



South Staffordshire Council

Risk Management Strategy

October 2019



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Introduction	3
Why risk management is important	4
Risk Management Strategy: objectives and principles	5
Strategic, operational and project risks	6
Roles and responsibilities	7
Arrangements for managing risks	8
Monitoring arrangements	9
Training	10
Appendix 1 - Roles and responsibilities within the Risk Management Framework	11
Appendix 2 - Risk management methodology	12

1. Introduction

- 1.1 Risk is the uncertainty of an event occurring, which could be a negative threat (or a positive opportunity) that could have an impact on the achievement of the Council's key objectives. Risks can relate to the normal course of Council business and/or relate to the delivery of specific projects.
- 1.2 Risk management is about having a planned and systematic approach to identifying, recording, evaluating and responding to risks.
- 1.3 Risk is ever present and some amount of risk-taking is inevitable. Risk management is therefore not about being 'risk averse' but about being 'risk aware'.
- 1.4 By being 'risk aware' the Council is in a better position to mitigate risk, to reduce the frequency of risk events occurring, and minimise the severity of their consequences if they do occur.
- 1.5 The purpose of this Risk Management Strategy is therefore to provide a framework within which to effectively manage risk.

2. Why risk management is important

- 2.1 Risk management is an important element of the Council's control framework and helps the Council to achieve its objectives.
- 2.2 Effective risk management will deliver a number of benefits including:
- **Improved strategic management**
 - » Greater ability to deliver against objectives and targets.
 - **Improved operational management and customer service**
 - » 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.
 - » Minimal service disruption to customers and a positive external image as a result of all of the above.
 - **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.
- 2.3 Risk management is also important because it helps the Council meet a number of legal requirements:
- The Accounts and Audit Regulations (2015) makes the Council *"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 effective arrangements for the management of risk."*
 - The Health and Safety at Work Act 1974 states that *"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."*
 - The Civil Contingencies Act 2004 sets out that the Council has a duty that it has *"an accurate and shared understanding of the risks they face so that planning has a sound foundation and is proportionate to the risks."*

3. Risk Management Strategy: objectives and principles

- 3.1 The Council's Risk Management Strategy is to apply best practice in identifying, evaluating and controlling risks to ensure that any residual risks are at an acceptable level.
- 3.2 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.

Objectives

- 3.3 The aims of South Staffordshire Council's Risk Management Strategy are to:
- Contribute to the attainment of the Council's strategic vision and the Council Plan.
 - Protect service delivery and its quality.
 - Protect the reputation and image of the Council.
 - Secure the Council's assets.
 - Secure the financial resilience 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.
 - Achieve projects outcomes and benefits.

Principles

- 3.4 The guiding principles of the Council's Risk Management Strategy are to:
- Integrate risk management into the day-to-day workings of the Council and project management.
 - Integrate the management of risk into the management of finances and the management of performance.
 - Balance risk and reward in relation to business cases, projects and commercial decision making and investment decisions.
 - 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.
- 3.5 These objectives and principles will in practice be achieved by:
- Establishing clear roles and responsibilities.
 - Providing relevant training on risk management.
 - Pro actively monitoring risk an on going basis through the use of risk registers.
 - Having appropriate and proportionate reporting arrangements in place which consider risk management in the context of finance and performance management.
 - Encouraging a risk management culture across all areas of the Council.

4. Strategic, operational and project risks

- 4.1 Strategic risks are events that should they occur could impact on the delivery of the Council's strategic objectives and Council Plan.
- 4.2 Operational risks are events that should they occur could impact on the delivery of Service Plans.
- 4.3 Individual projects and programmes (linked to the implementation of change) will also have risks which, should they occur, could impact on the delivery of the project and programme outcomes and benefits.
- 4.4 Consideration should be given as to whether operational risks and project risks are of such significance that they should be escalated as a Strategic Risk.
- 4.5 The Council will maintain therefore a Strategic Risk Register and an Operational Risk Register with separate risk registers for individual projects where appropriate.

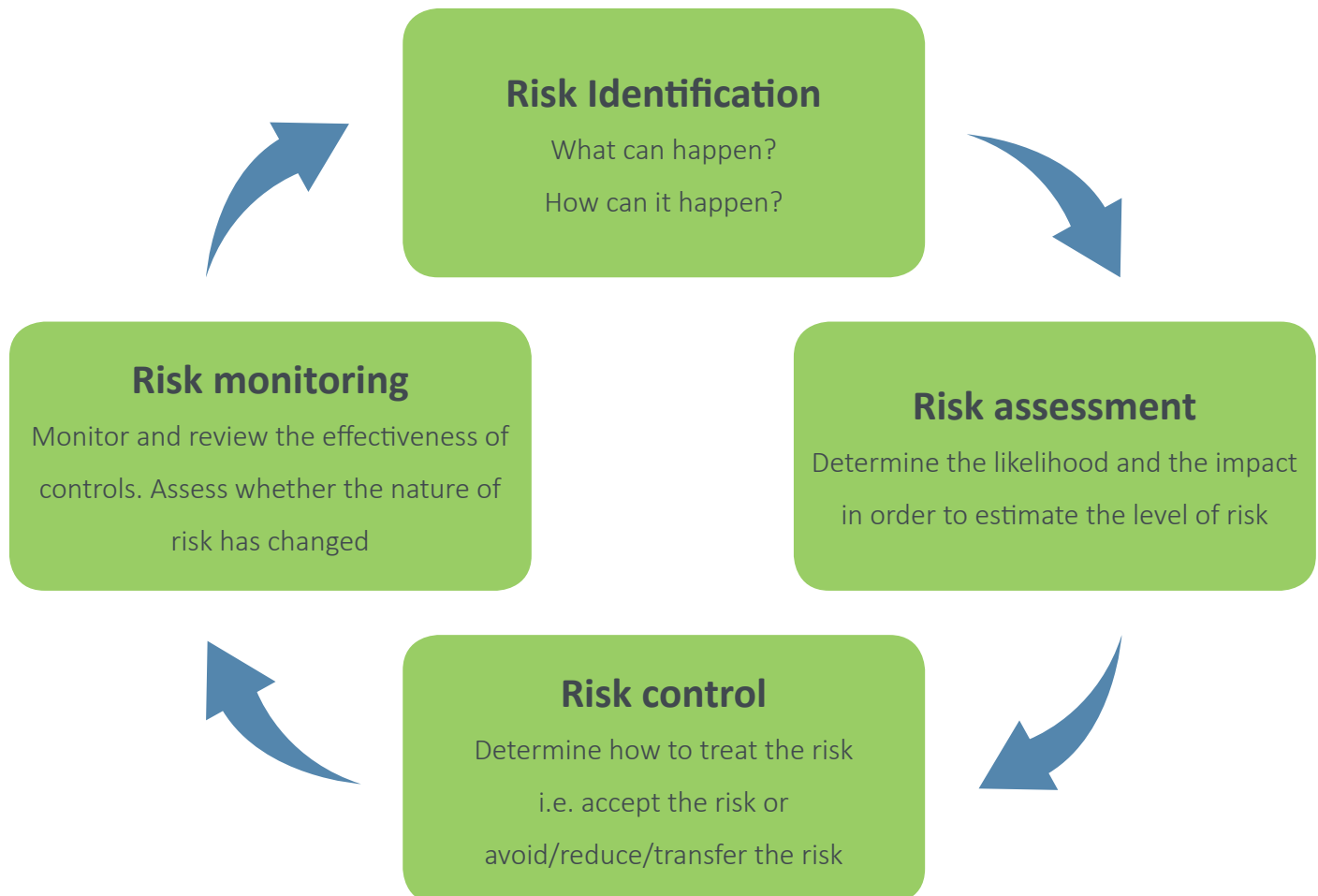
5. Roles and responsibilities

5.1 Appendix 1 sets out the detailed roles and responsibilities associated with risk management. In summary these are as follows:

Group/Individual	Role	Responsibilities
Audit and Risk Committee	Monitoring	Gain assurance - through regular reports on risk management
Cabinet	Overall ownership of the Strategy	Monitor and review (risks and mitigations)
Corporate Leadership Team (CLT)	The development and application of robust risk management arrangements	Oversight of risk management arrangements (including training) and risks registers
Assistant Directors and Corporate Support Managers	To review and maintain risk registers	To identify and manage risks
Project Managers	To review and update project risk registers	To maintain a Project Risk Register
Team Managers	To review and update risk registers	To maintain the Operational Risk Register
All staff	To understand the importance of risk management in the context of their role	Participate in the identification, assessment and management of risk
Internal Audit	To provide independent assurance	Periodic audit review of arrangements

6. Arrangements for managing risks

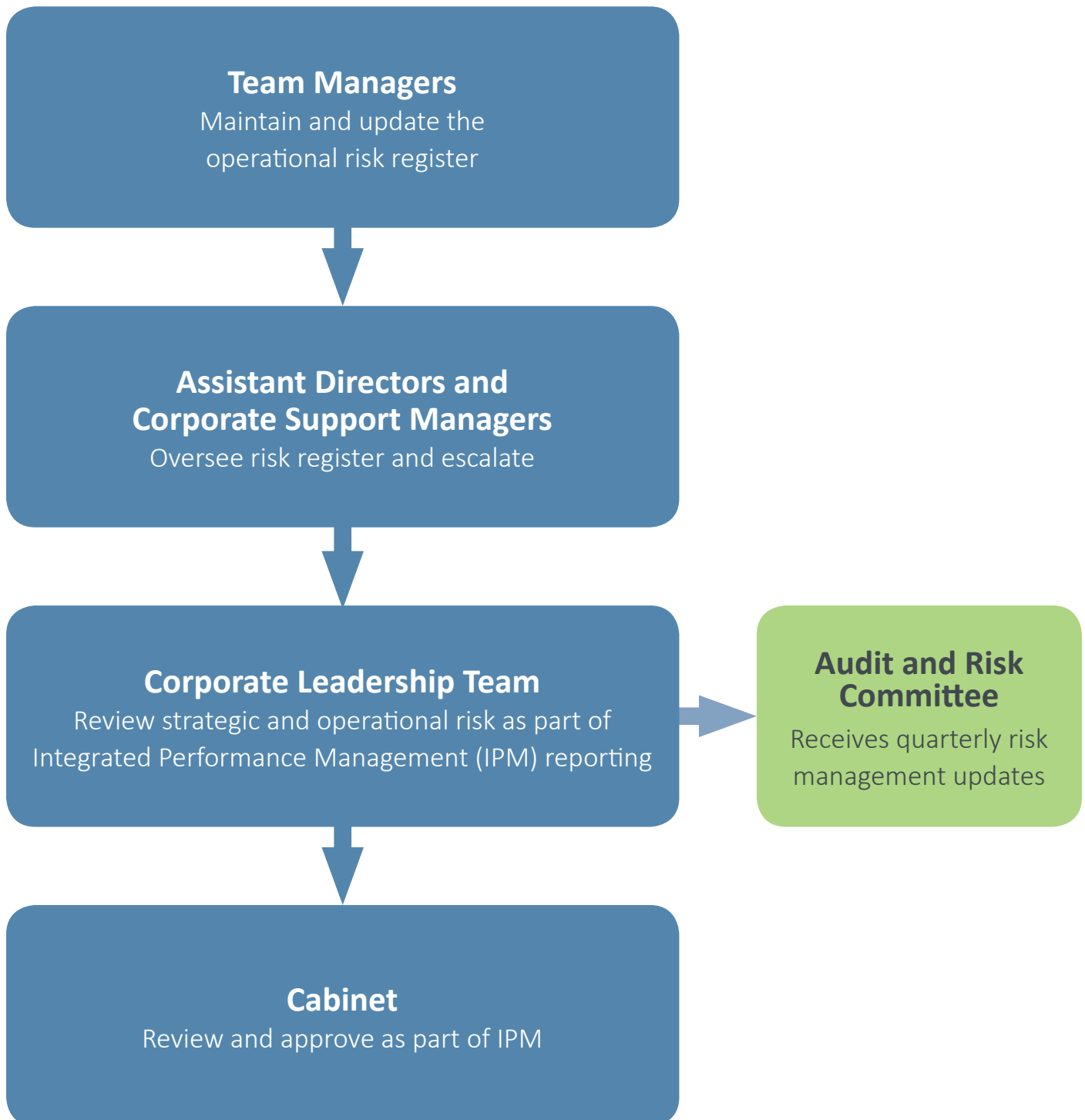
To manage risks effectively, they need to be systematically identified, analysed, controlled and monitored. The four stages in the risk management cycle are illustrated in the diagram below:



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).
- 7.2 The reporting arrangements can be summarised as:



Note: Specific project risk will be monitored by the Project Manager/Director and should be considered for inclusion in operational and/or strategic risk registers based on their potential impact on delivery of Service Plans/Council Plans.

8. Training

- 8.1 Training in risk management will be provided to officers and Members on a regular basis.
- 8.2 Tools and techniques will be shared through the Council's intranet site.

Appendix 1 - Roles and Responsibilities

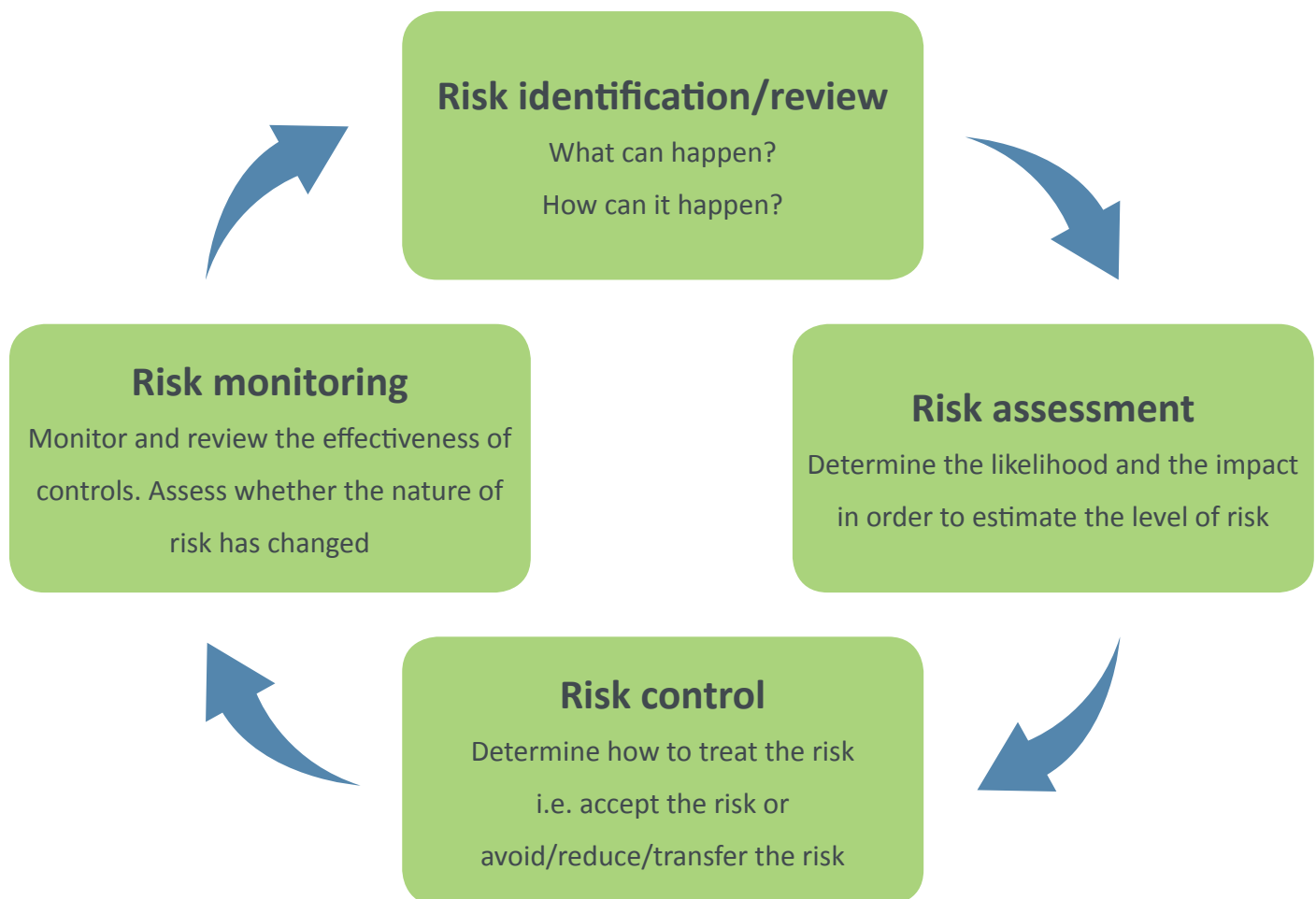
Roles and responsibilities within the Risk Management Framework

Group	Role	Responsibilities
Audit and Risk Committee	Under the terms of the Council's Constitution, the role of the Audit and Risk Committee is to provide independent assurance on the adequacy of the Risk Management Framework, the internal control environment and the integrity of the financial reporting and annual governance processes.	<ul style="list-style-type: none"> To gain an understanding of risk management and its benefits. To receive regular reports on risk management. To review and approve the Annual Governance Statement. To make recommendations on improvement.
Cabinet	Overall ownership of the Council's Risk Management Strategy and have effective oversight of risk registers and risk management.	<ul style="list-style-type: none"> To monitor the Council's Strategic Risk Register and significant operational risks and gain appropriate assurances that risks are being effectively managed.
Corporate Leadership Team (CLT)	The development and application of a comprehensive corporate Risk Management Strategy and robust arrangements for the identification and management of risk.	<ul style="list-style-type: none"> To monitor and review the effectiveness of the Risk Management Strategy and associated arrangements. To receive regular monitoring reports on strategic and significant operational risks. To ensure appropriate training is in place for officers and Members.
Assistant Directors and Corporate Support Managers (and/or Project Director)	To review operational risks relating to their Service Teams (and specific projects) and ensure that arrangements are in place for the maintenance of accurate and up-to-date risk registers.	<ul style="list-style-type: none"> To identify and manage risks associated with their Service Teams (and/or projects). To escalate risks where necessary. To promote risk management and ensure that the strategy is implemented effectively.
Project Managers	To review and update project risk registers.	<ul style="list-style-type: none"> To maintain a Project Risk Register. To escalate risks where necessary.
Team Managers	To review and update risk registers in accordance with the Risk Management Strategy on at least a quarterly basis.	<ul style="list-style-type: none"> To maintain the Operational Risk Register and to liaise with Assistant Directors regarding the management of risk.
All staff	To understand the importance of risk management in the context of their role.	<ul style="list-style-type: none"> Participate in the identification, assessment and management of risk. Report incidents, accidents, 'near misses' and other concerns.
Internal Audit	To provide independent assurance as to the effectiveness of risk management.	<ul style="list-style-type: none"> Periodically provide assurance on the management of risk across the Council.

Risk management methodology

1. Introduction

There are four key stages in the risk management cycle, as illustrated in the diagram below.



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

Appendix 2

2. Risk identification/review

2.1 The first step in the process is to identify the risks that can affect the achievement of the objectives for the service/project.

3. Risk assessment

3.1 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”.
- The potential severity of the consequences should such an event occur - “impact”.

3.2 Team Managers will assess each element of the judgement and determine the score in accordance with the following tables.

Likelihood

Score	Description	Responsibilities
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.• Has happened in the past.
3	Likely	<ul style="list-style-type: none">• Could occur in certain circumstances.• May happen occasionally.• Has happened elsewhere.
2	Possible	<ul style="list-style-type: none">• May occur only in exceptional circumstances.• Not expected to happen, but is possible.• Not known in this activity.
1	Rare	<ul style="list-style-type: none">• Is never likely to occur.• Very unlikely this will ever happen.

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 to 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 (>£200k 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 to medium-term impairment to service capability. • Major financial loss - supplementary estimate needed which will have a major impact on the Council's financial plan (>£100k 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 (>£50k uninsured loss). • Medical treatment required, semi-permanent harm up to one year. • Some adverse publicity, needs careful public relations. • High potential for complaint, litigation possible. • Breaches of law punishable by fines only.

Impact (contined)

Score	Description	Indicative Guidelines
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 (>£10k uninsured loss). • First aid treatment, non-permanent harm up to one 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.

Appendix 2

- 3.3 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				
Likelihood	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 risk/low priority	Medium priority	High priority
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- 3.4 The pre-mitigation risk is known as the **Gross Risk**. The post-mitigation (i.e. after mitigation and management) risk is known as the **Current Risk**.

4. Risk appetite and control

- 4.1 Risk appetite can be described as the risks which the organisation has determined to be ‘acceptable to bear’ and those which it has determined cannot be tolerated (unacceptable) in agreed circumstances.
- 4.2 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.
- 4.3 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.
- 4.4 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 three main options for controlling risk:
- Risk avoidance.
 - Risk reduction.
 - Risk transfer.
- 4.5 Risk avoidance involves the Council opting not to undertake a current or proposed activity because it is considered to be too risky.
- 4.6 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.
- 4.7 Risk transfer involves transferring liability for the consequences of an event to another body. This may be done in two ways:
- Legal liability may be transferred to an alternative provider under contractual arrangements for services delivery.
 - The costs associated with a damaging event may be reduced by transferring some or all of the financial risk to external insurance companies.
- 4.8 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.
- 4.9 All red risks, i.e. those with a gross score of 15 or higher, will need to be reported as part of the Integrated Management Report.
- 4.10 The Council’s risk register is held on the Council’s Intranet system.
<http://thecore/default.aspx?page=0>

5. Risk monitoring

- 5.1 Each Service Team will monitor risk on an ongoing basis. Risks will be monitored and reported through the risk registers and formally reported through the Integrated Performance Management Report. A Risk Management Update Report will also be taken to the Audit and Risk Committee.



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