

Risk Management Strategy –

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Introduction

Risk Management is assuming a much higher profile in Local Government. Not only do Councils touch the life of all their residents but also have resources to match many large businesses. This requires a sound approach to managing the risks that are significant to the achievement of the Council's objectives. The Council, through its Corporate Plan, is committed to ensuring that it has "**the energy, ability and ambition to seek improvement, whilst retaining the ability to innovate**". The adoption of a strong Risk Management Strategy is key to achieving this and meets the requirements of the Comprehensive Performance Assessment Improvement Plan, "Committed to Excellence".

The exposure to risks is often measured in financial terms only, for example, repairs to property, motor vehicles, additional staff costs and increase in insurance policy premiums. However, it also includes inconvenience, lowering of morale, adverse publicity, disruption of service etc. As such risks can be either operational, strategic or a mixture of both.

Managers are used to managing risk in their day-to-day operations: from decisions about whether to take a child into care to the safety implications of trailing leads in an office. Managing strategic risks however, though drawing on this good and often instinctive practice, requires us, as a Council, to take a more formalised approach.

It is a requirement that Councils have an agreed approach to strategic risk management as part of its wider corporate governance regime. The Audit Commission and other Inspection bodies are increasingly focusing on this as an indicator of a well-run authority, via Comprehensive Performance Assessments and other Inspections.

This document sets out Herefordshire Council's approach to risk management focusing on those strategic risks which will emerge in developing service plans, projects, making funding bids and managing change (e.g. financial changes). It provides a framework that is simple to use while sufficiently structured to ensure that consistent judgements are made on risk.

The approach will ensure that all areas of risk are identified, evaluated, controlled and reviewed. This process **must** be applied in the above strategic contexts but can also support operational risk management.

The cycle of Risk Management involves four processes:

- A systematic and regular **Identification** of risk
- Evaluation** of each risk
- Control** of each risk
- Monitoring** of risks with further corrective action as necessary

Herefordshire Council's Risk Management Strategy, outlined here, addresses each of these aspects to ensure that it meets the overall objectives of good corporate governance. This document has been produced to set out the framework and support needed to meet your obligations in this respect.

Neil Pringle, Chief Executive

Roger Philips, Leader

Definition of Risk Management

“ Risk management is a business discipline that public and private sector organisations use to effectively manage potential opportunities and threats to the organisation achieving its objectives. It is a key part of the strategic management and performance management processes.”

(Association of Local Authority Risk Managers)

In addition, in assessing Councils under the Comprehensive Performance Assessment regime, the Audit Commission is checking that **“ the Council is risk aware particularly when entering new arenas and always assesses risks inherent in the things it does”**

(Audit Commission – Key lines of enquiry)

Risk management is not about avoiding risks altogether, but managing them prudently. Nothing is achieved without some element of risk and good opportunities can be lost if organisations are over cautious. Risk management can help us to evaluate and balance hazards and opportunities to make well-informed decisions and provide sustainable improvements in service delivery.

In this sense it has always been a key aspect of a manager’s role and has been undertaken very effectively in many instances. What this Strategy will do is to provide a consistent framework and audit trail evidence to support those judgements.

The strategy has been designed to support the management of the strategic risks the Council faces. (see **Appendix A** for a guide to strategic risk categories). Operational risks will continue to be assessed in the normal way. However managers should be alert to any operational risks that may become strategic and hence require consideration within this framework.

Statement of Policy on Risk Management

The Council recognises its business has an impact on the people who live, work and play in Herefordshire.

The Council undertakes to take all reasonably practicable measures to ensure that the impact of its decisions does not have an adverse effect on the resources of the Council, the people working for the Council or those receiving the services of the Council by ensuring that:

- A strategic overview of the management of risks facing the Council is undertaken
- Risk assessments are undertaken on any projects, service plans, and changes to procedures or processes
- The 4 stage cycle of risk management is adhered to
- Employees at all levels understand their role in managing risk

Responsibilities for Risk Management

All employees have a responsibility to identify and manage the risks that they face on a day-to-day basis (operational risks).

However, certain roles carry specific responsibilities in respect of managing risk, particularly strategic risks, as follows:

Elected members have overall responsibility for managing the strategic risks of the Council.

The **Chief Executive** is accountable on a day-to-day basis for managing the Council's risks and for providing advice to Elected Members to enable them to undertake their role.

Directors and Heads of Service are responsible for managing risks effectively within their Directorate/Department/Service.

The **County Treasurer** is the Council's nominated Risk Manager and manages the Council's insurance arrangements.

The **Head of Performance Management** is responsible for monitoring the overall policy/strategy, assisted by the **Performance Leads Group**. (see below)

The **Risk Management and Insurance Officer** maintains the Council's corporate risk register, providing monitoring reports as required to the County Treasurer and Head of Performance Management. This Officer also liaises with external insurers to ensure that future premiums reflect all Risk Management activities being undertaken and that advice and resources available from insurers/brokers are made available to the Council.

Performance Leads Group

Senior management commitment and involvement of employees at all levels is the key to good risk management, and unless the principles are fully embraced, they are unlikely to be successfully imposed.

The Performance Leads Group, chaired by the Head of Performance Management, is responsible for overseeing all aspects of the Performance Management framework. It consists of representatives, at Head of Service level from across the Council. The Risk Management and Insurance Officer is also a full member of the Group. It meets the need for a forum in which issues can be freely debated, providing an opportunity to learn from others, share good practice and areas of difficulty.

The relevant terms of reference of the Group, in respect of risk management, are as follows:

- Ensure the Council's performance and risk management frameworks are integrated into the day-to-day activities of the Directorate/Department
- Ensure that projects within their Directorate/Department are managed within the agreed project management framework
- Contribute to raising the awareness of, and developing skills in performance, project and risk management within the Council

As important as the specific terms of reference is the responsibility, which members have, in providing leadership to their Directorates/Departments in risk management.

The Risk Management Cycle

As described earlier the risk management cycle consists of four stages (**Appendix B**).

Identification

This process is achieved by:

- Specifying the risks to which the Council is exposed both strategic and operational.
- Analysing past claims, incidents and other losses.
- Creation and maintenance of a corporate risk register.

Evaluation

Having identified areas of potential risk they need to be analysed by:

- An assessment of impact.
- An assessment of likelihood.

Risk Control

Following evaluation there are four main control options:

- Tolerate – monitor and re-evaluate in the future
- Terminate –do not undertake the activity
- Treatment (pre and/or post loss) – manage it, put in place effective controls
- Transfer – pass the risk on (e.g. to contractor/insurer)

To assist in the above process a simple guide along with the necessary documentation have been drawn up and are attached to this strategy as **Appendices A – E**. It is important that a coordinated approach to the management of risk is established throughout the authority and that managers adhere to this process.

Monitoring

The Risk Management cycle requires a suitable reporting and monitoring system, which will report effectively on the Council's current risk profile. Monitoring needs to be a pro-active approach that triggers further evaluation and control of risks as necessary. Reporting of Risk Management will be as follows:

- The Performance Leads Group will, on a quarterly basis, consider and review those risks reported and submit their findings to the Chief Executives Management team via the County Treasurer and Head of Performance Management.
- A formal review and report will be generated annually. This will form the basis of an annual review of strategic risks to be reported to the Strategic Monitoring Committee and Cabinet.

Our Approach

The Council is committed to ensuring best practice in the management of its strategic risks and has taken up corporate membership of ALARM to keep abreast of developments in this field. This learning will be shared with managers. As a minimum there needs to be a shared awareness and understanding within the authority of:

- the nature and extent of the risks it faces
- the extent/type of risks regarded as acceptable
- the likelihood and potential impact of the risks happening
- its ability to reduce the incidence and impact of risks through effective controls.

The risk management process should be ongoing, embedded in the culture of the authority and assist the organisation in further developing performance management and good governance generally. There will be key points, however, when managers are required to undertake a formal risk assessment within this framework as follows:

- As part of the service planning process
- As part of a project scoping
- When managing change
- When making funding bids
- When presenting reports to Elected Members

In addition managers need to be alert to what operational risks they are managing and at what point these might become strategic. An example might be when the ongoing operational risks associated with child protection become exacerbated by a high number of vacancies or when the Council's reputation is at risk because of a high profile complaint.

The tools to identify and manage operational risks are not always labeled as 'risk management' but can help to identify potential strategic risks. They include:

- Health & Safety audits
- Induction training
- Staff Review and Development
- Operational Risk Assessments
- Customer Surveys
- Benchmarking
- Insurance arrangements

Strategic risk management related activity within the Council is already quite wide ranging. It is generally, if not formally, undertaken as part of

Service Planning, PRINCE2 Project Management, Best Value Reviews, Budget Panel reports, Performance Management, Annual Insurance Report, Internal Audit reports, Cabinet Reports, External Inspections, Improvement Planning, Funding Bids, Reviews

In adopting the Risk Management Strategy the Council is ensuring that there is a consistent and rigorous approach adopted right across the Council setting out when, how and by whom risks are to be assessed and managed. The implementation of the strategy is set out later in the report. However it is worth noting here that rather than attempting to undertake a retrospective risk assessment in every case, the approach will be to start with a clean sheet and evaluate and manage those risks which emerge throughout the year. All 2004/5 Service Plans **should be** risk assessed together with any ongoing significant projects.

Implementation Plan

Approval

The production of the Risk Management Strategy was overseen by the Performance Leads Group and approved by Chief Executive's Management Team on 17th February 2004 and Cabinet on 25th March 2004.

Monitoring

The Performance Leads reporting to Chief Executives Management Team will undertake the monitoring of the operation of the Strategy on a quarterly basis. An Annual Report will be presented to Cabinet and the Strategic Monitoring Committee. The overall Strategy will also be reviewed on an annual basis and any required revisions will be put forward for re-approval. The success criteria will be based on the number of plans, change proposals and Cabinet/Committee reports, risk assessed to the required standard. There is also a planned Internal Audit of the Strategy and its implementation, the date of which is currently being determined.

Training and Development

The Performance Leads Group received a day's risk management training in November 2003 delivered by Gallagher Bassett, the Council's risk consultants. In addition the Council has purchased the ALARM "Risk Management Training Toolkit" and the Risk Management and Insurance Officer and Head of Performance Management have attended a "training the trainers" course on its use. Risk management is also covered in the Management Development Programme delivered by Aston Business School as part of the Certificate in Management (Project and Performance Management Module).

The Risk Management Strategy will be rolled out through workshops run for Directorate and Departmental Management Teams. These workshops will be used to identify further training needs in this area. It will also be necessary to ensure that any new managers receive appropriate training and that risk management is covered as part of new employee induction.

The corporate membership of ALARM not only provides us with leading edge thinking but access to workshops, conferences and accredited training at a reduced rate. This can be made available to managers other than the named corporate members. Anyone interested should contact the Risk Management and Insurance Officer.

Communication

Proper management of risk is the responsibility of everyone, albeit at different levels. The Risk Management Strategy will be posted on the Intranet and will be one of the documents in the Managers Guide to Rocket Science toolkit being produced for key Managers. (Also available in CD ROM format) Managers should ensure that their Teams understand the broad approach to risk management via Team Briefings and other appropriate mechanisms.

A newsletter Risk Matters, edited by the Risk Management and Insurance Officer is produced three times a year for interested managers. In future this will be circulated to the Key Managers Group. Further advice/support on undertaking risk assessments will be available from the Head of Performance Management, the Risk Management and Insurance Officer and Performance Leads,

Timetable

What	Who	When
Approval Performance Leads	Head of PM	January 2004
Approval CXMT	County Treasurer	February 2004
Approval Cabinet	County Treasurer	March 2004
Initial Training Workshops	Head of PM	March/April 2004
Further training/support to risk assessments	Head of PM/Performance Leads	April-September 2004
Ongoing Monitoring	Head of PM/Performance Leads	Ongoing
Review of Strategy	Head of PM/Performance Leads	March 2005