unit.
- 1.2 Operational risk assessments will be a key element of the service planning process.
- 1.4 Strategic risks will be managed by the Risk Management Board.

2. Identifying Risks in the Decision Making Process

- 2.1 In all of its decisions, the Council should be able to demonstrate that it took reasonable steps to consider the risks involved in a decision. Risks must therefore be addressed within Committee reports and any other reports involving the risk of delegated powers. For major projects and partnership working, the specific risks should also be identified and shared with other relevant and interested partners.
- 2.2 In considering risk, a balance must be struck between efficient decision making and the consideration of risk. All reports should include a section to demonstrate that risks have been assessed and addressed.

3. Risk Evaluation Responsibilities

- 3.1 Members of the Strategic Management Team will ensure that effective risk management is in place in all service areas and departments that form part of their management responsibilities. All employees should be made aware of their responsibilities in managing risks and contributing to the Council's overall strategies. Where specific procedures are in place to manage risk, these should be clearly communicated to all relevant employees.
- 3.2 The roles and responsibilities of individual employees are shown in Table 1.
- 3.3 Risk Assessments

Risk Assessments will be undertaken at least quarterly for existing services/ operations and as part of the development stage in respect of new initiatives, partnerships and projects with details provided in either the Operational Risk Register for departments or the Strategic Risk Register for the Council. More frequent assessments shall be required if unanticipated events occur, e.g. delays in delivering a project or deviation from an approved project plan. Risk Registers should be updated to clearly indicate ongoing

actions and review even if previous assessments and outcomes remain unchanged.

3.4 Monitoring

The Internal Audit department will review the Council's risk management arrangements as part of its annual audit plan.

Table 1

ROLES & RESPONSIBILITIES WITHIN THE RISK MANAGEMENT FRAMEWORK

Group / Individual	Role	Responsibilities
Audit Committee	<p>Under the terms of the Council's Constitution the Audit Committee has responsibility for monitoring the effective development and operation of risk management and making recommendations thereon.</p> <p>The Audit Committee will review the Corporate Risk Management Strategy each year and the Audit Committee's endorsement of the strategy will be witnessed by the signature of the Chairman of the Audit Committee and countersigned by the Director of Finance.</p> <p>The Audit Committee will receive and consider appropriate reports from the Risk Management Board on strategic and operational risks on a quarterly basis, and will make appropriate recommendations thereon.</p>	<ul style="list-style-type: none"> • To gain an understanding of risk management and its benefits • To require officers to develop and implement an all-encompassing approach to risk management
Risk Management Board	<p>The Risk Management Board (Leader of the Council, Deputy Chief Executive, Director of Finance and Risk Management Officer) will, in consultation with the Strategic Management Team, Heads of Service and service managers, review the strategic and operational risks faced by the Council and will report the outcome to the Audit Committee on a quarterly basis.</p> <p>It will prepare the Corporate Risk Management Strategy for annual review by the Audit Committee</p>	<ul style="list-style-type: none"> • To share good practice on all aspects of risk management • To assist the Director of Finance in the preparation, ongoing development and review of the Council's risk management strategy • To encourage and promote the reduction of risks within the Council's services and functions for the benefit of the Council's stakeholders and employees. • To identify any dedicated inputs and resources required to support the integration of risk management into the work of the Council • To prepare, monitor and review the Council's Strategic Risk Register and to review Operational Risk Registers in conjunction with Heads of Service • To identify and communicate risk management issues to services including the development of internal standards and procedures, documentation and reporting arrangements for the management of risk at both a strategic and

Group / Individual	Role	Responsibilities
		<p>operational level</p> <ul style="list-style-type: none"> • To assist services in undertaking risk management activity through training and/or direct support • To review the results of investigations into untoward incidents, near misses and accidents including management action to minimise the risk of future recurrence and to develop and maintain a database to manage such information • Ensure the Council's Risk Management practices operate within the Risk Management Strategy, relevant legislation and Council policy. • Review the Council's Risk Management Policy and Strategy by 31st March each year. • Ensure that the Policy and Strategy are still relevant and conform to current standards and practices. • Update the Council's Risk Management priorities and resources. • Review and prioritise all risks entered on the Register. • Review annual Risk Management Audit Reports and make recommendations to SMT. • Develop and implement a Risk Management training program for the Council. • • Report progress to the Strategic Management Team after each meeting.
Strategic Management Team (SMT)	To ensure that the Council manages risk effectively through the development of a comprehensive Corporate Risk Management Strategy, the identification and management of strategic and operational risks, the identification of overlapping risks and the sharing of good practice.	<ul style="list-style-type: none"> • To gain an understanding of risk management and its benefits • To promote risk management and oversee the implementation of the strategy across the Council • To monitor and review the effectiveness of the risk management strategy • To agree any inputs and resources required to support the work corporately • To receive regular monitoring reports from the Risk Management Board prior to Audit Committee • To identify and ensure that Community Risk Assessments are undertaken to reflect the requirements of the Civil Contingencies Act 2004
Director of Finance	To support the Council and its services in the effective development, implementation and review of the Corporate Risk Management Strategy.	<ul style="list-style-type: none"> • To chair the Risk Management Board • To develop the corporate risk management strategy in conjunction with SMT, Heads of Service and

Group / Individual	Role	Responsibilities
		<p>Service Managers</p> <ul style="list-style-type: none"> • To promote, support and oversee the implementation of risk management across the Council • To maintain both the Strategic and Operational Risk Register and report on risk management issues to Risk Management Board, Strategic Management Team and Members as appropriate
<p>Heads of Service/Service Managers</p>	<p>Heads of Service/Service Managers, in conjunction with their teams and other parties/partners as appropriate, will lead reviews of the operational risks relating to their services and will reflect the outcomes of these reviews in their operational risk registers. Operational risk reviews will be undertaken quarterly and at the conception of significant new activities. They will also be consulted quarterly on the Council's strategic risks.</p> <p>Risk management will be a regular agenda item at team meetings with a view to encouraging risk awareness amongst staff.</p>	<ul style="list-style-type: none"> • To identify and manage risks associated with the provision of their services and any associated projects and partnerships • To undertake investigations into untoward incidents, near misses and accidents including management action to minimise the risk of future recurrence and to provide details of such incidents, etc to the Risk Management Board • To identify, manage, implement and monitor control measures for any operational risks that are service specific which have not been explicitly addressed in the Strategic Risk Register • To promote risk management and ensure that the strategy is implemented effectively across their services • To liaise as appropriate with external agencies in identifying and managing risk • To disseminate the detail of the strategy and allocate responsibilities for implementation to section managers and employees • To establish the training requirements of managers and employees with regard to strategy implementation • To work with the Accountancy and Financial Services department in assessing insurance requirements for services • To ensure that Risk Management is a regular agenda item at team meetings • To implement actions required following the completion of Community Risk Assessments to reflect the requirements of the Civil Contingencies Act 2004
<p>Risk Management Officer</p>	<p>Risk Management Officer to regularly review and advise upon the council's insurance requirements and arrangements; advise officers and members on insurance cover available and/or in place; arrange insurance</p>	<ul style="list-style-type: none"> • Assist all staff with the procedural aspects of risk management • Manage Council insurance policies to ensure that the Council has adequate cover • Administrate and facilitate regular

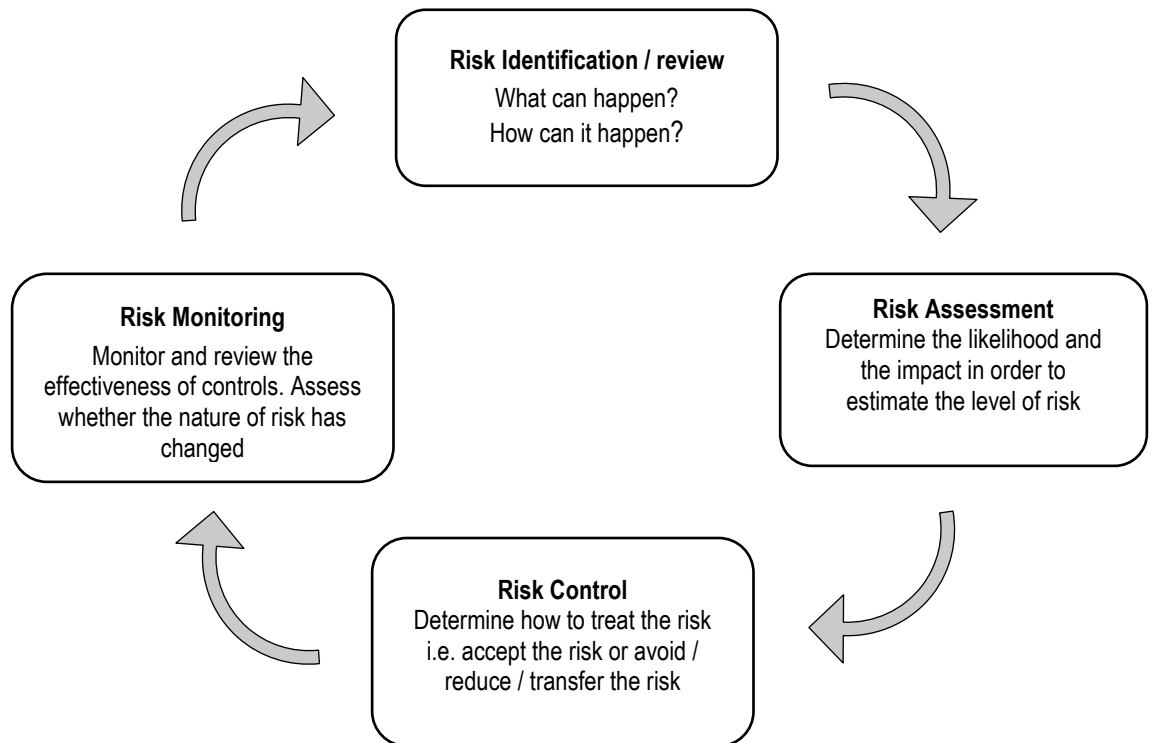
Group / Individual	Role	Responsibilities
	<p>cover as necessary; advise officers on claims procedures and process any claims arising; provide and develop claims data to aid future risk management; disseminate published risk management information received; and to administrate and facilitate regular reviews of the strategic and operational risk registers, and report to the Risk Management Board quarterly thereafter.</p>	<p>reviews of the Corporate Risk Register</p> <ul style="list-style-type: none"> • Provide Risk Management Board with up-to-date Corporate Risk Register with additional reports as and when requested • In conjunction with Director of Finance and Accountancy and Financial Services Service Manager: Develop and review the Council's Risk Management Policy and Strategy; Review and respond to annual Risk Management Audit Reports • Review and advise service managers on risks included in service plans • Disseminate published risk management information received • Participate in benchmarking activities to develop and share best practice in risk management
Employees	<p>To manage risk effectively in their job. Employees will be expected to refer any risk management concerns to their line manager. Should such concerns not be addressed then employees should raise their concerns with their Head of Service/Service Manager or the Risk Management Officer</p>	<ul style="list-style-type: none"> • To liaise with their line manager to assess areas of risk in their job • To identify new or changing risks in their job and feed these back to their line manager • To undertake their job within the risk management guidelines set down for them by their manager • To ensure that the skills and knowledge passed to them are used effectively
Internal Audit	<p>Internal Audit department will carry out an annual review of the Council's risk management arrangements to provide independent assurance as to their effectiveness.</p> <p>Internal Audit will also during the course of its audits throughout the year verify the existence of the risk registers and check whether they are being maintained up-to-date; and review risk management processes.</p> <p>The Audit Manager will review the risk registers on an annual basis and incorporate strategic/corporate and operational/service risk areas into the Audit plan as appropriate.</p>	<ul style="list-style-type: none"> • Provide assurance on the management of risk across the Council • Focus Audit work on significant risks • Assist in identifying risks and educating employees about risk management and internal control

APPENDIX 2

RISK MANAGEMENT METHODOLOGY

Introduction

There are 4 key stages in the risk management cycle, as illustrated in the diagram below:-



It is important to recognise that the 4 stages of risk management are part of a cycle. Risk management is dynamic and so the identification phase needs to be carried out continuously.

1. Risk Identification / review

- 1.1 The first step in the process is to analyse the various elements of the function/service and identify the risks that can affect the achievement of the objectives for the services. Appendix 4 lists the main categories of strategic and operational risks that need to be considered.
- 1.2 The categories of risk will be reviewed periodically and should be used to assist in identifying and categorising a broad range of risks facing the Council and each service.

2. Risk Assessment

2.1 Once risks have been identified they need to be assessed systematically and accurately. The process requires managers to assess the level of risk by considering:-

- The probability of an event occurring - "likelihood"; and
- The potential severity of the consequences should such an event occur - "impact".

2.2 Managers will assess each element of the judgement and determine the score in accordance with the following tables. The scores set out in the tables indicate the Council's attitude to risk and it is vital that the indicative guidelines are used to ensure that a consistent approach to assessing risk is used throughout the Council.

LIKELIHOOD

Score	Description	Indicative Guidelines
5	Almost Certain	<ul style="list-style-type: none">• Is expected to occur in most circumstances• Will undoubtedly happen, possibly frequently e.g. annually or more frequently• Imminent / near miss
4	Probable	<ul style="list-style-type: none">• Will probably occur in many circumstances• Will probably happen, but not a persistent issue e.g. once in 3 years• Has happened in the past
3	Likely	<ul style="list-style-type: none">• Could occur in certain circumstances• May happen occasionally, e.g. once in 10 years• Has happened elsewhere
2	Possible	<ul style="list-style-type: none">• May occur only in exceptional circumstances• Not expected to happen, but is possible e.g. once in 25 years• Not known in this activity
1	Rare	<ul style="list-style-type: none">• Is never likely to occur• Very unlikely this will ever happen e.g. once in 100 years• Force majeure

In considering timescales, regard should be given to the practices, procedures and equipment utilised within the Council to minimise risks when assessing the likelihood of a risk occurring, e.g. Employees within local government have been assaulted from time to time and in a few exceptional cases have been killed. This does not automatically require a score of 3 or more because "it has happened elsewhere".

IMPACT

Score	Description	Indicative Guidelines
5	Catastrophic	<p>Risks which can have a catastrophic effect on the operation of the Council or service. This may result in critical financial loss, severe service disruption or a severe impact on the public, for example:-</p> <ul style="list-style-type: none"> • 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 (>£100k uninsured loss) • Death • Adverse national publicity - highly damaging, severe loss of public confidence • Litigation certain and difficult to defend • Breaches of law punishable by imprisonment
4	Major	<p>Risks which can have a severe effect on the operation of the Council or service. This may result in major financial loss, major service disruption or a significant impact on the public, for example:-</p> <ul style="list-style-type: none"> • 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 (>£50k uninsured loss) • 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
3	Moderate	<p>Risks which have a noticeable effect on the services provided. Each one will cause a degree of disruption to service provision and impinge on the budget, for example:-</p> <ul style="list-style-type: none"> • 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 plan (>£25k uninsured loss) • Medical treatment required, semi-permanent harm up to 1 year • Some adverse publicity, needs careful public relations • High potential for complaint, litigation possible • Breaches of law punishable by fines only
2	Minor	<p>Risks where the consequences will not be severe and any associated losses will be minor. As individual occurrences they will have a negligible effect on service provision. However, if action is not taken, then such risks may have a more significant cumulative effect, for example:-</p> <ul style="list-style-type: none"> • Minor impact on service objectives • No significant disruption to service capability • Moderate financial loss – can be accommodated at service level (>£5k uninsured loss) • First aid treatment, non-permanent harm up to 1 month • Some public embarrassment, no damage to reputation • May result in complaints / litigation • Breaches of regulations/standards
1	Insignificant	<p>Risks where the consequences will not be severe and any associated losses will be relatively small. As individual occurrences they will have a negligible effect on service provision. However, if action is not taken, then such risks may have a more significant cumulative effect, for example:-</p> <ul style="list-style-type: none"> • Minimal impact, no service disruption • Negligible impact on service capability • Minimal loss - can be accommodated at service level (<£5k uninsured loss) • No obvious harm/injury • Unlikely to cause any adverse publicity, internal only • Breaches of local procedures/standards

- 2.3 The risk ratings for each part of the assessment are then combined to give an overall ranking for each risk. The ratings can then be plotted onto the risk matrix, see below, which assists in determining the risk priority.

Risk	Impact				
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain(5)	5	10	15	20	25
Probable (4)	4	8	12	16	20
Likely (3)	3	6	9	12	15
Possible (2)	2	4	6	8	10
Rare (1)	1	2	3	4	5

Key to Risk Management Action Level	Tolerable / Low Priority	Medium Priority	High Priority
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- 2.4 Heads of Service and Service Managers are required to rate each risk before and after mitigation. The pre-mitigation risk is known as the **Gross Risk**. The post-mitigation risk is known as the **Current Risk**. It is the post-mitigation risk that will be reported to the Risk Management Board and Audit Committee.

3. Risk Control

- 3.1 Having identified and analysed the risks, it is necessary to decide what to do and who will do it. Priority will be given to the highest risks, i.e. those:-
- That most threaten key areas of service provision; and/or
 - Where the existing controls are weakest.
- 3.2 In some instances, i.e. for low-scoring risks it may be acceptable to do nothing and “accept” the risk. However, the situation will need to be monitored to ensure that such risks do not run out of control.
- 3.3 Where it is not deemed appropriate to accept the risk, the risk will need to be controlled. Risk control is the process of taking action to minimise the likelihood of the risk event occurring and/or reducing the severity of the consequences should it occur. There are 3 main options for controlling risk:

- Risk avoidance;
- Risk reduction; and
- Risk transfer.

- 3.4 **Risk avoidance** involves the Council opting not to undertake a current or proposed activity because it is considered to be too risky.
- 3.5 **Risk reduction** is dependent on implementing projects or procedures which will minimise the likelihood of an event occurring or limit the severity of the consequences should it occur.
- 3.6 **Risk transfer** involves transferring liability for the consequences of an event to another body. This may be done in two ways:-
- (i) Legal liability may be transferred to an alternative provider under contractual arrangements for services delivery; or
 - (ii) The costs associated with a damaging event may be reduced by transferring some or all of the financial risk to external insurance companies.
- 3.7 Most risks can be managed – either by minimising the likelihood of the risk occurring and / or reducing the severity of the consequences should the risk occur. Relatively few risks have to be avoided or transferred.
- 3.8 Heads of Service and Service Managers must judge which courses of control action are the most appropriate to address each of the risks they have identified, taking advice from the Director of Finance, Internal Audit Manager and Risk Management Board where appropriate.
- 3.9 The cost/benefit of each control action must be assessed. The benefits will not always be solely financial. Managers need to use their own professional knowledge and experience to judge whether the financial cost of risk control is justified in terms of non-financial benefit to the Council. On occasions, managers may conclude that the cost of the control action may outweigh the benefits which will accrue to the Council as a result of the action being taken. In such instances, all or an element of the risk is retained and Heads of Service should ensure that this is managed effectively by periodic testing of practices, procedures and equipment. However, no statute should be breached when making this decision.
- 3.10 It is a requirement that all red risks i.e. those with a gross score of 15 or higher will need to be mitigated. If it is unlikely that the measures suggested will reduce the current risk score, a review will be undertaken at the next Risk Management Board meeting to discuss risk control options.
- 3.11 It is a requirement that every service plan will include a summary of the key risks facing the service and internal controls as appropriate.
- 3.12 The Council's risk register is held on the Covalent system. A user guide has been produced for Covalent and is included at appendix 5.

4. Risk Monitoring

4.1 To complete the risk management cycle, there must be monitoring and review of:-

- The implementation of the agreed risk control action plan;
- The effectiveness of the action in controlling the risk; and
- How the risk has changed over time.

4.2 Heads of Service and Service Managers will be required to update two quarterly performance indicators - (1) Quarterly review of operational risks - 100% target; and (2) Risk is included as an agenda item at team meetings - 100% target. Quarterly updates of the Risk Register must be undertaken and if no changes or comments are needed, a note must be put onto the risks to say they have been reviewed as part of the quarterly cycle.

APPENDIX 3

STRATEGIC ACTION PLAN

The actions outlined in the following table will be undertaken to ensure that risk management becomes embedded within the day to day workings of the Council.

Action	Responsible Officer	Resources Required	Timescale for completion	Status
Provide refresher training and awareness sessions for: <ul style="list-style-type: none"> • Strategic Management Team • Heads of Services/ Service Managers • Executive and Scrutiny Members • Employees 	Accountancy & Financial Services Manager	<ul style="list-style-type: none"> • Travelers Risk Management Consultant • Meeting rooms, powerpoint presentation equipment, • Time involved for attendees – half day 	Heads of Service/Service Manager training - March 2010 SMT, Members and Employees – September 2010 (In The Loop Briefing)	
Review Strategic Risk Register	Director of Finance	Regular Risk Management	Quarterly	
Review Operational Risk Registers	Heads of Service / Service Managers	Regular review of operational risks held on Covalent system and update notes accordingly	Quarterly	
Update and Produce risk management action plans as part of Service Plans	Heads of Service / Service Managers	One day	31 st January each year	
Prepare quarterly risk management reports for SMT, Executive and Scrutiny	Director of Finance	One day	Quarterly	
Conduct Annual Review of risk management arrangements	Risk Management Board		30 th June each year	
Review Corporate Risk Management Strategy and relevant processes	Risk Management Board then Audit Committee	Two meetings of Risk Management Board	30 th June each year	
Ensure that Partnership and project based Risks are incorporated into Risk Registers	Strategic Management Team	Regular SMT meetings	Ongoing	

APPENDIX 4

CATEGORIES OF RISK

The Council has defined the following risk categories. They will be reviewed periodically and provide a framework for identifying and categorising a broad range of risks. The categories may overlap and cannot be considered in isolation.

STRATEGIC RISKS	
Those risks that may be potentially damaging to the achievement of the Council's objectives.	
Political	
Associated with failure to deliver either local or central government policy, or to meet the local administration's commitments. Examples:-	
<ul style="list-style-type: none"> • Wrong strategic priorities • Not meeting Government agenda • Decisions based on incomplete or faulty information 	<ul style="list-style-type: none"> • Too slow to innovate/modernise • Unfulfilled promises to electorate • Community planning oversights/errors
Economic	
Affecting the ability of the Council to meet its financial commitments. These include internal budgetary pressures, inadequate insurance cover, external macro level economic changes (i.e. interest rates, inflation etc), or the consequences of proposed investment decisions. Examples:-	
<ul style="list-style-type: none"> • General /Regional economic problems • High cost of capital 	<ul style="list-style-type: none"> • Treasury risk • Missed business and service opportunities
Social	
Relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to deliver its objectives. Examples:-	
<ul style="list-style-type: none"> • Failing to meet the needs of disadvantaged communities • Impact of demographic change • Failure to address DDA & Equalities issues / requirements 	<ul style="list-style-type: none"> • Failures in partnership working • Problems in delivering life-long learning • Crime and disorder
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. Examples:-	
<ul style="list-style-type: none"> • Obsolescence of technology • Hacking or corruption of data 	<ul style="list-style-type: none"> • Breach of confidentiality • Failure in communications
Legislative	
Associated with current or potential changes in national or European law (e.g. the appliance or non appliance of TUPE regulations). Examples:-	
<ul style="list-style-type: none"> • Failure to take account of or inadequate response to new legislation • Intervention by regulatory bodies and inspectorates 	<ul style="list-style-type: none"> • Judicial review • Human Rights Act breaches
Environmental	
Relating to the environmental consequences of progressing the Council's strategic objectives (e.g. in term of energy, efficiency, pollution, recycling, landfill requirements, emissions, etc). Examples:-	

<ul style="list-style-type: none"> • Failure to have adequate environmental policies • Impact upon Local Agenda 21 policies • Noise, contamination and pollution 	<ul style="list-style-type: none"> • Impact upon planning and transportation policies
Competitive	
Affecting the competitiveness of the service (in terms of cost or quality) and / or its ability to deliver Best Value.	
<ul style="list-style-type: none"> • Takeover of services by government/agencies • Failure to demonstrate best value 	<ul style="list-style-type: none"> • Failure of bids for government funds
Customer / Citizen	
Associated with failure to meet the current and changing needs and expectations of customers and citizens.	
<ul style="list-style-type: none"> • Complaints / Ombudsman investigations • Lack of appropriate consultation 	<ul style="list-style-type: none"> • Bad public and media relations

OPERATIONAL RISKS	
Those risks that managers and employees may encounter in the day-to-day provision of services. For example:	
Professional	
Associated with the particular nature of each profession (e.g. housing service concerns as to the welfare of tenants).	
<ul style="list-style-type: none"> • Failure to recruit/retain qualified staff • Lack of training • Over reliance on key officers • Inefficient/ineffective management processes 	<ul style="list-style-type: none"> • Inability to implement change • Lack of employee motivation/efficiency • Bad management of partnership working • Project related risks (for projects over £10,000 in value or of 3 months or longer duration)
Financial	
Associated with financial planning and control and the adequacy of insurance arrangements.	
<ul style="list-style-type: none"> • Failure of major project(s) • Failure to prioritise, allocate appropriate budgets and monitor 	<ul style="list-style-type: none"> • Inefficient/ineffective processing of documents
Legal	
Related to possible breaches of legislation.	
<ul style="list-style-type: none"> • Not meeting statutory duties/deadlines • Failure to comply with European directives on procurement of works, supplies and services 	<ul style="list-style-type: none"> • Breach of confidentiality/Data Protection Act • Failure to implement legislative change • Non compliance with health & safety legislation
Physical	
Related to fire, security, accident prevention and health and safety (e.g. hazards / risks associated with buildings, vehicles, plant and equipment, etc).	
<ul style="list-style-type: none"> • Attacks on personnel • Loss of intangible assets 	<ul style="list-style-type: none"> • Non compliance with health and safety legislation • Loss of physical assets
Contractual	
Associated with the failure of contractors to deliver services or products to the agreed cost and specification.	
<ul style="list-style-type: none"> • Over reliance on key suppliers/contractors • Failure of outsource provider to deliver 	<ul style="list-style-type: none"> • Quality issues • Non-compliance with procurement policies
Technological	
Relating to reliance on operational equipment (e.g. IT systems or equipment and machinery).	
<ul style="list-style-type: none"> • Failure of big technology-related project • Crash of IT systems affecting service delivery 	<ul style="list-style-type: none"> • Breach of security of networks and data • Bad management of intranets and web sites

Environmental

Relating to pollution, noise or energy efficiency of ongoing service operation.

- Impact of Local Agenda 21 policies
- Noise, contamination and pollution
- Crime and Disorder Act implications

Human Resources

Associated with staffing issues (e.g. recruitment / retention, sickness management, change management, stress related risk assessment)

- Systems and management data not up-to-date
- Ineffective prediction of trends and forecasting of service needs

NB The above are examples of risks. The categories are not intended to be prescriptive and may overlap i.e. service / operational risks may be political, legislative, etc.

APPENDIX 5

Managing your risks on covalent

The operational risk register is now held on covalent rather than the spreadsheet. This will enable managers to frequently view and update their risks whenever they feel appropriate as opposed to the minimum of every quarter.

The headers that were used on the spreadsheet have now changed slightly and are as follows:

Previous Title (spreadsheet):

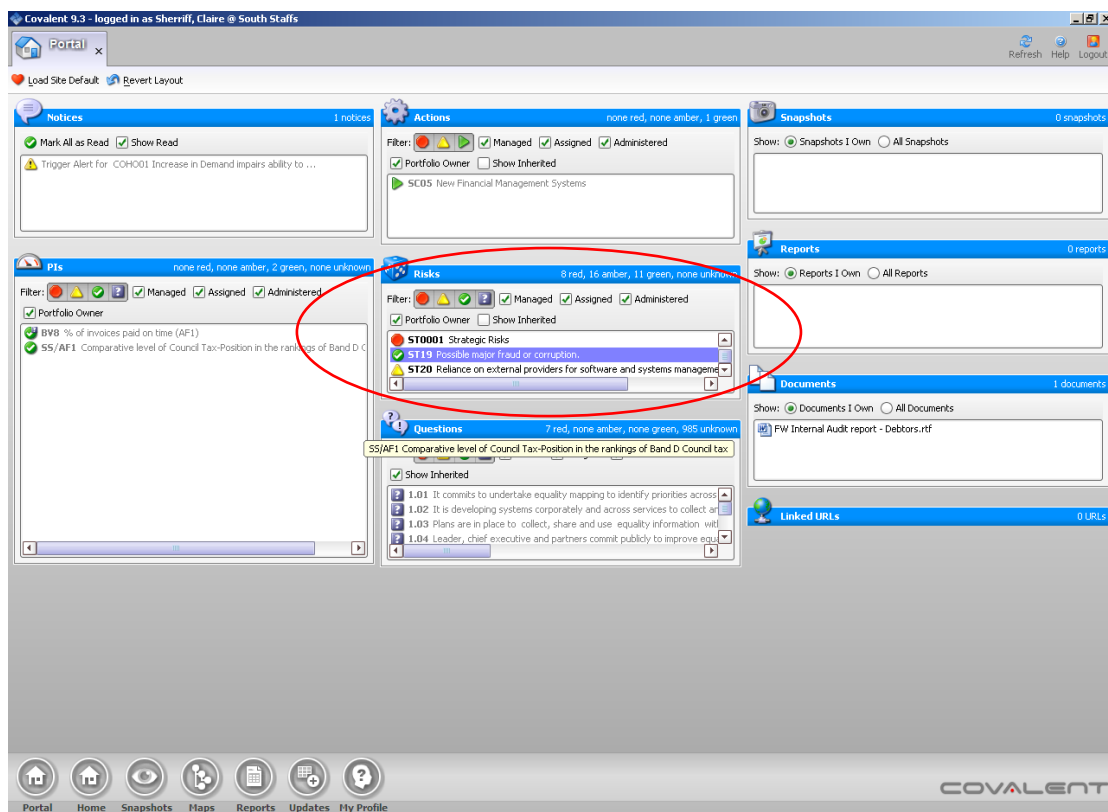
Risk Number
Description
Gross Risk
Mitigation
Inherent Risk
Opportunities presented
Responsible Officer

Will now appear as:

Code
Description
Original Risk
Internal Controls
Current Risk
Guidance
Managed By

The following instructions will help you to update current risks and add any new ones that you feel are relevant.

1. Log into Covalent
2. Your allocated risks will appear under the risks section:



3. From here you can update any existing risks or add new ones as appropriate.

Updating existing risks

4. Identify the risk you wish to update

5. Double click the risk and it should take you to the screen below:

The screenshot displays the 'Risk Central' interface for risk SUAF02. The browser window title is 'Covalent 9.3 - logged in as Sherriff, Claire @ South Staffs'. The page has a navigation bar with 'Portal', 'Risk Central', and 'SUAF02 Software failure'. Below the navigation bar are tabs for 'Details', 'Assessment Schedule', 'Assessment History', and 'Triggers'. The 'Details' tab is active, showing the following information:

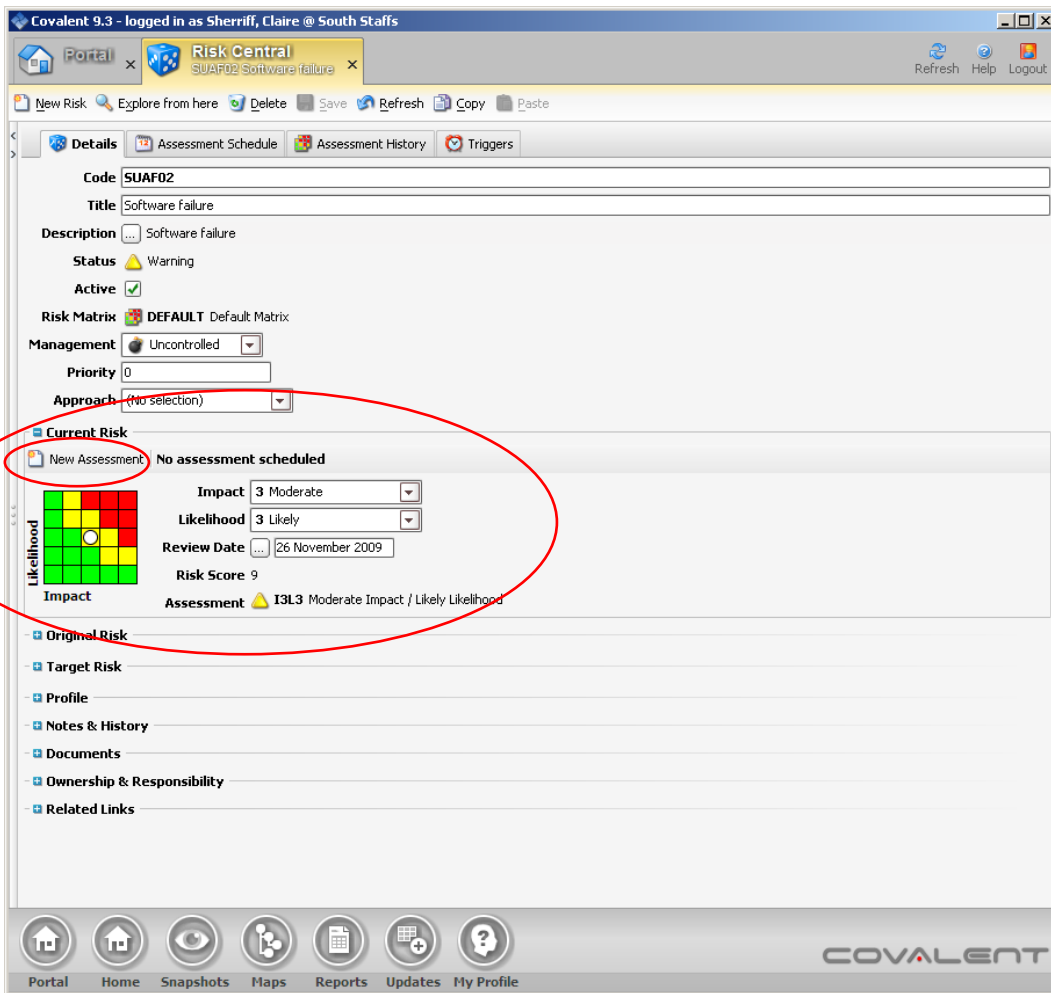
- Code:** SUAF02
- Title:** Software failure
- Description:** Software failure
- Status:** Warning
- Active:**
- Risk Matrix:** DEFAULT Default Matrix
- Management:** Uncontrolled
- Priority:** 0
- Approach:** (No selection)

The 'Current Risk' section shows a risk matrix and the following details:

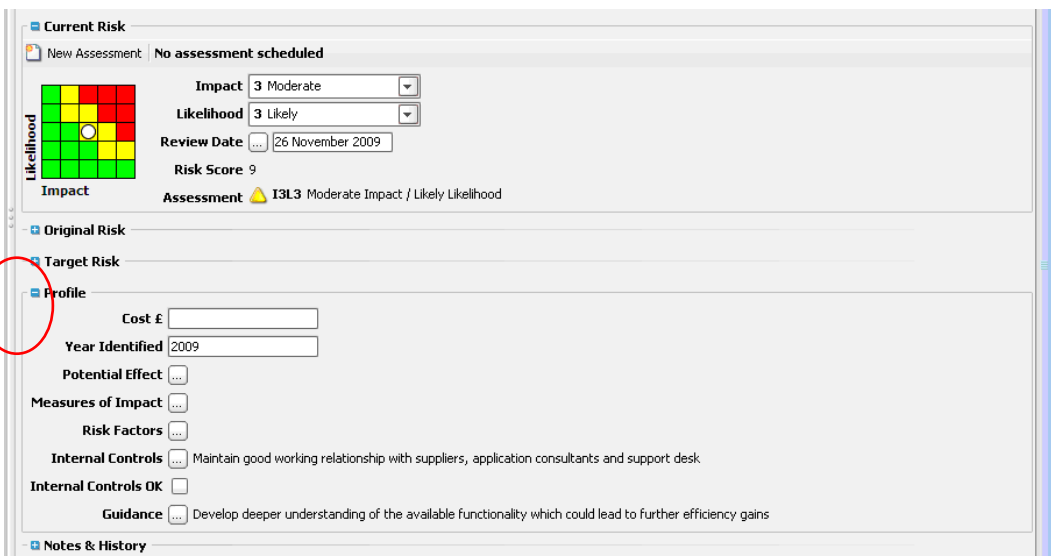
- Impact:** 3 Moderate
- Likelihood:** 3 Likely
- Review Date:** 26 November 2009
- Risk Score:** 9
- Assessment:** 13L3 Moderate Impact / Likely Likelihood

Below the 'Current Risk' section are expandable sections for 'Original Risk', 'Target Risk', 'Profile', 'Notes & History', 'Documents', 'Ownership & Responsibility', and 'Related Links'. At the bottom of the interface is a navigation bar with icons for 'Portal', 'Home', 'Snapshots', 'Maps', 'Reports', 'Updates', and 'My Profile', along with the 'COVALENT' logo.

6. If you wish to update the "Current Risk" click on "New Assessment" (as shown on the next page) and update as appropriate.

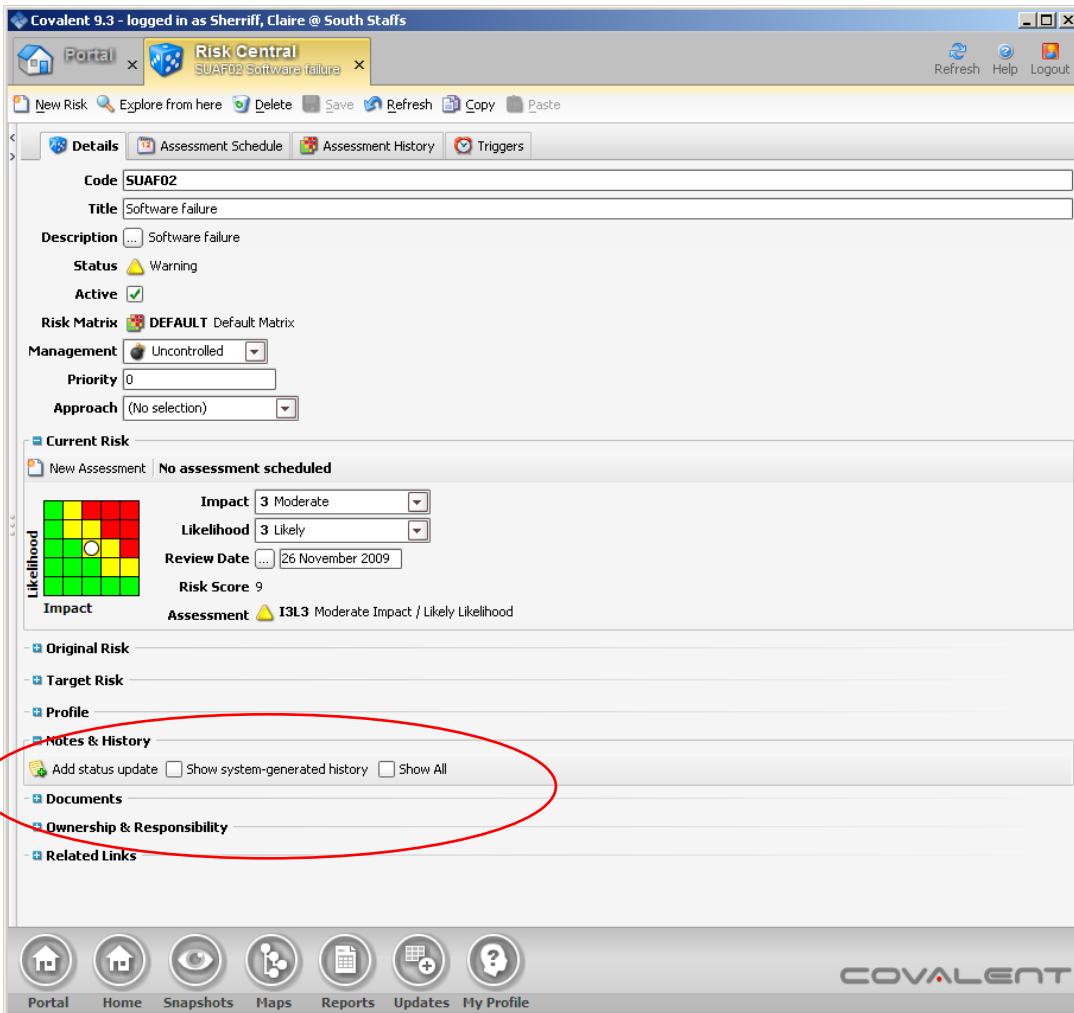


7. There are additional fields under the "Profile" Section – if you expand the field by clicking on the + sign (as highlighted) the following options will appear:

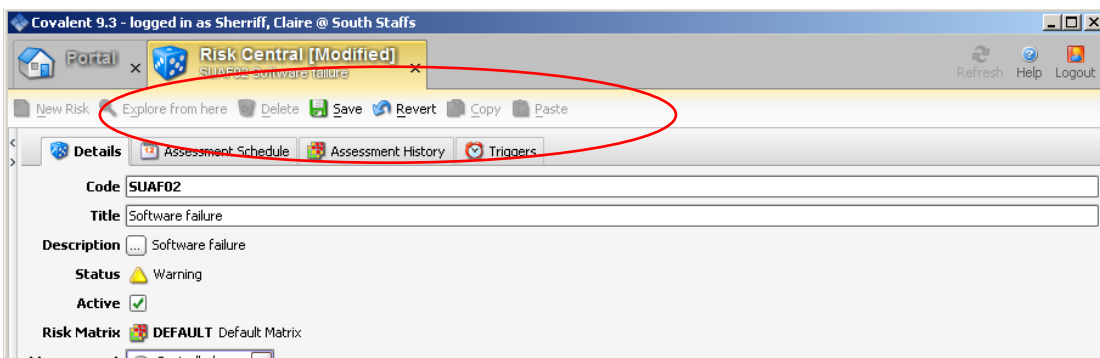


8. As explained above, two of these fields will already be populated. Please feel free to fill in as much information here as possible.

9. You can add a status update in the "Notes and History" section by clicking on "Add status update":

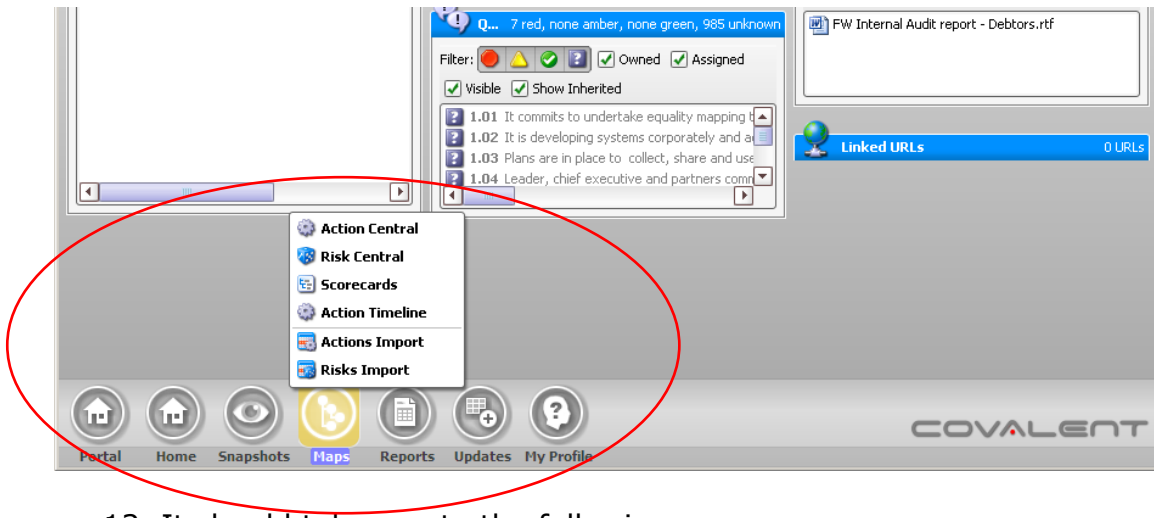


10. Click "save" in order to save any changes you have made. Click "Revert" to lose updated information and to revert to the pre-altered version:

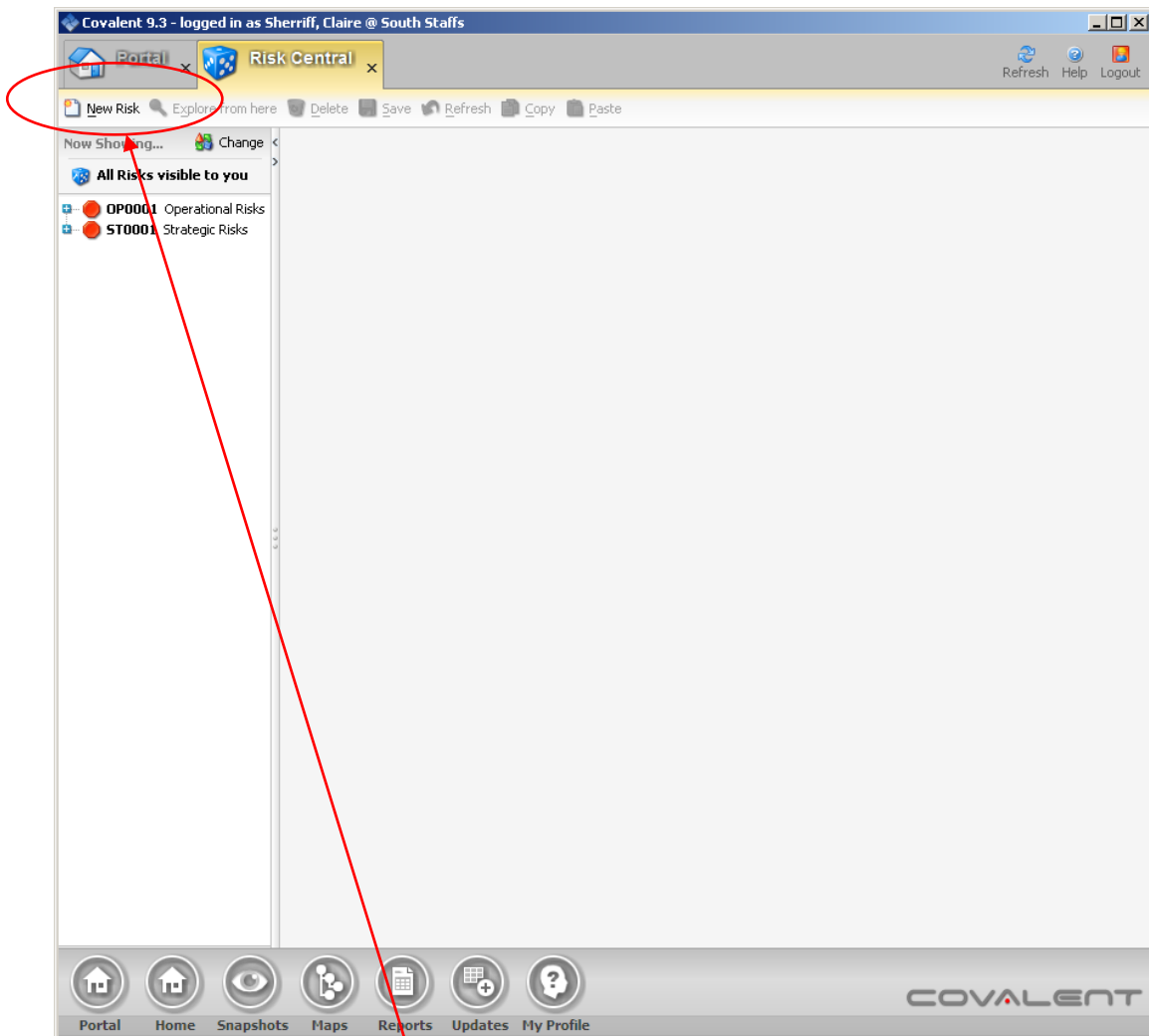


To Create a New Risk

11. Click on the "Maps" area of your screen and choose "Risk Central":

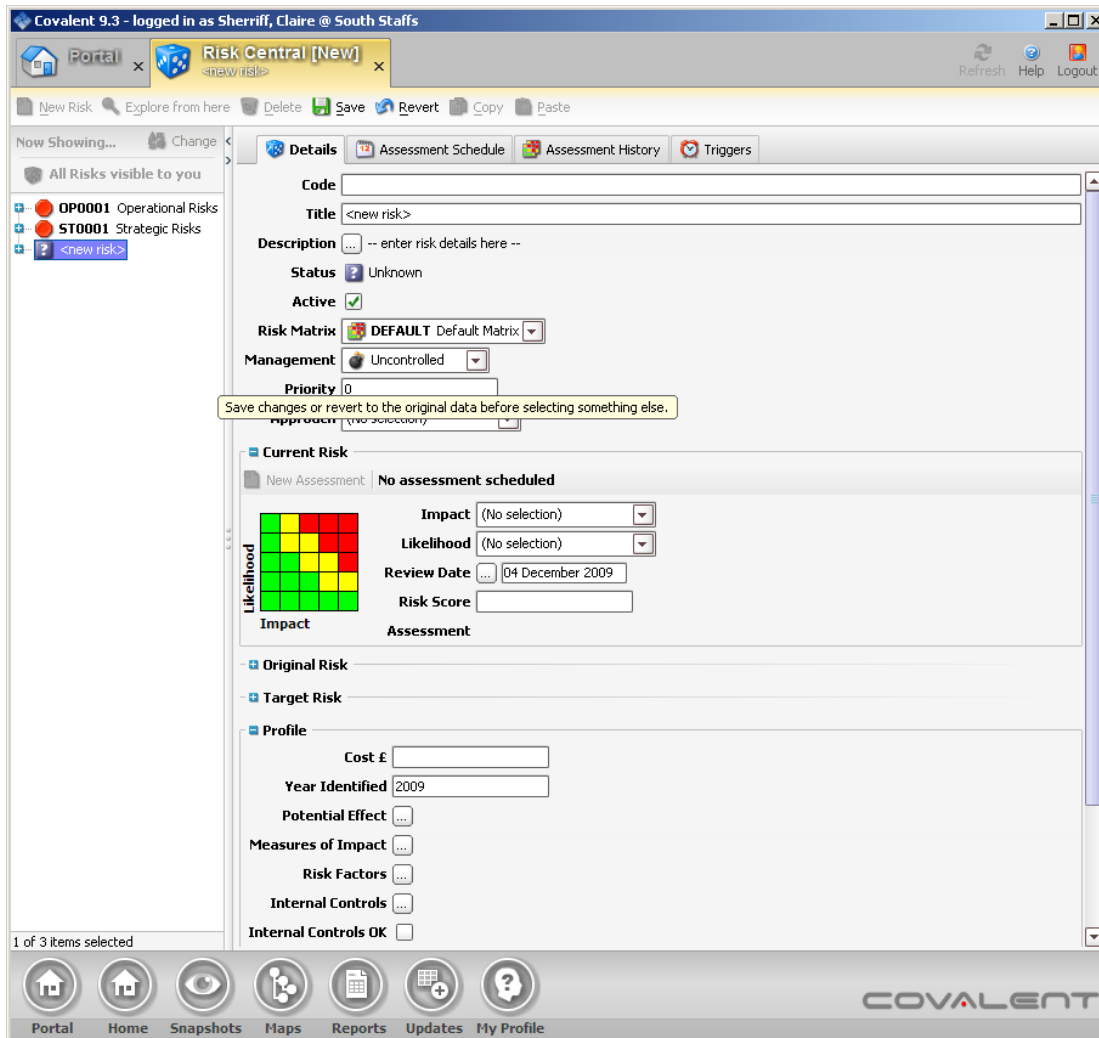


12. It should take you to the following screen:



13. Click on "New Risk"

14. The following screen should appear:



15. A code needs to be allocated to the new risk. If you already have risks allocated to your service area please follow the existing structure with the next available number at the end. If you need any help or guidance, please contact Claire Sherriff (x6603) or Megan Noble (x6460) and they will be able to allocate your risk a unique code.
16. Please then fill out the form as it appears. As a bare minimum the following items need to be populated:

Name	Short description of the risk
Description	Full description of the risk
Original Risk	Previously gross risk – i.e. risk rating before any mitigation has taken place
Current Risk	Previously inherent risk – i.e. risk rating after mitigation
Internal Controls	Mitigation measures to be undertaken
Guidance	Previously opportunities presented in managing the risk

17. Please feel free to add any additional information into the relevant box as you see fit. This will aid you in managing your risks.
18. Click "Save" at the top of the screen and the new risk will be added to the operational risk register.