1.   **STRATEGY STATEMENT**

1.1.   The Council provides a diverse range of services involving the community and employees. It is essential that the Council protects and preserves its ability to continue to provide these services by ensuring that its assets, both tangible and intangible, are protected against loss and damage. The very nature of the services provided, if not controlled, will greatly affect the Council's ability to discharge its responsibilities to the community and its employees.

1.2.   This strategy seeks to enforce the commitment shown by the Authority to high quality management and sound risk management practice, by ensuring that both members and staff have regard to the management of risk in the decision making process and every day work situations. Risk management is concerned with the protection and safety of assets, including staff. A culture of risk management can also enhance the Council's drive for best value in the provision of services and achievement of corporate goals.

1.3.   It is the responsibility of all members and employees to have regard to risk in the carrying out of their duties, recognising that uncontrolled risk can result in a drain on the Authority's resources which could be better directed elsewhere.

1.4.   It is the responsibility of each department and all managers to manage risks in their own work areas.

1.5.   This strategy has the full support of the Management Team and Members to ensure that the optimum use is made of the Council's resources.

2.   **LINKS TO OTHER STRATEGIES AND POLICIES**

2.1.   Risk management is the process of identifying risks, evaluating their probability and potential consequences and determining the most effective methods of controlling them and/or responding to them. It is not an end in itself. Rather, risk management is a means of maximising opportunities and minimising the costs and disruption to the Authority caused by undesired events. The aim is to reduce the frequency of loss events occurring (wherever this is possible) and minimise the severity of their consequences if they do occur. Even when the likelihood of an event occurring which cannot be controlled, steps can be taken to minimise the consequences.

2.2.   Risk management embraces all of the Authority's activities. It has clear links to the following:

Health and safety   A clear health and safety policy will reduce the risk of injury and accident to staff and public

Security of assets   A clear security policy will minimise any potential loss for the Authority

| Personnel policies	Sound personnel policies will help maximise the contribution made by employees in achieving the Authority's objectives
Financial regulations and standing orders	These will help reduce the risk of the Authority suffering financial loss
Service plans	Service plans ~~should~~ **will** include risk management as a task for all managers.

2.3. Risk management will be embedded into the processes and internal control mechanisms of each Department that they use in pursuit of corporate aims and objectives.

2.4. The Authority recognises that risk management is an integral part of corporate governance whereby:

- There is shared awareness and understanding within the Authority of:

  - the nature and extent of the risks it faces
  - the extent and categories of risks regarded as acceptable
  - the likelihood and potential impacts of the risks materialising and
  - its ability to reduce the incidence and impact on the Authority of risks that do materialise.

- There is regular and ongoing monitoring and reporting of risk

- An appropriate assessment is made of the cost of operating particular controls relative to the benefit obtained in managing the related risk.

- The Authority conducts reviews of the effectiveness of the systems of internal control in place.

3. **THE RISK MANAGEMENT CYCLE**

3.1. The following diagram outlines the four separate stages in the risk management cycle.
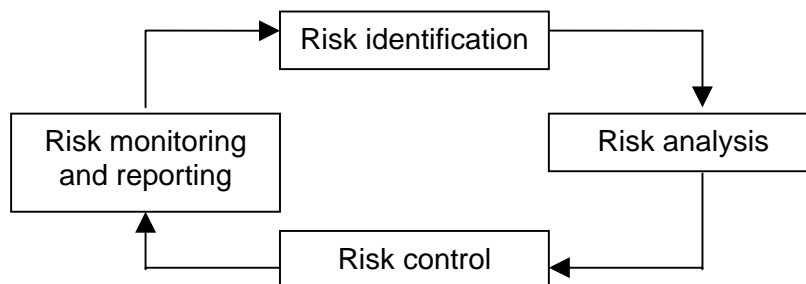
3.2. **Stage 1 - Risk Identification**

Identifying and understanding the hazards and risks facing the Authority is crucial if informed decisions are to be made about policies or service delivery methods. The risks associated with these decisions can then be effectively managed.

3.3. **Stage 2 - Risk Analysis**

Once risks have been identified they need to be systematically and accurately assessed. Analysis should make full use of any available data on the potential frequency of events and their consequences. If a risk is seen to be unacceptable, then steps need to be taken to control it or respond to it.

3.4. **Stage 3 – Risk Control**

Risk control is the process of taking action to minimise the likelihood of the loss event occurring and/or reducing the severity of the consequences should it occur. Risk control usually requires managers to identify and implement projects or revised operating procedures.

3.5. **Stage 4 – Risk Monitoring**

The risk management process does not finish with the putting of risk control projects/procedures in place. Their effectiveness in controlling risk must be monitored and reviewed. It is also important to assess whether the nature of the risk has changed over time.

4. **BENEFITS OF EFFECTIVE RISK MANAGEMENT**

4.1. The Authority recognises the benefits of effective risk management and the impact risk can have on its reputation.

4.2. Benefits which the Authority expects to accrue include:-

Improved strategic management

- Better informed selection of objectives and associated targets as a result of the risk identification, analysis, control and monitoring process.

- Greater ability to deliver against more realistic and achievable objectives and targets.

Improved operational management

- Improved innovation.

- Reductions in interruptions to service delivery.

- Reduction in managerial time dedicated to dealing with the consequences of a loss event having occurred.

- Enhanced managerial control as a result of risk identification, analysis, control and monitoring.

- A more systematic approach to addressing legislative, regulatory or competitive demands.

- Improved control of the risks associated with any arms-length or contractual working arrangements.

- Improved health and safety and the enhanced condition of property and equipment.

- Improved project management and greater success rate.

Improved financial management

- Better informed financial decision-making on investment, insurance, option appraisal etc.

- Enhanced financial control as a result of risk identification, analysis, control and monitoring.

- Reduction in the financial costs associated with losses due to service interruption, litigation, bad investment decisions, etc.

- Reduction in insurance premiums and/or direct costs met through self-insurance.

Improved customer service

- Minimal service disruption to customers and a positive external image as a result of all of the above.

- Protection of reputation.

5. **ROLES AND RESPONSIBILITIES**

5.1. Identifying roles and responsibilities is essential for the strategy to be effective. Key roles are outlined below.

	ROLE
MANAGEMENT TEAM AND MEMBERS	To oversee the effective management of risk by officers of the Council through the development of an effective risk management strategy
~~CORPORATE RISK MANAGEMENT TEAM~~ **BUSINESS CONTINUITY TEAM**	To share experience of risk, and implement strategy across the Authority

INSURANCE OFFICER	To support the corporate risk management team
INTERNAL AUDIT	To review the risk management strategy and internal control mechanisms operating within the Authority
SERVICE MANAGERS	To ensure that risk is managed effectively in accordance with the strategy
EMPLOYEES	To manage risk in their job

5.2. Annex 5 outlines more fully the responsibilities of all key players.

6. ~~CORPORATE RISK MANAGEMENT TEAM~~ **BUSINESS CONTINUITY TEAM**

6.1. It is considered necessary to set up a cross departmental ~~risk~~ management group **to manage business continuity which includes risk**. This reflects the fact that some risks and hazards are common across departments. Formal cross-departmental working will help identify and manage overlapping risks. This group will report to the Director of Central Resources who shall be the link to the Management Team.   The Group will comprise representatives of each Department **and** the Authority's Insurance Officer~~, Health and Safety Officer and Chief Auditor~~.

The corporate team will meet quarterly, or as is necessary. Other staff may be called to attend the group depending on the issue under discussion.

7. **PERFORMANCE INDICATORS**

7.1. A set of performance indicators will be developed over time which will measure the performance of the Authority in moving toward effectively managing risk.

Initial PI's to be measured include:-

(i)   Number of employers liability claims per full time equivalent
(ii)   Number of public liability claims per head of population
(iii)   Number of motor vehicle claims per vehicle.

1. **IMPLEMENTING THE STRATEGY**

1.1. The following paragraphs outline how the strategy will be implemented.

2. **OBJECTIVES AND ACTIONS**

2.1. The following objectives and actions are considered necessary to implement the strategy.

OBJECTIVE 1	To develop and keep under review a corporate risk management strategy	
		RESPONSIBILITY
Action 1	~~Prepare a draft strategy for Management Team consideration~~ **Annual review of strategy**	Director of Central Resources
~~Action 2~~	~~Agree strategy at Committee~~	~~Director of Central Resources~~

OBJECTIVE 2	To ~~disseminate~~ introduce the strategy across the Authority	
		RESPONSIBILITY
Action 1	Establish the ~~risk management~~ **Business Continuity** group	Director of Central Resources. Each Chief Officer to nominate an employee
Action 2	~~Include risk management as a core item within the department team briefings and encourage risk management in everyday working~~ **Include key departmental risks in departmental service plans**	Departmental management teams

OBJECTIVE 3	To implement the strategy across the Authority	
		RESPONSIBILITY
Action 1	Complete risk identification, analysis control and monitoring exercise	Departmental management teams
Action 2	**Quarterly update to committee re: risk management**	**Directors**

3.   **COMMUNICATION TO STAFF AND TRAINING**

3.1   Staff communication will be essential as part of the overall implementation of an effective risk management strategy. The following information will need to be communicated to staff:

"Risk management - what is it?"

Risk management is the process of identifying risks, evaluating their probability and potential consequences and determining the most effective method for controlling them. It is a means of minimising costs and disruptions to the Authority caused by undesired events. The aim is to minimise the frequency of such events and the severity of their consequence if they do occur.

"What are the different types of risk?"

There are various types of risk, these include:

Strategic Risks

Risks that need to be taken into account in judgements about the medium–to long–term goals and objectives of the Council. These may be:

- **Political:** those associated with a failure to deliver either local or central government policy, or to meet local commitments.

- **Economic:** those affecting the ability of the Council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance to cover external macro-level economic changes, or the consequences of proposed investment decisions.

- **Social:** those relating to the effects of changes in demographic or socio-economic trends on the Council's ability to deliver its objectives.

- **Technological:** those 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.

- **Legislative:** those associated with current or potential changes in national or European law (for example, TUPE regulations).

- **Environmental:** those relating to the environmental consequences of progressing the Council's strategic objectives (for example, in terms of energy efficiency, pollution, recycling, landfill requirements, emissions, etc.).

- **Competitive:** those affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value or,
- **Customer/Citizen:** those associated with the failure to meet the current and changing needs and expectations of customers and citizens.

Operational Risks

Professional: Those associated with the particular nature of each profession (e.g. housing service concerns as to the welfare of tenants)

Legal: Those related to possible breaches of legislation

Financial: Those associated with financial planning and control and the adequacy of insurance cover and internal funds

Physical: Those related to fire, security, accident prevention and health and safety (e.g. hazards/risks associated with buildings, vehicles, plant and equipment etc.)

Contractual: Those associated with the failure of contractors to deliver services or products to the agreed cost and specification

Technological: Those relating to reliance on operational equipment (e.g. IT systems or equipment and machinery)

Environmental: Those relating to pollution, noise or energy efficiency of ongoing service operation.

3.2   Examples of risk might include:

Categories of Risk	Hazards	Risks
Professional	e.g. Neighbourhood disputes	Threat to tenant welfare and community safety
Financial	e.g. Fall in rent payments	Increase in rent arrears total
Legal	e.g. Breach of legislation	Litigation
Physical	e.g. Violence to staff	Injury to staff
Contractual	e.g. Sub-contractor failures	Threat to service quality
Technological	e.g. Systems failures	Service disruption
Environmental	e.g. Heat loss	Cost to tenants

3.3   Risk management will be included in the induction process for al new staff.

3.4 Periodic training will be given to staff and members as a means of raising risk awareness.

4. **RISK MANAGEMENT – PRACTICAL STEPS**

4.1 Risk management falls into 4 separate areas. These are set out below. Each step should be worked through in order.

Step 1   IDENTIFYING RISK

A systematic approach needs to be applied if risks are to be identified and managed. By identifying risks steps can be taken to prevent loss and/or disruption to the Authority.

The table at Annex 6 should be completed for each service.

Step 2   ANALYSING RISK

Risk analysis sets out to rank the uncertainties identified during the risk identification process in terms of likelihood and severity of occurrence.

The following scores should be assigned to each risk:

Likelihood of risk occurring	High - score 3 Medium - score 2 Low – score 1
High may be interpreted as:	likely to occur each year or more than 25% chance of occurrence
Medium may be interpreted as:	likely to occur in a 10 year period or less than 25% chance of occurrence
Low may be interpreted as:	unlikely to occur in a 10 year period or more than 2% chance of occurrence.
Severity/impact of risk	High - score 3 Medium - score 2 Low – score 1
High may be interpreted as:	Financial impact on the Authority is likely to exceed £50,000 or Significant impact on the Authority's viability or its strategic or operational activities Significant political or community sensitivity
Medium may be interpreted as:	Financial impact on the Authority likely to be between £5,000 and £50,000 Moderate impact on the Authority's viability of strategic or operational objectives

Low may be interpreted as: Financial impact on the Authority likely to be less than £5,000
Low impact on the Authority's viability of strategic or operational objectives
Low political or community sensitivity

The risk is therefore, likelihood x severity/impact, expressed as a number.

Managers should draw upon experience when deciding the degree of risk in their service areas.

Step 3   CONTROLLING RISK

Controlling risk is the process of taking action to minimise the likelihood of the risk occurring and/or reducing the severity/impact of the consequences should it occur.

Options to control risk include:

Avoidance – this involves the Council not undertaking the activity/action as it is considered too risky.

Reduction – this involve implementing procedures/policies to reduce the risk e.g. cctv, IT anti virus software

Transfer – this involves risk transfer to another body where possible

Managers must judge which course of control action is most appropriate to address each risk. On occasions managers may decide that to tolerate the risk by deciding that the costs of control actions would outweigh the benefits of the action being taken.

Step 4A   MONITORING AND REVIEW

This involves monitoring and review of:

- The implementation of the agreed control actions
- The effectiveness of the action in controlling risk
- Whether the risk has changed over time.

A completed example is attached at Annex 7.

Step 4B   REPORTING

The identification, risk analysis, control and review of risk should be reported as least six monthly to the Departmental Management Team and at least annually to management team and members. **The control and management of identified risks will be reported to each relevant committee.**

ELECTED MEMBERS
Role

- To oversee the effective management of risk by officers of the Authority.

Responsibilities

- To gain an understanding of risk management and its benefits

- To require officers to develop and implement an all-encompassing approach to risk management

- Receive reports on significant risks.

THE CORPORATE MANAGEMENT TEAM
Role

- To ensure that the Authority's managers control risk effectively through the development of an all-encompassing corporate strategy.

Responsibilities

- To gain an understanding of risk management and its benefits
- To develop the corporate risk management strategy
- To promote and oversee its implementation across the Authority
- To monitor and review the effectiveness of the risk management strategy

THE DEPARTMENT MANAGEMENT TEAM
Role

- To ensure that risk is managed effectively in each service area within the agreed corporate strategy.

Responsibilities

- To feed into the development of the corporate risk management strategy from a service specific perspective

- To identify any service specific issues relating to risk management

- To ensure that the strategy is implemented effectively across its services

- To disseminate the detail of the strategy and allocate responsibilities for implementation to service managers and staff

- To work with the Insurance officer in assessing departmental insurance requirements.

The department management team should identify a senior officer within the department (ideally a departmental management team member) to co-ordinate the department's overall approach to risk management. Once identified, this individual would represent the department on the corporate risk management working group.

~~CORPORATE RISK MANAGEMENT TEAM~~ BUSINESS CONTINUITY GROUP
Role

- To share experience on risk, risk management and strategy implementation across the Authority.

Responsibilities

- To identify areas of overlapping risk
- To share good practice on all aspects of risk management
- To feed into strategy development and review.

SERVICE MANAGERS
Role

- To manage risk effectively in their particular service areas.

Responsibilities

- To implement the detail of the risk management strategy
- To maintain a risk management portfolio for their service area(s)
- To share relevant information with colleagues in other service areas
- To feedback on their experience of strategy implementation and perceptions of strategy effectiveness to the departmental management team.

EMPLOYEES
Role

- To manage risk effectively in their job.

Responsibilities

- 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.

Categories of Risk	Hazards	Risks	Likely Frequency	Severity	Control action	Review frequency
Professional						
Financial						
Physical						
Contractual						
Technological						
Environmental						

Categories of risk	Hazards	Risks	Likely frequency	Severity	Score	Control action	Review frequency	Triggers for action
Professional	e.g. Neighbourhood disputes	Threat to tenant welfare and community safety	2	1	2	Mediation service in place	6 monthly	3 disputes
Financial	e.g. Fall in rent payments	Increase in rent arrears total	2	3	6	Strategy already in place	Quarterly	Decrease of 0.5%
Legal	e.g. Breach of legislation	Litigation	1	2	2	Policy/procedures manual already issued	Annually	2 incidences
Physical	e.g. Violence to staff	Injury to staff	1	3	3	Personal attack alarms for staff	6 monthly	1 incident
Contractual	e.g. Sub-contractor failures	Threat to service quality	1	1	1	Draft contract default and withdrawal procedures	6 monthly	1 incident
Technological	e.g. System failures	Service disruption	1	2	2	Procedures to back up all systems from the central server	Annually	2 incidents
Environmental	e.g. Heat loss	Cost to tenants	2	2	4	Energy efficiency guide to be produced and issued to all tenants	Annually	Increase of 1%