



**Chester-le-Street**  
District Council

## **Risk Management Policy and Strategy 2006/07**



**April 2006**

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## 1. THE COUNCIL'S VISION

Chester-le-Street District Council's overall vision is set out in the Corporate Plan 2006/2009 and is:

***“Working together to fulfil the needs of our communities”***

This supports the Community Strategy vision which is:

***‘By 2014, the District of Chester-le-Street will be a place where people choose to live, to learn, to work and to visit. There will be inclusive, safe and health communities in our towns and villages built on a strong, sustainable economic base with excellent communication networks. The District Council will be a place where everyone is working together for a sustainable future’.***

The Community Strategy has been updated and is now called the Sustainable Community Strategy. This maintains the same vision but there are now four key elements to this document underpinned by 10 priority areas. The key aims that support the vision are as follows:-

- A strong, sustainable and diverse economic base
- Inclusive communities
- Excellent communication networks
- An attractive and protected environment

The development of a Risk Management Strategy is acknowledged as a key element in the successful delivery of the corporate priorities that support the vision and key aims of both the Sustainable Community Strategy and the Council's Corporate Plan. The successful implementation of the strategy will:

- Inform choice and support decision-making
- Assist corporate and service planning
- Improve resource allocation
- Enhance performance management.

## 2. RISK MANAGEMENT POLICY STATEMENT

“Chester-le-Street District Council recognises that by the nature of its role and activities it is exposed to a wide variety of risks. It shall be part of the Council's overall objectives to identify and manage these risks in order to enable the organisation to meet its strategic and operational objectives, seize opportunities, and to safeguard human resources; customer and community interests; public image; physical assets; and financial & legal exposures. Risk management is a continuous process that demands corporate direction and co-ordination, with the involvement of members, employees and other stakeholders. The Council will strive to achieve its objectives with the support of a robust Risk Management Strategy, to include a properly constituted co-ordinating group, a committed senior management and a properly trained and motivated workforce”.

### 3. DEFINITION OF RISK AND RISK MANAGEMENT

- 3.1 Risk can be defined in a variety ways. The following is an extract from the Risk Management Standard produced jointly by the IRM, Airmic and Alarm:

'Risk can be defined as the combination of the probability of an event and its consequences. In all types of undertaking, there is the potential for events and consequences that constitute opportunities for benefit (upside) or threats to success (downside). Risk management is increasingly recognised as being concerned with positive and negative aspects of risk'.

**Risk** is, therefore, the threat that an event, action or lost opportunity, will affect the Councils ability to achieve its objectives and successfully execute its various strategies'

- 3.2 Risk management is central to any organisations strategic management. It is a process whereby organisations methodically address the risks attaching to their activities through the identification and treatment of these risks. For the purposes of this strategy Risk Management is given the following definition:-

'**Risk Management** is the process by which risks are identified, evaluated and controlled'

- 3.3 In the report 'Chance or Choice' published on 2000, Solace supported by Zurich Municipal concluded:

***'if a Council doesn't have effective risk management then it doesn't have effective management'***

It is impossible for an organisation-whether it is public or private-to achieve effective governance without an awareness of the risks and opportunities it faces in striving to achieve its strategic and operational objectives.

### 4. PURPOSE OF THE STRATEGY

- 4.1 The purpose of this Risk Management Strategy is to provide a framework for the effective management of potential opportunities and threats to the organisation in the achievement of its stated objectives. The strategy shall outline how the Councils senior management and elected members intend to manage risk.

- 4.2 It shall also be acknowledged at the outset that risk is not the sole preserve of events that can have a negative effect on objectives but encompasses opportunities as well as threats. The successful grasp of this concept will lead to more creative solutions to service delivery where risk is evaluated and managed to support innovation and assist in developing alternative ways of working.

## 5. THE BENEFITS OF MANAGING RISK EFFECTIVELY

5.1 Effective risk management will deliver a wide range of benefits, both to individual services and across the entire Council. These include the following:

### **Improved Strategic Management**

- Better-informed selection of strategic objectives and associated targets as a result of a robust risk identification, analysis, control and monitoring process
- Greater ability to deliver against more realistic and achievable objectives and targets
- Improved stakeholder relationships
- Increasing recognition of corporate performance and achievements through audit and inspection

### **Improved Operational Management**

- Reductions in interruptions to service delivery
- Reduction in managerial resources dedicated to dealing with the adverse consequences of risk
- Enhanced managerial control and resource allocation
- A more systematic approach to addressing legislative, regulatory and competitive demands
- Improved control of the risks associated with contractual or arms-length working arrangements
- Improved health & safety and protection of assets

### **Improved Financial Management**

- Better-informed financial decision-making on investment, insurance, option appraisal, etc
- Enhanced financial control as a result of risk identification, analysis and control
- Reduction in financial costs associated with losses due to service interruption, litigation, and procurement decisions
- Containment and reduction in the cost of insurance premiums and those sums that are self-funded

### **Improved Customer Focus and Service**

- Minimal service disruption to customers
- Enhanced public safety
- New and innovative solutions to service delivery
- Positive public image and enhanced reputation

5.2 The above are just some of the benefits that will accrue in response to a properly implemented risk management strategy. The success of the strategy will rely on the active support of members, employees and other stakeholders.

## **6. KEY AIMS AND OBJECTIVES OF THE STRATEGY**

6.1 The risk management strategy has the following key aims and objectives:-

- Integration of risk management into the culture of the organisation
- Raising awareness of the need for risk management by all those connected with delivery of services (including partners, agents, contractors etc
- Enabling the organisation to anticipate and respond to changing social, environmental and legislative conditions
- Minimisation of injury, damage, loss and inconvenience to residents, employees, service users, and assets connected to the delivery of services
- Ensuring that the Council maximises its opportunities
- Introduction of a robust framework with supporting procedures, processes and tools for the identification, analysis, and control of risk and the reporting and recording of incidents and events based on best practice
- Minimisation of the cost of risk
- Provide evidence to support decision making, inspection and the reporting requirements of sound Corporate Governance

## **7. THE RISK MANAGEMENT FRAMEWORK**

To meet the aims and objectives of the strategy statement, the framework will comprise of the following elements:

- 7.1 Roles, responsibilities and reporting lines across all services and departments
- 7.2 Categories of risk as a means of analysis and control
- 7.3 A risk management model
- 7.4 Embedding risk into the planning and decision making processes ie
  - Proposals & initiatives
  - Planning cycles – corporate and service plans, budget setting
  - Performance Reviews including Best Value improvement plans
  - Project management
  - Procurement processes
  - Partnership & joint working arrangements
- 7.5 Review and reporting arrangements
- 7.6 Development of skills and expertise
- 7.7 Adoption of toolkit, procedures and guidelines
- 7.8 Sources and use of performance information
- 7.9 Communication of the strategy

## 7.1 ROLES, RESPONSIBILITIES AND REPORTING LINES

7.1.1 Responsibility for managing risk is not restricted to any one person or group. It is the duty of every employee and elected member to assist in the identification and management of risk through the discharge of their respective duties and responsibilities and this is recognised as a fundamental element of the strategy.

The strategy shall therefore establish-

- The different classifications of risk ie Strategic and Operational
- Where they should be managed.
- Corporate, departmental, team and individual roles
- The arrangements for a corporate steering group within the organisation
- Prompt recording and reporting of all incidents, accidents, losses or potential claims ( See also the Financial Regulations)

7.1.2 In most cases, responsibility for risk will follow existing line management arrangements, and certainly operational risks are best managed this way. It will be the responsibility of Service Managers to identify and control operation risk through the use of established mechanisms and to reflect risk within reports, resource allocation, service planning and monitoring.

7.1.3 Strategic risk requires a lead response through coordination at Chief Officer and Executive level. The Corporate Management Team (CMT) shall ensure that clear responsibilities for addressing strategic risks are allocated and appropriate action plans established and monitored.

7.1.4 In order to provide and enhance the necessary linkages, the Council will establish an appropriate steering group for coordinating delivery of the risk management agenda. This is included within the terms of reference of the Corporate Governance Steering Group (CGSG), which is accountable to the CMT, and will act as the driving force behind the development and implementation of the Risk Management Strategy

7.1.5 The Corporate Governance Steering Group will be led by a the Director of Resources, and include the Assistant Chief Executive, Risk and Financial Service Manager, Legal and Democratic Services Manager and Chief Internal Auditor, with appropriate representation from other key services as necessary.

7.1.6 The Risk and Financial Services Manager (RFSM) will provide key support the steering group and be the lead source of advice and guidance on risk management issues and interpretation of the strategy. However each service team will nominate an officer for risk liaison (a risk champion) as a link between Service Teams and the Corporate Steering Group.

7.1.7 Whilst it is the responsibility the Health & Safety Team to develop appropriate management arrangements through a Health & Safety Policy and strategy, there shall be established a clear set of protocols for joint working and information sharing with the corporate risk management function.

**Table 1: Risk Management Role & Responsibilities**

<p><b>Executive and Elected Members</b> To oversee the effective management of risk by officers of the organisation</p>	<p>To gain an understanding of risk and its benefits To require officers to develop and implement an effective risk management framework and strategy and to monitor progress. Appointment of portfolio holder Address key strategic risks as appropriate Ensure risk is central to decision making</p>
<p><b>Chief Executive</b> To ensure that risk is managed effectively through the development of a robust corporate strategy and management process and to champion risk management with elected members and key partners</p>	<p>Ensure that responsibilities for developing and implementing the strategy are allocated and understood Ensure that the implications of key strategic risks are identified, communicated, and considered.</p>
<p><b>Director of Resources</b> To ensure that risk is managed effectively through the development of a robust corporate strategy</p>	<p>Develop the risk strategy in liaison with the corporate risk manager Communicate it to elected members Promote and oversee implementation Monitor, review and report progress Chair Corporate Steering group</p>
<p><b>Corporate Management Team</b> To ensure risk is managed across all directorates by contributing to the development of the strategy with a key role in the management of major strategic, procurement and project risks</p>	<p>Contribute to risk strategy in liaison with the corporate risk manager Promote and oversee the implementation of the strategy Monitor, review and report progress Provide lead on Strategic Risks</p>
<p><b>Corporate Governance Steering Group</b> To share experience on risk, risk management &amp; strategy implementation The promulgation of the policy and strategy. Monitor claims and loss and at corporate level. Coordinate production of SIC.</p>	<p>Identify areas of overlapping risk Drive new initiatives &amp; allocate resources Communicate risk management Assist strategy monitoring /review Drive risk profiling &amp; assessment Develop training program Regular review of risk register</p>
<p><b>Service Managers</b> To manage risk effectively in their service area and to embed risk within the planning and review process Monitor Incidents, loss and undertake claims review in their service areas</p>	<p>Implement detailed strategy Identify risk management training for employees Maintain a risk register for service area and share risk information Appoint team risk champion(s) Provide quarterly reports on risk to DMT and Steering Group including feedback on strategy</p>
<p><b>Risk &amp; Financial Services Manager</b> To support the organisation in the development, implementation and review of the strategy</p>	<p>Develop corporate strategy Promote support and oversee implementation Identify any dedicated resources Monitor and review effectiveness Communicate risk issues Assist teams in risk management activity</p>
<p><b>All Employees</b> To manage risk effectively in their day to day roles and activities</p>	<p>Assist with line manager in the identification of risk and undertake tasks within risk guidelines Report risk and incidents And be aware of the role of the Councils Speak Out policy and Suggestion Scheme</p>
<p><b>Internal Audit</b> To make an assessment of the robustness of the Councils risk management arrangements</p>	<p>To review the risk management framework To include risk within the regular planning and delivery of the audit function</p>



## 7.2 CATEGORIES OF RISKS

7.2.1 In order to implement the strategy risks will be classified into two main groups ie strategic or operational, and identified and recorded within the following standard categories:

**Table 2: Categories of Risk**

Strategic Risks	Operational Risks
Political	Professional
Economic	Financial
Social	Legal
Technological	Physical
Legislative	Contractual
Environmental	Technological
Competitive	Environmental
Customer/Citizen	Human Resource
	Customer/Citizen

A fuller description of the nature of risks attributable to each category is shown in **Appendix (A) and (B)**

7.2.2 These categories are neither prescriptive nor exhaustive. However, they should provide a framework for identifying a range of hazards and risk facing each service or business objective. It is noted that each category should not be considered in total isolation, as there is the potential for a single hazard to affect a number of categories.

7.2.3 Risks may be service specific or corporate (universal) in nature. It is intended therefore that those risks having been identified as universal in nature should be considered for a corporate response and it should be for the Steering Group (CGSG) to provide a lead to ensure that mechanisms are in place to facilitate this approach.

7.2.4 Risks can be driven by internal and external factors and this should be acknowledged within the process of risk identification.

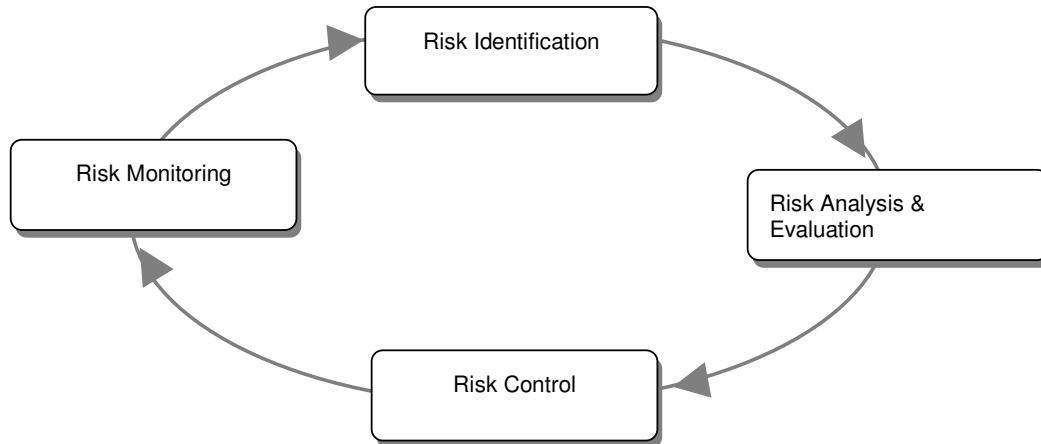
7.2.5 It is acknowledged that a risk may escalate from being an operational risk to a strategic risk and monitoring arrangements should enable key operational issues to be identified and reported promptly through DMT's, CMT and the Steering Group (CGSG).

7.2.6 These categories of risk shall be used in the assessment of risk within all existing planning and operational processes and are further detailed in the toolkit (see section 7.7).

## 7.3 THE RISK MANAGEMENT MODEL

7.3.1 The typical Risk Management Cycle can be shown as follows:

### Risk Management Cycle



The risk management process involves the following stages, operating within a continuous cycle:-

- Risk Identification
- Risk Analysis & Evaluation
- Risk Control
- Risk Monitoring

### 7.3.2 Risk Identification

A variety of techniques shall be used to identify risks and these shall include:

- Formal risk assessment sheets
- Checklists, audit exercises
- Workshops/brainstorming
- Incident and claims review
- Hazard reporting

It is regarded as imperative that information is shared across the organisation, between the various tiers of management and across teams and professional disciplines to ensure that risk issues are communicated effectively.

### 7.3.3 Risk Analysis and Evaluation

To ensure a cohesive and consistent approach to the analysis and evaluation of risk, the Council will adopt an approved risk management toolkit.(See 7.7)

The analysis and evaluation stage shall include reference to the following:-

- The **likelihood** of the risk occurring
- The level of **impact** should the risk occur
- Existing risk controls
- The potential cost effectiveness of proposed controls

NB. The scale of likelihood and impact is set out in the approved toolkit and is captured **on a 6 x 6 matrix.**

### 7.3.4 Risk Control

The result of the risk analysis process shall be used to produce a risk profile that provides a tool for prioritising risk treatments within teams and across the organisation. The process will allow risks to be mapped, describe primary control measures and indicate areas where the level of risk control investment might be increased or reapportioned. Accountability shall help to ensure that 'ownership' of the risk is recognised and the appropriate management resource allocated.

Steps taken may include:

- Risk reduction
- Risk mitigation
- Risk avoidance
- Risk transfer
- Risk retention

In comparing alternative options to reduce risk, managers should consider the following issues:

- ❑ Statutory and external guidance
- ❑ Policy and procedural implications
- ❑ Human resource implications
- ❑ Financial implications
- ❑ Extent of risk reduction possible
- ❑ Ease of implementation
- ❑ Timescales
- ❑ Process for reviewing effectiveness of controls

### 7.3.5 Risk Monitoring

It is essential that the risk management process does not end with the implementation of control measures. The effectiveness of controls must be monitored and subject to a program of review in order to assess whether the nature of the risk has changed over time.

Monitoring arrangements shall be implemented at various levels:

**Table 3: Monitoring activity**

Activity	Action
Team Briefings:	Consider operational risk/update risk register
Project Meetings	Review & report on key project risks
DMT's:	Review key departmental risks through performance reports, ie potential disruptions to delivery of key service plan objectives, budget and spending forecasts, progress reports on major projects or delivery against improvement plans
CMT & Executive	Review key strategic risks against Corporate Plan and Council vision and core aims

## **7.4 EMBEDDING RISK IN THE PLANNING & DECISION MAKING CYCLE**

- 7.4.1 Risk needs to be addressed at the point at which decisions are being taken and resources allocated. Whenever and wherever Members and officers are asked to make key decisions they should be advised of the risks associated with the recommendations under consideration and the training and awareness programme must support this process.
- 7.4.2 It is important that the Authority can demonstrate that it took reasonable steps to consider the risks involved in any proposal. As decisions will be sought through the appropriate reporting mechanisms, and in accordance with the constitution, it is fundamental that risk is addressed within all reports. This is to include upside (opportunities) as well as downside risk
- 7.4.3 It is acknowledged that a reasonable balance has to be found between the efficiency of decision-making and the requirement to address risk. However, the use of a formal risk assessment process and clear protocols should be harnessed to improve the effectiveness of the decision making process.
- 7.4.4 Risk assessment should be a fundamental element in any options appraisal, and whilst it may not guarantee success it will provide vital evidence, assurance, and transparency to stakeholders, auditors or inspectors.
- 7.4.5 Risk management will be incorporated into the corporate and service planning process through the maintenance of a corporate risk register for both strategic and operational risk. A risk assessment of all service aims shall be undertaken with risk control measures incorporated into service improvement plans.
- 7.4.6 Risk shall be considered within the cycles of financial planning and resource allocation and feature in both budget submissions and budget monitoring arrangements.
- 7.4.7 Sound risk management techniques will also be embedded into major projects, through the adoption of appropriate project management arrangements, which shall include clear reporting mechanisms.
- 7.4.8 All new partnerships and procurement arrangements shall have an assessment of risk at the development stage to ensure all reasonable measures are put in place.
- 7.4.9 The Council will seek to develop and integrate its risk management strategy in support of its overall performance management arrangements.
- 7.4.10 A fundamental element of any risk management arrangements should be the development and maintenance of a robust Business Continuity Plan (BCP). This is further underscored by the proposals for Emergency Planning contained in the proposed Civil Contingencies Bill. The Authority will require of Service Team Managers that they prepare, maintain and test a suitable Business Continuity Plan in accordance with any corporate guidance and that they provide support to corporate BCP and the Emergency Plan as required.

## 7.5 REVIEW AND REPORTING ARRANGEMENTS

### 7.5.1 Measures of Effectiveness

A variety of statistical and other measures may be used to monitor the effectiveness of the strategy and shall include the following:

**Table 4: Examples of Monitoring Methods**

Statistical	Other
Incident & accident statistics	Periodic risk review meetings
Claims records	Awareness and satisfaction surveys
Attendance management records	An audit of protocol compliance in reports, projects, budgeting etc
Budget/project overspends	Checks on procurement processes and partnership arrangements
Fraud, debt & arrears levels	
Numbers of complaints	

A review of these methods will be undertaken across Directorates to ensure that they receive all relevant information in a suitable format. Periodically, risk audits or reviews will be undertaken of key areas by internal staff, risk consultants or insurers as directed by the Governance Steering Group.

### 7.5.2 Frequency of Formal Reporting

Formal reporting of risk and progress with the strategy shall include:-

**Table 5: Reporting Frequency**

Report From:	Reporting To:	Frequency
Director of Resources	Council	Annual Assurance (SIC)
Assistant Chief Executive	Executive	Qtly Performance Report
Risk & Fin Services Mngr	Steering Group	Quarterly Report
Service Team Managers	DMT Agenda Item	Monthly Monitoring
Project Teams	Project Board/DMT	Monthly Monitoring
Health & Safety	H & S Group/CMT	Quarterly Report

### 7.5.3 Internal Audit and External Audit

Both internal audit and external audit have a legitimate role in providing assurance regarding the effectiveness of the Councils various strategies. A clear protocol will be established between internal audit and the risk management function to ensure that relevant information is shared, resources are targeted and that assurance statements can be produced and evidenced

### 7.5.4 Elected Members

The involvement of elected members is a key element of sound corporate governance. The Cipfa/Solace guidance note Corporate Governance in Local government –*A Keystone to Community Governance*- sets out the fundamental principles of good governance and the steps that are required to demonstrate good practice. In particular it recommends an annual statement assurance for corporate governance to include a statement on internal control and risk management. Members have a key contribution to make to the overall assessment of risk and the successful implementation of the strategy, and should be included as appropriate through: Awareness and training; Steering Group representation; the consideration of risk on all reports, proposals and the approval of the annual statement of assurance.

## **7.6 TRAINING, SKILLS AND EXPERTISE**

- 7.6.1 Following the clarification of roles and responsibilities, the Authority must ensure that it has the necessary skills and expertise to deliver the strategy. This will be achieved through a programme of risk management training and learning opportunities that address the individual needs of members and employees at all levels.
- 7.6.2 The proposed programme will include relatively high level risk awareness sessions aimed at senior managers and members and more detailed courses for line managers focusing on best practice in risk management.
- 7.6.3 Training and awareness courses will be targeted at specific risks as well as those risks that may benefit from a corporate approach.
- 7.6.4 It is, however, a core responsibility of managers to ensure that all employees have adequate training that matches their duties and responsibilities and risk should be a factor in establishing suitable training programs across teams and the authority generally.
- 7.6.5 The Steering Group will address the corporate elements of any training requirements.
- 7.6.6 To assist with these training requirements and to address risk issues requiring specialist knowledge or expertise, the Council will appoint appropriate risk consultants.

## **7.7 TOOLKIT, PROCEDURES AND GUIDELINES**

- 7.7.1 A risk management toolkit has been adopted and shall be issued to all Service Teams. This will provide guidance on the core elements of risk management and provide practical assistance through the introduction of a standard methodology across the organisation.
- 7.7.2 The approved toolkit is that produced by Alarm - the national forum for risk management in the public sector.
- 7.7.3 It is intended that the toolkit will be expanded to include additional local guidance, for instance to include elements on project and procurement risk.
- 7.7.4 The toolkit will support both the development of a full Corporate Risk Register as well as the risk assessments required in all other reports and management processes.
- 7.7.5 Additional risk bulletins and guidelines will be circulated on a regular basis, including access to industry magazines, articles and websites.
- 7.7.6 The Council will maintain membership of, and support, relevant bodies committed to the promotion and development of public sector Risk Management including Alarm and the IPF Better Governance Forum.

## 7.8 PERFORMANCE INFORMATION & MANAGEMENT

A performance management framework shall be developed to monitor the impact and delivery of the strategy. Individual indicators will be used to monitor the achievement of aims and objectives.

**Table 6: Example Sources of Risk Data**

Source	Examples
All employees	Incident reporting, suggestion scheme and Speak out Policy
Health & Safety	Incident & accident recording and Health & Safety Group
Risk and insurance activity	Claims statistics, settlements & trends
Personnel/Payroll	Within HR Strategy including sickness performance, counselling feedback etc
Asset Management	Asset Management Strategy- condition surveys and investment plans
Service Teams- new proposals & initiatives	Risk assessments embedded within new reporting protocol
Performance Management	Statutory compliance/failures, KPI's Inspection reports & recommendations
Project Management	Development of risk assessment & reporting And feedback from project teams/DMT's
Procurement	Embedded risk process within procurement strategy and processes
Partnerships	Knowledge sharing through adoption of clear protocols and partnership reviews

## 7.9 COMMUNICATION OF RISK AND THE RISK MANAGEMENT STRATEGY

7.9.1 The Authority has for some time recognised the potential benefits and rewards from partnership working. It also recognises that there are risks involved in innovation, service development and improvement. Whilst some risks can be managed through formal contracts and partnership agreements that clearly allocate risks to appropriate parties, failure to manage those risks can have serious consequences for others. Hence before entering into partnerships, joint working or business contract arrangements, the prospective partners and contractors should be asked to state their approach to the management of risk and to provide appropriate evidence in support of their response. All formal partnerships should produce their own strategic risk assessment.

7.9.2 The Council shall take appropriate steps to communicate its risk management strategy to all employees, partners and stakeholders in accordance with the corporate communication strategy, including the publication of the strategy on the Councils website and through the annual assurance statement on internal control (SIC).

## **8. FINANCING RISK**

8.1 Risk financing is an important element of the risk management process. The purpose should be to reduce the total cost of risk, which includes:

- The amount of uninsured losses met directly from the councils funds
- Insurance premiums in respect of the external cover obtained
- Excesses applying to individual claims
- Management and administration costs associated with risk and insurance, injury and absence
- The cost of preventative actions or risk control measures
- Those uninsurable risks ie tribunal awards, fines, reputation, lost opportunity

8.2 The Council shall determine an appropriate balance between losses that are to be financed through external insurance cover, and losses to be met directly from its own resources. The approach selected will be influenced by:

- The Council's capacity to meet the direct cost of significant value risks
- Previous loss experience
- The organisations understanding and attitude to risk - its risk appetite
- The availability of cover and commercial rates of insurance obtainable

And a suitable Insurance Reserve shall be maintained.

8.3 It is acknowledged that the total cost of risk should be borne by individual service budgets, within an agreed framework of self-insurance, and the risk and insurance recharge methodology will recognise and address this requirement.

8.4 The council will appoint external risk and insurance consultants to advise on emerging issues, market conditions and to assist in tender evaluation.

8.5 Members and officers attention is drawn to the Council's Financial Regulations, which authorises the Director of Resources to maintain such arrangements for insurance, as considered appropriate, and the responsibility of all managers to notify the risk and insurance section immediately of any significant loss or of any incident or issue that may give rise to a future loss or claim against the Council.

## **9. THE DELIVERY PLAN 2006-07**

9.1 This strategy aims to demonstrate how we shall use risk management techniques to reduce the total cost of risk and to assist the Council in meeting its vision, key aims and objectives. Success relies on sound management processes, clear communication and an open and positive culture

9.2 The delivery of this Risk Management Strategy will enable risks and losses to be managed and controlled, allowing funds to be used in the most efficient and effective manner whilst assisting within the key planning and decision-making processes.



- 9.3 The strategy should also contribute to creating greater confidence with partners and other stakeholders and support the local code of corporate governance. The delivery plan for 2006-07 is set out below.

**Table 7: Risk Management Strategy – Implementation Plan**

SMART Objectives and actions identified to deliver the risk management strategy **2006-07**

Ref	Objective and action	Responsibility	Timetable	Status
1	Develop revised Corporate risk management policy and strategy	RFSM with CGSG	March 2006	Final Draft
2	Formal approval of policy and strategy by CMT	RFSM/CMT	March 2006	Completed 22/03/2006
3	Appoint Brokers for 2006 Insurance Tender & start procurement process	RFSM	March 2006	Completed 10/03/2006
	<b>Produce March 06 Qtr Report</b>	<b>RFSM</b>	<b>April 2006</b>	
4	Prepare note for 2005-06 SIC	RFSM	April-May 2006	Completed
5	Risk review of IRP(2) Housing Options/LSVT	Hsg Team	May 2006	Undertaken
6	Consider risk and partnership working (IRP2)	RFSM/ Imp. Manager	June 2006	
7	Review & Agree Risk Methodology for Budget Monitoring (Traffic Lights)	Accountancy Manager/STM's	June 2006	
8	Further development of Business Continuity Plan(s)	RFSM & STM's With DDEPU	2006/07 ongoing	
9	Add revised strategy and toolkit to intranet & website as appropriate	RFSM	June 2006	
	<b>Produce June 06 Qtr Report</b>	<b>RFSM</b>	<b>July 2006</b>	
10	Populate RM Software with Strategic & Service Team & Budget Risks	RFSM	July 2006	
11	Review effectiveness of risk reporting in reports/ projects/MTFP	RFSM	July 2006	
12	Insurance Tender-specification complete & circulated to marketplace	RFSM/Marsh	July 2006	
13	Review risk management as core item on all dept/team briefings	DMTs & STMs	August 2006	
14	Provide (PH2) manager training program	RFSM/ZM	Dates to be agreed	
15	Complete insurance procurement exercise	RFSM/Marsh/ DoR	30 Sept 2006	
	<b>Produce Sept 06 Qtr Report</b>	<b>RFSM</b>	<b>Oct 2006</b>	
16	Amend toolkit to include updated procurement & project risk guidance	RFSM & Head of Procurement	October 2006	
17	Further dissemination of the strategy across the council	Communication Strategy/RFSM	October 2006	
18	Half year risk tracking & review from corporate risk register/claims reports	RFSM/STM's	October 2006	
19	Annual Strategic Risk Review workshop ( Allocate key risks)	RFSM/ACE and STM's	October/Nov 2006	
20	Member's (PH2) training programme linked to SRA review (Use of Res.)	RFSM/ACE	Dates to be agreed	
21	Review and update operational risk register-linked to service planning	RFSM & STMs	December 2006	
	<b>Produce Dec 06 Qtr Report</b>	<b>RFSM</b>	<b>Jan 2007</b>	
22	Risk Assessment of 2007-08 Budget and Resource Allocation	DoR	Dec/January 2007	
23	Develop Annual Assurance Statement	RFSM/CGSG	Feb/Mar 2007	
24	Review strategy and prepare plan for 2007-08	RFSM	March/April 2007	

**Categories of Strategic Risk**

<b>Category</b>	<b>Description</b>
<b>Political</b>	Those associated with failure to deliver either local or central government policy, or meet the local administration's manifesto commitments
<b>Economic</b>	Those effecting the ability of the Council to meet its financial commitments. These include budgetary pressures, the failure to purchase adequate insurance cover, external macro level economic changes, or the consequences of proposed investment decisions
<b>Social</b>	Those related to the effects of changes in demographic, residential or socio-economic trends on the council's ability to deliver its objectives
<b>Technological</b>	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 technological failures on the council's ability to deliver its objectives
<b>Legislative</b>	Those associated with current or potential changes in national or European law
<b>Environmental</b>	Those relating to the environmental consequences of progressing the Council's strategic objectives (eg in terms of energy efficiency, pollution, recycling, landfill requirements, emissions, etc)
<b>Competitive</b>	Those effecting the competitive of the service – in terms of cost or quality – and or its ability to deliver Best Value
<b>Customer/Citizen</b>	Those associated with failure to meet the current and changing needs and expectations of customers and citizens

**Strategic Risk**

Managing Strategic Risks is a core responsibility of senior managers and elected members. Strategic risk assessments should be undertaken as part of the community, corporate and service planning processes and as a key element of service reviews.

Strategic risk assessment draws on techniques such as:

- Group assessment
- One to One interviews
- Brainstorming
- Swot Analysis
- Pestle Analysis

Categories of Operational Risk

Category	Description
<b>Professional</b>	Those associated with the particular nature of each profession or discipline ie housing service concerns over welfare of tenants
<b>Financial</b>	Those associated with financial planning and control including the adequacy of insurance cover
<b>Legal</b>	Those related to issues of compliance and possible breaches of legislation
<b>Physical and Tangible</b>	Those related to fire, security, Accident prevention, health & safety (eg hazards related to buildings, vehicles, plant and equipment)
<b>Contractual &amp; partnership</b>	Those associated with failure of contractors to deliver services or products to the agreed cost, quality and specification
<b>Technological</b>	Those related to the reliance on operational equipment including IT systems
<b>Environmental</b>	Those relating to pollution, noise or energy efficiency and effect on service operation
<b>Human Resource</b>	Those issues relating to the management of human resources including: recruitment & retention, absence, motivation etc
<b>Customer and Citizen</b>	Those associated with failure to meet the current and changing service needs and expectations of customers and citizens including groups

**Operational Risk**

These categories are neither prescriptive nor exhaustive. However, they should provide a framework for identifying a range of hazards and risk facing each service. Each category can-not be considered in total isolation

For each service area the Operational Risk Profile should be reviewed and considered at regular team meetings and play an integral part of the annual service planning cycle in order to identify remedial action for the purposes of resource allocation.

## Appendix (C)

### Corporate Governance Steering Group - Constitution

Item	Arrangements
Chair	The Group will be chaired by a member of CMT -Currently Director of Resources
Composition	The Group will include the following representatives: <ul style="list-style-type: none"> <li>• Director of Resources</li> <li>• Assistant Chief Executive</li> <li>• Risk &amp; Financial Services Manager</li> <li>• Head of Legal Services</li> <li>• Chief Internal Auditor</li> <li>• The appropriate Portfolio Holder</li> <li>• With ad-hoc attendance from other managers as appropriate and the support of our insurers and appointed risk management advisors.</li> </ul> Representatives should have an approved deputy
Reporting	The Steering Group will report to the Corporate Management Team (CMT) at quarterly intervals with reports to the Executive regarding progress with the strategy implementation and key risk issues
Role & responsibilities	To develop the risk management strategy and supporting framework as part of the broader governance agenda. To report to the Corporate Management Team. To support the organisation in the effective development, implementation, and review of the strategy and promote best practice and share experience across the organisation. To monitor and review the corporate risk register and produce and manage a Corporate Risk Management Action Plan.
Action Planning	The Group will develop an action plan to promote best practice and address corporate risk management issues. The Steering group will establish from time to time, any sub-group or working group, as it deems appropriate.
Resources	The group will be provided with adequate resources. The group will identify requirements based on the action plan and prepare any corporate bids through the normal budget processes.
Linkages	There will be a number of key linkages to other groups and strategies, including Asset Management, Performance Management, Project Management, Strategic Planning, Procurement and the Health & Safety Strategy.

## Risk Management Terminology and Definitions

Term	Definition
Risk	Combination of the probability of an event and its consequences
Risk Management ( <b>RM</b> )	The identification, analysis and economic control of all risks which, prejudice the achievement of the organisations strategies and objectives.
The Steering Group	Corporate Governance Steering Group charged with coordinating risk management activity and driving the strategy and implementation plan
Risk Management Action Plan	The annual risk action plan adopted by the steering group.
Corporate Risk Register	The central record of all risks including, status or score, control measures, review date, responsibility etc
Strategic Risk	Those risks associated with the medium and long term aims and objectives of the organisation that may have a significant corporate impact
Operational Risk	Those risks associated with regular service delivery and regular service planning objectives including arrangements for day to day hazards
Risk Treatment	Process of selection and implementation of measures to modify risk
Risk Control	Actions implementing risk management
Risk Optimisation	Process related to risk, to minimise the negative and optimise the positive consequences/probability
Risk Reduction	Actions taken to lessen the probability, negative consequences or both associated with risk
Risk Mitigation	Limitation of any negative consequences of a particular event
Risk Avoidance	Decision not to become involved in, or action to withdraw from, a risk situation
Risk Transfer	Sharing with another party the burden of loss or benefit of gain, for a risk (includes insurance)
Risk Financing	Framework and arrangements for dealing with the total cost of risk including the cost of risk treatment
Risk Retention	Acceptance of the burden of loss, or benefit of gain, from a particular risk
Risk Acceptance	Decision to accept a risk
Residual Risk	Risk remaining after risk treatment

### Chester-le-Street Risk Management Protocol

The Council has a moral and statutory duty to of care to its citizens, employees, and assets. It will meet this duty by ensuring that risk management plays an integral part in the sound governance of the Council at both a strategic and operational level.

In fulfilment of this requirement the Council has agreed the following policy statement:

#### **Risk Management Policy Statement**

Chester-le-Street District Council recognises that by the nature of its role and activities it is exposed to a wide variety of risks. It shall be part of the Council's overall objectives to identify and manage these risks in order to enable the organisation to meet its strategic and operational objectives, seize opportunities, and to safeguard: human resources; customer and community interests; public image; physical assets; and, financial and legal exposures. Risk management is a continuous process that demands corporate direction and co-ordination, with the involvement of members, employees and other stakeholders. The Council will strive to achieve its objectives with the support of a robust Risk Management Strategy, to include a properly constituted co-ordinating group, a committed senior management and a properly trained and motivated workforce".

The policy statement is supported by a robust risk management strategy to underpin a commitment to embed risk management within existing management processes and to ensure that risk management shall be an established feature within:-

1. Corporate, strategic and service planning arrangements
2. The development of policies and supporting strategies
3. Service delivery and operational activities
4. All proposals, initiatives and reports
5. Consideration of new legislation
6. Project planning & management
7. Procurement and option appraisal
8. Partnership and joint working arrangements
9. The Performance Management Framework

**Further Reading:**

<b>Publication</b>	<b>Produced by:</b>
Corporate Governance in Local Government <i>A keystone to community Governance</i>	Cipfa/Solace
A Risk Management Standard	Joint Publication of IRM, Airmic, Alarm,
Shorten the Odds – A guide to understanding and managing risk	Audit Commission for Scotland
A Key to Success – A guide to understanding and managing risk	Alarm
A Sign Post to Success-Developing a best practice strategy to manage business risk in public bodies	IPF
The Risk Management Journey – A self assessment and audit checklist	IPF
Public Sector Risk Management	Martin Fone

**Relevant Organisations:**

<b>Organisation</b>	<b>Description</b>	<b>Web Site</b>
Alarm	The Association of Local Authority Risk Managers	<a href="http://www.alarm-uk.com">www.alarm-uk.com</a>
IRM	The institute of Risk Management	<a href="http://www.theirm.org">www.theirm.org</a>
Airmic	The Association of Insurance & Risk Managers	<a href="http://www.airmic.com">www.airmic.com</a>
IPF	Institute of Public Finance- Better Governance Forum	<a href="http://www.ipf.co.uk">www.ipf.co.uk</a>