Subject: Risk Management Framework

Report to: Audit and Risk Committee

Report by: Corporate Risk Officer

SUBJECT MATTER / RECOMMENDATIONS
To approve the revised Risk Management Framework as set out in the attached document

1.   INTRODUCTION / BACKGROUND

1.1   The Council has been working to codify how it works in relationship to risk. To enable Members and officers to understand their roles and the place risk has in the organisation the attached Risk Management Framework was drawn up.

1.2   The Framework is required to be revised on an annual basis. Attached to this report is the revised Risk Management Framework for approval by the Audit and Risk Committee.

FINANCIAL IMPLICATIONS
This Framework seeks to identify the way in which Great Yarmouth Borough Council handles risk.

LEGAL IMPLICATIONS
None

EXECUTIVE BOARD OR DIRECTOR CONSULTATION:
EMT consulted

Does this report raise any legal, financial, sustainability, equality, crime or disorder or human rights issues and, if so, have they been considered.	Issues	
	Legal	No
	Financial	See above
	Risk	See body of report
	Sustainability	No
	Equality	No
	Crime and Disorder	No
	Human Rights	No
	Every Child Matters	No

RISK

MANAGEMENT

FRAMEWORK

Date of Policy:	January 2016
Author:	Corporate Risk Officer
Document Status	Final Version
Next Review Date:	December 2016

Index

RISK MANAGEMENT POLICY AND STRATEGY

Policy

1.1 We define risk as something that might have a detrimental impact on the achievement of the Council's objectives, reputation, or service delivery.

1.2 The appraisal and management of risk will be part of our business planning, project management and change management process.

1.3 We will use risk management to promote innovation as well as to help secure our objectives.

Organisation

2.1 This risk management strategy will be subject to endorsement by the Audit and Risk Committee.

2.2 The Interim Head of Finance is responsible for risk management. The Executive Management Team (EMT) will support the Interim Head of Finance in assessing risks likely to have a significant impact on the achievement of the Council's objectives. The EMT is responsible for the development of advice and guidance on risk management matters.

2.3 Directors will implement risk management within their services and ensure that;

- risk is a standard agenda item on all directorate meetings to identify any emerging risk and changes.

- managers carry out risk assessments as a routine part of service planning and management activities.

- The Interim Head of Finance is notified of any significant changes in service provision likely to arise if a risk materialises to enable him/her to ensure that appropriate and adequate insurance measures are in place.

- The Interim Head of Finance is informed if financing measures are needed to be put in place.

- a risk aware culture is built across the department.

- key risks to service objectives, project, partnership and change management process under their control are identified, recorded and managed.

- those risks having a corporate impact are reported for consideration for inclusion in the Corporate Risk Register.

2.4 The Interim Head of Finance is responsible for coordinating the Council's approach to risk management. The Corporate Risk Officer sits within the Finance team and is responsible for monitoring the implementation and effectiveness of this risk management strategy and for reviewing compliance with controls introduced by EMT to manage risks.

2.5 The Audit and Risk Committee is responsible for reviewing the effectiveness of the systems and processes in place for managing risk.

Arrangements

3.1 Reports to Cabinet will include an appraisal of risk.

3.2 Corporate risks will be identified and:

   - assessed for likelihood and impact

   - mitigating controls identified

   - allocated responsible officers for the mitigating controls

   - cost implications of controls will be considered

3.3 Risk Management training will be provided to EMT and senior managers with the aim of ensuring that they have the skills necessary to identify, appraise and control the risks associated with the services they provide. Councillors will receive training on risk so that they can consider the implications of risk in their work for the Council.

3.4 Every partnership, project team or change management team will appraise strategic and operational risks and make provision for dealing with those risks.

3.5 This strategy will be communicated to Councillors and staff and will be reviewed annually by the EMT.

1.   Introduction

The fundamental principles adopted by the Council on Risk Management are described in the policy and strategy statement on Risk Management (page 3).

Adopting and implementing the framework detailed below will achieve compliance with the policy and strategy.

2.   Background

All organisations face a wide variety of risks including physical risks to people or property, financial loss, failure of service delivery, information management and damage to the organisation's reputation. Risk for this purpose is defined as "the chance of an event happening and leading to unintended effects which will impair the organisation's ability to achieve its objectives".

Good risk management is a key tool in assisting the organisation to manage uncertainty in order to enable the organisation to better achieve the outcome of its objectives. Risk management is intended to be a planned and systematic approach to the identification, assessment and management of the risks facing the organisation. It is essential that steps are taken to effectively manage those risks. Risk management supports innovative solutions as it carefully considers benefits, alongside the risks, that may occur.

The traditional means of protecting against the more obvious risks has been through insurance. However, there are many risks which cannot be insured against and which must be addressed in different ways. Even in the case of those risks which are insurable, action can be taken to reduce the potential risks with consequent savings of premiums and disruption of work.

The risk management framework aims to:-

- Clarify responsibilities for identifying and managing risks

- Ensure that an appropriate level of risk management is consistently applied across the Council

- Increase awareness and use of risk management as a normal element of service management and improvement

- Facilitate sharing of experience and good practice across the Council and with other bodies

3.   Leadership and Responsibility

Given the diversity of Council services and the wide range of potential risks, it is essential that responsibility for identifying and taking action to address potential risks is clear.

Responsibility for effective risk management rests with all Members and Officers of the Council.

The Chief Executive Officer is the Officer with overall responsibility for securing adherence to the Council's policy on Risk Management.

The framework of roles and responsibilities in Appendix One shows how these are allocated.

4. Corporate Governance

Great Yarmouth Borough Council has adopted a Local Code of Corporate Governance setting out the framework through which it will carry out its responsibilities to deliver effective services.

Effective risk management is an essential element of good corporate governance which, in turn, supports effective decision making and ultimately contributes to improved performance.

Performance
Decision making
Corporate Governance
Risk Management

Core principle four requires "taking informed and transparent decisions which are subject to effective scrutiny and managing risk". This requires that an effective risk management system is in place.

As part of the Local Code it states that the authority should prepare and publish an annual governance statement. This statement is a key corporate document and will include an assessment of the authority's effectiveness of managing risk; it is signed by the Chief Executive and Leader of the Council.

The assessment of the authority's effectiveness of managing risk is provided by an annual report to the Audit and Risk Committee

5. Training

Individual officers and Members will have different needs and these can be met with different methods. These will include appropriate awareness raising sessions as well as the more formal training.

The e learning package includes a module on risk and this will be used to deliver part of the training requirements. External providers will be identified to deliver specific training and, where appropriate, in house training will be used.

6. Resourcing Risk Management

Risk management is not a new issue and, as identified at paragraph 3, every Member and Officer is responsible for considering risk implications as they relate to their actions. However, it is recognised that the concept of risk management needs to become formalised and part and parcel of the culture of the Council.

The designated Risk Champion(s) at Executive Management Team Level is the Interim Head of Finance.

The Corporate Risk Officer will be the link for all aspects of risk management.

7. Role of the Executive Management Team

Whilst acknowledging the wide variety of risks that face the Council, and the differing circumstances that apply in different services, it is essential that there is some consistency in the way that risks are identified and assessed. This helps to ensure that all areas of risk are adequately considered and relative priorities for action can be judged.

The EMT will provide this consistency of approach. The Group acts as a link between group managers, specialised groups dealing with particular areas of risk, senior management and Members.

Quarterly updates on the Corporate Risk Register will be provided to EMT and risk will be an agenda item on all meetings to identify any emerging risks or changes.

8. Risk Management Role in the Cabinet and Audit and Risk Committee

The Cabinet is responsible for ensuring that an adequate risk management framework and associated control environment exists within the Council.

The Audit and Risk Committee is responsible for monitoring the arrangements in place for the identification, monitoring and management of strategic and operational risk.
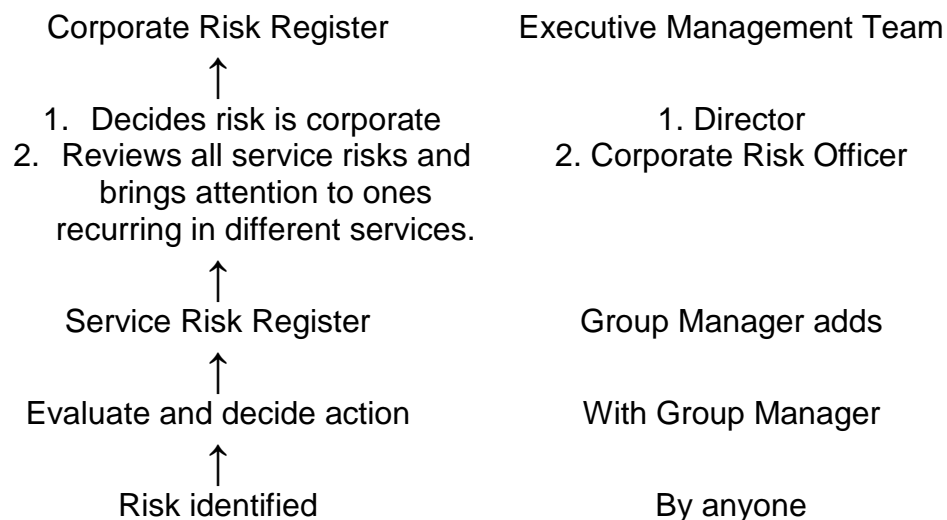
To provide the Audit and Risk Committee with the necessary information to undertake these responsibilities, regular progress updates on the Corporate Risk Register are reported at specific Audit and Risk Committee meetings.

9. Risk Management Approach

The development of a consistent, corporate approach to risk management needs to be done in a methodical and proportionate way in order to avoid the creation of a self-defeating bureaucratic burden.

To ensure that risk management is handled in the most efficient way within the Council, risk is included as an agenda item on all departmental meetings to identify emerging risks and changes. Work to integrate risk management and performance management is under way.

The following chart (from bottom up) shows how a risk could be identified and escalated:

Corporate Risk Register	Executive Management Team
↑	
1. Decides risk is corporate 2. Reviews all service risks and brings attention to ones recurring in different services.	1. Director 2. Corporate Risk Officer
↑	
Service Risk Register	Group Manager adds
↑	
Evaluate and decide action	With Group Manager
↑	
Risk identified	By anyone

10. Methodology

A methodology for identifying, assessing and managing risk within the Council has been developed. This methodology has the advantage of being relatively straightforward to use and can be applied to both the strategic risks of the Council and as part of the routine service, project planning and change management processes.

Once a risk has been identified it is essential to determine the level of impact and likelihood. The Impact and likelihood criteria is set out in Appendix 2.

The Corporate Risk Register is held by the Corporate Risk Officer and published on the intranet. The format of the register is as below:

No	Vulner-ability	Trigger	Conse-quence	Mitigation	Current Score	Target Score	Action Plan / Progress update	Respon-sible officer	Due Date	Link to Strategic Priority

Almost all projects can be assessed using the three categories, schedule/time, costs and performance/ quality of end product. Projects should follow Prince 2 principals. The Council's risk management methodology should be followed to produce these risk assessments and a summary of the findings given in reports to Members.

11.   Risk Identification

To meet the requirements of this framework, risk(s) must be capable of being identified at any level, and by anybody, within the Authority.

The key people are the group managers who will identify, record and manage key risks to service objectives, project, partnership and change management processes under their control and identify mitigating processes to help reduce their impact. Service risks should be included as an agenda item on each Departmental Management Team meeting, to review whether any additions, deletions or other changes need to be made.

Any risk can, if appropriate, be escalated to being a corporate risk through the Interim Head of Finance, Corporate Risk Officer and eventually the Executive Management Team.

Members and Senior Officers can also identify corporate or service risks through EMT.

The Corporate Risk Register will be reviewed on a quarterly basis and updated to reflect any changes to the risks currently included and to include any new risks identified.

12.   Involvement of Other Related Groups

There are a number of other officer groups in existence which deal with specific areas of risk management. These included both the Health and Safety working Group and Business Continuity Group

The Council's Internal Audit Consortium also contributes to the management of risk. The work of Internal Audit is based on a needs and risk assessment process that identifies and focuses resources on higher risk areas. Audit findings are reported to the relevant Director and Group Manager together with recommendations for improvement and an action plan. Checks are undertaken by Internal Audit to ensure agreed recommendations are implemented.

The Corporate Risk Officer will receive copies of all finalised internal and external audit reports to assess if any changes are required for the corporate risk register.

13. External Contacts

The potential risks faced by the Council are in many cases similar to those faced by other authorities and it is practical and cost effective to learn from the experience of others. In order to share risk management information and experiences, the Council has established networks with other authorities and agencies.

14. Partnerships

A Partnership Guidance is available and outlines the Council's approach to assessing partnership risks for partnerships. The guidance note explains the steps that should be taken to assess risks before the decision is made to enter into a partnership and also how to undertake ongoing monitoring of risk once a partnership has been established.

15 Risk Appetite

Risk appetite refers to the Organisations attitude towards risk, which in turn dictates the amount of risk that it considers acceptable. As a result, risk appetite refers to our willingness to tolerate a particular level of exposure to specific risks. The appetite is also a function of our capacity to bear risk which should not be exceeded.

16. Reviews

The Framework will be reviewed by EMT and the Audit and Risk Committee on an annually basis before being sent to Council for approval and published on the Councils Intranet and internet.

The Corporate Risk Register will be reviewed by EMT on a quarterly basis and Audit and Risk Committee every six months and published on the Councils Intranet.

Shared Leadership – Role and Responsibilities

Everyone has a role to play in an integrated risk management framework. Combining shared leadership with a team approach will help contribute to its ultimate success. Roles as identified at present are:

1.   CABINET

Approve the Risk Management Framework which includes the Risk Management Policy and Strategy.

Consider Council's corporate strategic risks and agree a programme of risk reduction where appropriate.

Consider risks attached to proposals for new / changed policies and service delivery arrangements.

Reports to Cabinet will include an appraisal of risk.

Review effectiveness of Risk Management.

Ensure proper insurance is in place where appropriate.

2.   AUDIT AND RISK COMMITTEE

Provide proactive leadership and direction on Risk Management Governance issues and champion Risk Management throughout the Council.

Receive progress reports on risk reduction programme and agree revisions to the corporate risk register.

Receive progress reports on the corporate risk register at least six monthly.

Monitor to ensure that an adequate risk management framework and associated control environment is in place.

Monitor arrangements for the identification, monitoring and management of strategic and operational risk within the Council

Consider an annual report on Risk Management arrangements.

3.   CHIEF EXECUTIVE OFFICER

Promote Risk Management and its benefits throughout the Council.

Overall responsibility for securing adherence to the Council's Policy on Risk Management.

Appoint a Director to take responsibility for risk management.

4.   EXECUTIVE MANAGEMENT TEAM (EMT)

Agree the Corporate Risk Management Framework including the Risk Management Policy and Strategy.

Consider risks attached to proposals for new / changed policies and service delivery arrangements.

Ensure that this framework is applied.

Consider and agree the Council's corporate strategic risks and identify those requiring further action on a quarterly basis.

Allocate responsibility to Directors to develop action plans for corporate strategic risks.

Receive progress reports on risk reduction programme and propose revisions to "corporate risk register"

Responsible for the development of advice and guidance on risk management matters.

Supports the Interim Head of Finance in assessing risks likely to have a significant impact on the achievement of the Council's objectives.

5.   INTERIM HEAD OF FINANCE

The Interim Head of Finance is responsible for risk management.

The Interim Head of Finance is responsible for coordinating the Council's approach to risk management.

The Interim Head of Finance is responsible for the insurance provision within the Authority.

6.   DIRECTORS

Directors will implement risk management within their services and ensure that;

- Risk is an agenda item on all directorate meetings to identify any emerging risk and changes.

- Key risks to service objectives, project, partnership and change management processes under their control are identified, recorded and managed.

- managers carry out risk assessments as a routine part of service planning and management activities

- Interim Head of Finance is notified of any significant changes in service provision likely to arise if a risk materialises to enable him/her to ensure that appropriate and adequate insurance and financing measures are in place.

- Those risks having a Corporate impact are reported for consideration for inclusion in Corporate Risk Register.

- A risk aware culture is built across the department.

7.   CORPORATE RISK OFFICER

The Corporate Risk Officer sits within the Finance team and is responsible for monitoring the implementation and effectiveness of this risk management strategy and for reviewing compliance with controls introduced by EMT to manage risks.

Coordinate risk management activity across the Council

Report on risk management activity to EMT and Members

Maintain a corporate risk register and liaise with Group Managers relating to service risks.

Provide risk management training for officers and Members, appropriate to their needs and responsibilities.

Provide advice and assistance as required.

Maintain the insurance cover for the Authority and review on an annual basis

Report on Risk Management arrangements on an annual basis.

Review Risk Management Framework on an annual basis.

8.   GROUP MANAGERS

Develop action plans in relation to corporate strategic risks as they relate to their area.

Identify risks attached to proposals for new / changed policies and service delivery arrangements.

Assist management to identify and record all key risks to service, project, partnership and change management processes.

9.   EMPLOYEES

Maintain awareness of risk management principles and take responsibility for managing risk within their own working environment

Apply risk management to those risks requiring further action, particularly new developments and "project" work

Maintain a record of risk assessments undertaken relating to them and any resulting action plans

10.   INTERNAL AUDIT

The Internal Audit Consortium Manager reports to Management on the organisations performance under the Risk Management Framework and the adequacy and effectiveness of systems of risk management.

11.   EXTERNAL AUDIT

Ernst Youngs the Council's External Auditors report to Management on the organisations performance on risk management.

RISK SCORING CRITERIA AND MATRIX

Likelihood:

	Likelihood	Probability	Timing
A	Very High	Over 90%	This week
B	High	55 % to 90 %	Within 6 months
C	Significant	15 % to 55 %	This year
D	Low	5 % to 15 %	Next year
E	Very Low	1 % to 5 %	Probably within 10–15 years
F	Almost Impossible	Less than 1 %	Probably not for at least 15 years

Where the probability and timing score differently, a judgement should be made as to the correct likelihood score.

Impact

Impact Type	Negligible (IV)	Marginal / Moderate (III)	Critical (II)	Catastrophic (I)
Financial (loss)	£0k – £10k	£10k – £200k	£200k – £1m	Over £1m
Service Provision	No effect	Some disruption to Services	Significant disruption to Service or Suspended Short Term	Service suspended long term or statutory duties not delivered
Projects	Minor Delay – days	A few Milestones missed	A Major Milestone missed	Project does not achieve objectives and misses majority of Milestones
Health & Safety	Sticking Plaster / First-aider	Broken bones / illness	Extensive or multiple injuries / Major illness	Major Loss of Life / Large scale Major illness
Objectives	No effect	Team Objectives not met	Portfolio Objectives not met	Corporate Objectives not met
Morale	No effect	Some hostile relationships and minor non-cooperation	Industrial Action	Mass Staff leaving / unable to attract staff
Reputation	No media attention / minor letters	Adverse local media Leader	Adverse National publicity	Extensive coverage in National Press and on TV. Requires resignation of Senior Officer / Member
Government Objectives	No effect	Poor Assessments(s)	Service taken over temporarily	Service taken over permanently

MATRIX

Corporate Risk Appetite