

NEWCASTLE·UNDER·LYME
BOROUGH COUNCIL

RISK MANAGEMENT STRATEGY 2017/18

1. Purpose

The purpose of this strategy is to: -

- Demonstrate how the Risk Management policy is to be implemented through Newcastle-under-Lyme Borough Council's commitment to risk management;
- Describe the objectives of risk management and provide a framework for embedding risk management further across the organisation with defined roles and responsibilities and a structured process. This will then ensure that opportunities are maximised and risks minimised; and
- Enable the council to develop risk management further through its effective use in its management and decision making processes.

2. Objectives of the Risk Management Strategy

The objectives of the strategy are:-

- To clearly identify the roles and responsibilities of people at all levels and ensure that all parties understand how they should contribute to effective risk management;
- To ensure a consistent process for identifying, evaluating, controlling, reviewing, reporting and communicating risks across the council is implemented, understood and embraced by all staff and members;
- To embed risk management into the ethos, culture, policies and practices of the council;
- To ensure that risk management is a key and effective contributor to the Annual Governance Statement; and
- To manage risk in accordance with recognised best practice through guidance provided by the Association of Local Authority Risk Managers (ALARM) & CIPFA (together with other relevant bodies)

3. Achievement of objectives

3.1 *To clearly identify the roles and responsibilities of people at all levels and ensure that all parties understand that they should contribute to effective risk management.*

Responsibility for risk management runs throughout the council and involves elected Members, senior officers and all other employees (see Appendix A). Clear identification of roles and responsibilities will ensure that risk management is embedded in all policy making, decision making, policy approval (strategic) processes and service delivery (operational) processes, as well as providing sufficient resources to both implement this strategy and thus ensuring systems are sustainable.

The roles and responsibilities are outlined at appendix A.

3.2 *To ensure the implementation of a consistent process for the identifying, evaluating, controlling, reviewing, reporting and communicating of risks across the council that is understood and embraced by all key stakeholders*

To assist with the approach to risk management and to ensure consistency across the council, a guidance document (appendix B) on the council's risk management process has been devised and developed for use by relevant individuals, services and organisations.

By effectively managing risks and opportunities the council will be in a stronger position to deliver its: -

- Objectives;
- Services to the public;
- Partnership working agenda;
- Best value/value for money procedures and processes; and
- Identified outcomes

It will also inform the business processes of the council including: -

- Strategic/corporate planning;
- Financial planning;
- Service planning;
- Policy making and policy reviews;
- Performance management framework;
- Project management processes and frameworks;
- Partnership working;
- Internal controls and internal audit; and
- Business continuity and emergency planning arrangements

With responsibility for achieving objectives sits identifying risks, assessing them, developing controls and warning mechanisms, reviewing and reporting on progress by key individuals within the organisation.

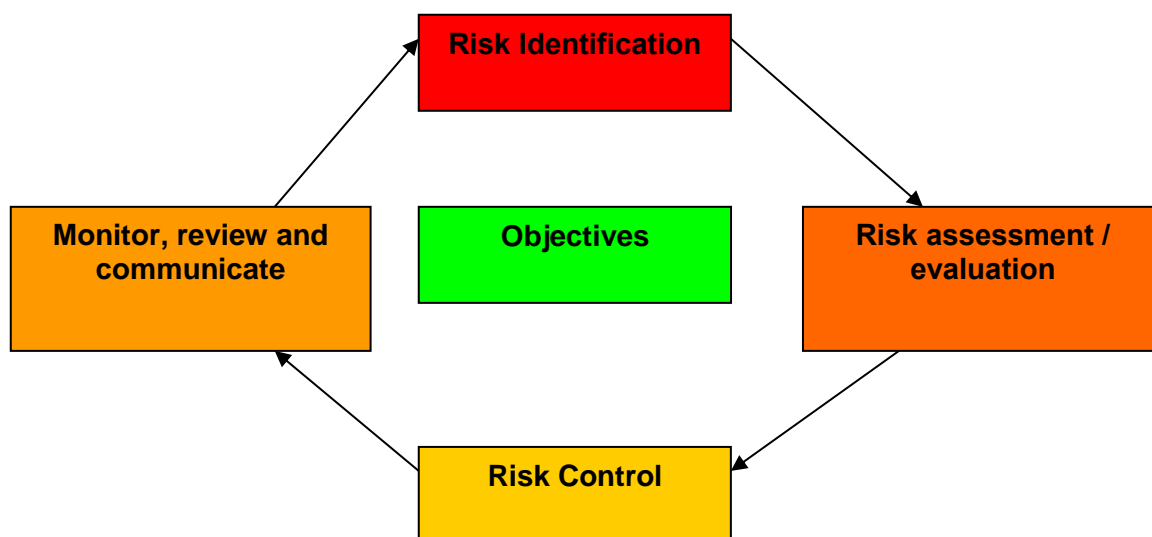
Some objectives, however, are reliant on external organisations with which the council works e.g. key partners and contractors. Working with external organisations could affect the achievement of objectives and this also must be taken into account when delivering the key elements of this strategy.

The strategic risk champion and other nominated risk champions have responsibilities including the support, challenge and recording of risks within their directorates or service areas. They will assist in the compiling of risk registers, whilst ensuring that the risk management strategy is adhered to as far as is possible. Officers who are involved in specific projects or operational activities will be responsible for identifying, assessing, developing, reviewing and reporting of risks. This will enable constructive discussions of the identification of risks, further actions and controls for the profiles to be undertaken on an ongoing basis.

The management of risk is an important part of the corporate planning and policy making/decision making processes and also in the key areas of project and change management.

Below is a summary of the council's risk management process. For an in-depth explanation, please refer to appendix B.

Summary Guide



3.2.1 Objectives

Any organisation is primarily concerned with the achievement of objectives. You need to know what you are trying to achieve before you can start to think about the risks that could have an impact on your success.

The more clearly objectives are defined, the more it will help you consider those risks that could actually impact on your objectives. When setting objectives remember to make them **Specific, Measurable, Agreed, Realistic and Time bound (SMART)**.

At strategic level - the Council has four Corporate Priorities to which strategic risks are linked.

At operational level - each service has a number of business objectives contained within each service and financial plan to which operational risks are linked.

At project level - the relevant project brief or project initiation document details the aims and objectives of the project.

At partnership level - the partnership agreement or other formally agreed arrangements will detail the aims and objectives of the partnership.

3.2.2 Risk identification

| | |
|------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| What could go wrong? | Use available documents e.g. Council Plan, Service Plan, appraisals etc to establish what is planned and start to identify what risks could occur as a result of these plans |
| Ensure risks are structured – what are the key elements to each risk? | E.g. if we don't review and manage our budgets, is there a risk we could overspend? What things are we looking at in terms of a risk like this? |
| What type of risk is it? | Strategic, Operational, Project |
| What category is it? | e.g. political, e-Government/ICT, regulatory, financial/fraud, opportunities, reputation, management, assets, new partnership/project, customer/client/citizen Environmental (see Appendix B(i)) |

At strategic level, Executive Directors identify strategic and cross-cutting risks through facilitated awareness sessions. The risks identified are:

- Those that could significantly impact on the achievement of the Council's overall priorities;
- Those that are recorded in the Strategic Risk Register; and
- Those that can be used to inform policy decisions.

At operational level - Business Managers identify operational risks which may prevent them from achieving business objectives identified in their service plans, as well as any measures and actions to manage these risks. The risks identified are: -

- Those that could significantly impact on the achievement of the Business objectives;
- Those that are recorded in each Directorate's Operational Risk Register; and
- Those that can be used to inform meetings/actions between Business Managers and Heads of Service, and completion of the day to day services.

At project level - Project Managers will identify the risks that could impact on the successful delivery of the project. The risks identified are: -

- Those that could significantly impact on the achievement of the project;
- Those that are recorded in the Project Risk Register;
- Those that can be used to inform both strategic and operational risk identification

At partnership level - the Council has developed a working agreement to instigate the Lead Partner risk management framework. This will deliver

- A framework for all staff involved in considering new partnership workings.
- Assist members and officers wishing to review existing arrangements.

3.2.3 Risk assessment/Evaluation

In assessing and evaluating the risks identified, you need to ask a number of fundamental questions. From this, you will get a risk 'score' (or rating). This 'score'/rating will determine your future actions.

What would be the impact on the council if the risk actually happened?

How likely is it to happen?

Based on the answers above, plot the rating on the table opposite

The bold line on the matrix is the limit of the council's risk appetite, i.e. how much risk it is

willing to take before intervention begins. Control of the risks should effectively move the final risk ratings to the amber and green sections of the table (see Appendix B (ii))

| | | | | |
|------------------------------------------------|--------|------------|------------|------------|
| L I K E L I H O O D | HIGH | Amber 7 | Amber 8 | RED 9 |
| | MEDIUM | Green 4 | Amber 5 | Amber 6 |
| | LOW | Green 1 | Green 2 | Amber 3 |
| | | Low | Medium | High |
| | | IMPACT | | |

3.2.4 Risk Control

Risk control is the name given to the process of working towards mitigating the identified risks. This is done by identifying possible actions which may reduce either the impact or the likelihood of the risk and will therefore mean that the final rating is contained within the council's risk appetite (the green and amber sections of the table above). In undertaking risk control a number of questions can be asked as part of the risk management process.

| | | | | | | |
|-------------------------------------------------------------------------------|----------|------------------------|----------|-------|----------|-----------|
| Who owns the risk? | Priority | Review Period (months) | Action | | | |
| What could should be done to reduce the impact and/or likelihood of the risk? | | | Tolerate | Treat | Transfer | Terminate |
| What else do you need to do in controlling the risk? | High | 1 | | √ | √ | √ |
| (see Appendix B(iii)) | Medium | 2 - 6 | √ | √ | √ | √ |
| | Low | 9 - 12 | √ | √ | √ | √ |

3.2.5 Monitor, Review and Communicate

Key questions to consider as part of this process: -

- Are the controls you have put in place effective?
- Has the risk changed either as a result of what you have done or other factors?
- Does it need escalating, having gone through all the checks you need to make?
- Are new risks evolving as a result of the existing risk or due to other factors?
- Who do you need to inform – internally and externally to the council?

Key to what prompts what kind of action: -

| | |
|--------------|----------------------------------------------------------------------|
| Red | High risk, prompt action, contingency plan, monitor at least monthly |
| Amber | Medium Risk, contingency plan, monitor at least quarterly |
| Green | Low risk, monitor at least half annually |

3.3 *To embed risk management into the ethos, culture, policies and practices of the council*

Risk management is well established at the council but this strategy is seeking to build on it. The aim is to ensure that risk management plays an

integral part in decision making and the day to day business of the council in a structured uniform manner.

Risk management will be part of and included in the council's processes, policies and documents but not limited to: -

- Development and maintenance of the Constitution;
- Economic Development Strategy;
- Stronger and Safer Communities Strategy;
- Health and Well Being Strategy;
- Council Plan;
- Medium Term Financial Strategy;
- Service Plans;
- Code of Corporate Governance;
- Code of Practice on Procurement;
- Reports to support key decisions;
- Performance management;
- Policy planning; and
- Financial management

3.4 *To continue to ensure that risk management is a key and effective contributor to the Annual Governance Statement*

To achieve this: -

3.4.1 Heads of Service are required to make statements as to the effectiveness or otherwise of their systems for identifying, monitoring and managing corporate and operational risks. This is confirmed by each Executive Director signing a Controls Assurance Statement each year.

3.4.2 Confirmation is obtained from the Corporate Governance Working Group and the Audit & Risk Committee and internal Audit, who use CIPFA best practice that the council's risk management framework is judged to be sufficiently robust and that assurance statements properly reflect the risk environment and its management of those risks.

3.4.3 The risk registers of the council will be a factor in internal audit planning.

3.5 *To manage risk in accordance with best practice*

3.5.1 The Council has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts and Audit Regulations:

'A local government body shall ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk'.

Risk management is recognised as an important element of good governance. The CIPFA/SOLACE governance framework "Delivering Good Governance in Local Government" seeks to ensure that risk

management is embedded into the culture of the authority with members and officers recognising that risk management is part of their jobs.

- 3.5.2** Good internal control ensures that the processes and procedures operate in an orderly and efficient manner, statutory and management requirements are complied with, assets are safeguarded and records complete and accurate.
- 3.5.3** Performance monitoring ensures the treatment of risk remains effective and the benefit of implementing risk control measures outweighs the costs of doing so. It is a continual review not only of the whole process but also of individual risks or projects and of the benefits gained from implementing risk control measures.
- 3.5.4** Data quality needs to ensure that the data used for performance monitoring and to inform decision making is accurate, reliable, timely and fit for purpose. If data is misleading, it could lead to flawed decision making, wasted resources, services that may not improve and the development of ill-founded policy.
- 3.5.5** The business continuity process is a form of risk management applied to the whole council and its ability to continue with its service provision in the event something occurring which potentially affects that ability. The council must ensure risk management processes are applied throughout the business continuity lifecycle.
- 3.5.6** The achievement of effective Health and Safety policies, processes and procedures has been committed to by the council with the development of policy and guidance specifically addressing the management of health and safety risks.

4. Conclusion

By embracing risk management, the council will make the most of the opportunities which it faces whilst operating within a risk-aware environment.

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| Changes: | See below |

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| Changes: | Compare with previous version 1.0 April 2010 |

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|-----------------------------------|-----------------------------------|
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| Changes | 07/07/2011 | 1. Pg 6 – rating on matrix changed from Green 3 to Amber 3 – this is followed through on the Appendices as requested by Audit & Risk Committee |
| Changes | 04/07/2012 | 1. Pg 1 – Year amended from 2011/12 to 2012/13 |
| | | 2. Pg 2 – para 3.2 comma removed |
| | | 3. Pg 4 – para 3.2.2 “At Operation Level” – removed ‘and financial’ |
| | | 4. Appendix A – Portfolio Holder title amended to read Communications, Transformation and Partnerships Portfolio Holder, and grammer change in role description |
| | | 5. Appendix B – step 5 – grammatical changes to the fourth bullet point and a space removed from last para. |
| Changes | 11/06/2013 | 1. Pg 1 – Year amended from 2012/13 to 2013/14 |
| | | 2. Corporate Plan amended to Council Plan throughout document |
| | | 3. Pg 8 – para 3.3 – additions made to list of documents |
| | | 4. Appendix B(ii) – Cost impact levels reduced in response to the current financial situation imposed by the budget cuts |
| Changes | 30/06/2014 | 1. Pg 1 – Year amended from 2013/14 to 2014/15 |
| | | 2. Pg 5 – wording amended to Partnership level to reflect that the council follows the Lead Partner’s risk management framework. |
| | | 3. Foot amended to show author, page number and date of changes |
| Changes | 25/03/2015 | No changes made except dates |
| Changes | 14/03/2016 | No changes made except for dates |
| Changes | 22/03/2017 | No changes made except for dates |