

WARWICK DISTRICT COUNCIL RISK MANAGEMENT STRATEGY

Purpose of strategy

The purpose of the strategy is to embed risk management in the Authority by establishing a risk management framework that provides:

- n an efficient control environment
- n the overt allocation of accountability for risk management throughout the organisation
- n a well established risk assessment process
- n performance monitoring of risk management activity
- n communications process to support risk management

An action plan for 2011/12 and beyond to assist in embedding risk management is set out as Annexe 1.

Definition and scope of risk management

The Council has adopted the Audit Commission's definition of risk and risk management as contained in its Management Paper, 'Worth the risk: improving risk management in local government':

Risk is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and successfully execute its strategies. Risk management is the process by which risks are identified, evaluated and controlled. It is a key element of the framework of governance together with community focus, structures and processes, standards of conduct and service delivery arrangements.

The overall process of managing risk can be divided into:

- § Risk analysis, or assessment, which includes the identification, estimation and evaluation of the risks; and
- § Risk management that encompasses the planning, monitoring and controlling activities based on the information derived from risk analysis.

Aims and objectives

The risk management policy of Warwick District Council is to adopt best practices in the identification, evaluation, and cost-effective control of risks to ensure that they are eliminated or reduced to an acceptable level.

It is acknowledged that some risks will always exist and will never be eliminated.

All employees must understand the nature of risk and accept responsibility for risks associated with their area of authority. The necessary support, assistance and commitment of senior management will be provided.

The risk management objectives of the Council are to:

- § integrate risk management into the culture of the Council
- § manage risk in accordance with best practice
- § consider legal compliance as a minimum standard
- § anticipate and respond to changing social, environmental and legislative requirements
- § prevent injury and damage and reduce the cost of risk
- § raise awareness of the need for risk management.

These objectives will be achieved by:

- § establishing a risk management organisational structure to act in an advisory and guiding capacity which is accessible to all employees
- § including risk management as an agenda item at meetings as appropriate
- § continuing to demonstrate the application of risk management principles
- § providing risk management awareness training
- § maintaining documented procedures for the control of risk and the provision of suitable information, training and supervision
- § maintaining an appropriate incident reporting and recording system, with investigation procedures to establish cause and prevent recurrence
- § preparing contingency plans in areas where there is a potential for an occurrence having a catastrophic effect on the Council and its service delivery capability
- § maintaining effective communication
- § monitoring arrangements on an ongoing basis

Definition of the Council's risk appetite

An organisation's risk appetite is the amount of risk that it is prepared to take in order to achieve its objectives. Defining the organisation's risk appetite provides the strategic guidance necessary for decision-making. Local authorities have lower risk appetites than commercial organisations as the incentive to achieve is not as obvious. Risk appetites for local authorities will also be lower due to the regulatory nature of most services and because of their stewardship obligations for public resources. However, local authorities may be forced to take risks

beyond their choosing to comply with central government directives or to satisfy public expectations of improved services.

Warwick District Council's risk appetite is determined by individual circumstances. In general terms, the Council's approach to providing services is to be innovative and to seek continuous improvement within a framework of robust corporate governance. This framework includes risk management that identifies and assesses risks appertaining to actions being considered or proposed. Decisions on whether to proceed with such actions are only taken after the careful assessment of the identified risks and an analysis of the risks compared to the benefits.

However, in all circumstances:

§ The Council would wish to manage its financial affairs such that no action will be taken which would jeopardise its ability to continue as a going concern; and

§ The Council would wish to secure the legal integrity of its actions at all times.

Roles and responsibilities

The following groups and individuals have the following roles and responsibilities for risk management within the Council.

Executive

To oversee the effective management of risk throughout the Council; to hold the corporate management team accountable for the effective management of risk by officers of the Council.

Finance and Audit Scrutiny Committee

To scrutinise and review the management of risk on behalf of Executive.

Elected Members

To understand the importance of risk management in all that the Council does; to champion the cause of risk management as part of the fulfilment of the role of members.

Senior Management Team

To ensure that the Council manages risk effectively through the development of a comprehensive risk management strategy; to monitor delivery by receiving reports from the risk management group.

Risk champion¹

To champion the cause of risk management within the Council, particularly at the strategic level; to take personal responsibility for ensuring that the risk management objectives as set out in the policy are achieved.

¹ This officer is the Deputy Chief Executive (AJ)

Risk manager²

To support the Council and its departments and services in the effective development, implementation and review of the risk management strategy.

Risk management group

To determine, implement and review the Council's risk management policy and its risk management strategy. The risk management group is responsible for developing specific programmes and procedures for establishing and maintaining risk management activities. This group will ensure the dispersal of vital information and, where appropriate, provide guidance, interpretation and understanding of the systems involved.

The terms of reference of this group are set out as Annexe 2.

Departmental management teams

To ensure that risk is managed effectively in each service area within the agreed risk management strategy; to report to the Risk Management Group on how hazards and risks have been managed within their service area.

Service managers

To manage risk effectively in their particular service areas; to report on how hazards and risks have been managed to their Departmental Management Team or directly to the Risk Management Group.

Employees

To manage risk effectively in their jobs and report hazards and risks to their service managers

Insurance officer

To advise on practices which will minimise the likelihood of adverse events occurring and arrange insurance cover where necessary and appropriate.

The responsibilities of the various groups and individuals are summarised in the table which is included as Annexe 3.

Methodology for identifying and assessing risk

Risk is categorised between strategic and operational.

Strategic risks are those risks identified as potentially damaging to the achievement of the council's objectives. These can be sub-categorised into:

- Political
- Social
- Legislative

² This officer is the Audit and Risk Manager.

- Competitive
- Economic
- Technological
- Environmental
- Customer/citizen

Operational risks are those risks that should be managed by departmental officers who will be responsible for operating and maintaining the services. These can be sub-categorised into:

- Professional
- Legal
- Contractual
- Environmental
- Financial
- Physical
- Information

For **service risk registers**, the following definitions are applied for the measurement of risk in respect of probability and consequences:

Likelihood

Ratings based on likelihood of frequency of occurrence and apply to all factors

- 1 – Most unlikely to ever happen
- 2 – Could happen very occasionally e.g. every 30 years/generation
- 3 – Could happen within 5-30 years
- 4 – Likely to happen every 3-5 years
- 5 – Almost certain to happen at least once a year

Severity

Financial factors

Ratings based on budgetary impact

- 1 – No or very small budgetary effect
- 2 – Can be accommodated within budgets
- 3 – Relatively small (say £50,000 ish) which would require budget supplement
- 4 – Significant effect on budget: £100,000-£200,000
- 5 – Very significant effect on budget: greater than £200,000

Health and safety factors

Ratings based on level of injury sustained

- 1 – Incident with very limited consequences
- 2 – Minor injury
- 3 – Incapacitating injury
- 4 – Loss of limb
- 5 – Fatality

Legal ratings

Ratings based on prospect of litigation arising from Council error

- 1 – No or very small prospect of litigation
- 2 – Small prospect of litigation
- 3 – Reasonable prospect of litigation
- 4 – Very high prospect of litigation
- 5 – Certain prospect of litigation

Political sensitivity

Ratings based on level of embarrassment arising from Council error

- 1 – No or very limited embarrassment
- 2 – Small amount of embarrassment
- 3 – Medium but passing embarrassment
- 4 – Significant and sustained embarrassment
- 5 – Total loss of confidence by public

Service delivery – disruption ratings

Ratings based on level of disruption, whether service is statutory and level of effort required to recover

- 1 – No or very limited disruption
- 2 – Small amount of disruption of a non-statutory service easily recovered from
- 3 – Small amount of disruption to a statutory service or fair amount of disruption to a non-statutory service
- 4 – Large amount of disruption of a statutory service requiring significant effort to recover from
- 5 – Long term failure to deliver statutory service

For the **Significant Business Risk Register**, previously known as the Corporate and Strategic Risk Register, the following definitions are applied for the measurement of risk in respect of probability and consequences:

Probability of Occurrence

Estimation	Description	Indicators
High (Probable)	Likely to occur each year or more than 25% chance of occurrence.	<ul style="list-style-type: none">• Potential of it occurring several times within the period (for example - ten years).• Has occurred recently.
Medium (Possible)	Likely to occur in a ten year time period or less than 25% chance of occurrence.	<ul style="list-style-type: none">• Could occur more than once within the period (for example - ten years).• Could be difficult to control due to some external influences.• Is there a history of occurrence?

Estimation	Description	Indicators
Low (Remote)	Not likely to occur in a ten year period or less than 2% chance of occurrence.	<ul style="list-style-type: none"> • Has not occurred. • Unlikely to occur.

Consequences

High	<ul style="list-style-type: none"> • Financial impact on the organisation is likely to exceed £250K • Significant impact on the organisation's strategy or operational activities • Significant stakeholder concern
Medium	<ul style="list-style-type: none"> • Financial impact on the organisation likely to be between £50K and £250K • Moderate impact on the organisation's strategy or operational activities • Moderate stakeholder concern
Low	<ul style="list-style-type: none"> • Financial impact on the organisation likely to be less than £50K • Low impact on the organisation's strategy or operational activities • Low stakeholder concern

The policy statement needs to be reviewed regularly and updated as necessary to meet changing demands within the Council. The statement will be brought to the attention of all employees and councillors. Views of relevant stakeholders, including the trade unions, will be taken into account as appropriate.

Annexe 1: Risk Management Strategic Action Plan 2011/12 to 2014/15

It was considered timely to appraise the Council's risk management arrangements thoroughly, with the areas for improvement identified from the analysis forming the components of a comprehensive action plan.

To achieve this, the function joined the CIPFA Risk Management Benchmarking Club.

This involved completion of a very detailed survey and receipt of a report on the results of the exercise.

The benchmarking survey is based on Alarm's National Performance Model for Risk Management in Public Services published in 2009. This in turn is based on the "Risk Management Assessment Framework", developed by HM Treasury in 2002, itself having its genesis in the EFQM approach.

It breaks down risk management activity into seven strands:

- Leadership and management
- Strategy and policy
- People
- Partnership, shared risks and resources
- Processes and tools
- Risk handling and assurance
- Outcomes and delivery

Under each strand, a series of questions have been developed which members answer. These answers are weighted to reflect their relative impact on performance and collated into a final "score" for each section. This identifies the level of maturity the organisation has reached.

The level of maturity is assessed at one of the following (in ascending order of maturity):

- Engaging
- Happening
- Working
- Embedded & Integrated
- Driving

Our results are as follows:

- Leadership and management – Working
- Strategy and policy – Working
- People – Working
- Partnership, shared risks and resources – Happening
- Processes and tools – Working
- Risk handling and assurance – Happening
- Outcomes and delivery – Engaging

In terms of what this means for us, this is described in the following table. 'Our Level' describes the risk management arrangements that we are currently

achieving whilst 'Ahead of us' describes advanced risk management arrangements that we aspire to.

Strand	Behavioural Maturity Level	
	Our Level	Ahead of us
Leadership and management	<p>Working:</p> <ul style="list-style-type: none"> • Senior managers take the lead to apply risk management thoroughly across the organisation. • They own and manage a register of key strategic risks and set the risk appetite. 	<p>Embedded & Integrated:</p> <ul style="list-style-type: none"> • Risk management is championed by the CEO. • The Board and senior managers challenge the risks to the organisation and understand their risk appetite. • Management leads risk management by example. <p>Driving:</p> <ul style="list-style-type: none"> • Senior management uses consideration of risk to drive excellence through the business, with strong support and rewards for well-managed risk-taking.
Strategy and policy	<p>Working:</p> <ul style="list-style-type: none"> • Risk management principles are reflected in the organisation's strategies and policies. • Risk framework is reviewed, developed, refined and communicated. 	<p>Embedded & Integrated:</p> <ul style="list-style-type: none"> • Risk handling is an inherent feature of policy and strategy making processes. • Risk management system is benchmarked and best practices identified and shared across the organisation. <p>Driving:</p> <ul style="list-style-type: none"> • Risk management capability in policy and strategy making helps to drive organisational excellent.
People	<p>Working:</p> <ul style="list-style-type: none"> • A core group of people have the skills and knowledge to manage risk effectively and implement the risk management framework. • Staff are aware of key risks and responsibilities. 	<p>Embedded & Integrated:</p> <ul style="list-style-type: none"> • People are encouraged and supported to take managed risks through innovation. • Regular training and clear communication of risk. <p>Driving:</p> <ul style="list-style-type: none"> • All staff are empowered to be responsible for risk management. • The organisation has a good record of innovation and well-managed risk taking. • Absence of a blame culture.

Strand	Behavioural Maturity Level	
	Our Level	Ahead of us
Partnership, shared risks and resources	<p>Happening:</p> <ul style="list-style-type: none"> Approaches for addressing risk with partners are being developed and implemented. Appropriate tools are developed and resources for risk identified. 	<p>Working:</p> <ul style="list-style-type: none"> Risk with partners and suppliers is well managed across organisational boundaries. Appropriate resources are in place to manage risk. <p>Embedded & Integrated:</p> <ul style="list-style-type: none"> Sound governance arrangements are established. Partners support one another's risk management capacity and capability. <p>Driving:</p> <ul style="list-style-type: none"> Clear evidence of improved partnership delivery through risk management and that key risks to the community are being effectively managed.
Processes and tools	<p>Working:</p> <ul style="list-style-type: none"> Risk management processes used to support key business processes. Early warning indicators and lessons learned are reported. Critical services supported through continuity plans. 	<p>Embedded & Integrated:</p> <ul style="list-style-type: none"> A framework of risk management processes in place and used to support service delivery. Robust business continuity management system. <p>Driving:</p> <ul style="list-style-type: none"> Management of risk and uncertainty is well integrated with all key business processes and shown to be a key driver in business success.
Risk handling and assurance	<p>Happening:</p> <ul style="list-style-type: none"> Some evidence that risk management is being effective. Performance monitoring and assurance reporting being developed. 	<p>Working:</p> <ul style="list-style-type: none"> Clear evidence that risk management is being effective in all key areas. Capability assessed within a formal assurance framework and against best practice. <p>Embedded & Integrated:</p> <ul style="list-style-type: none"> Evidence that risk management is being effective and useful for the organisation and producing clear benefits.

Strand	Behavioural Maturity Level	
	Our Level	Ahead of us
		<ul style="list-style-type: none"> Evidence of innovative risk taking. Driving: <ul style="list-style-type: none"> Clear evidence that risks are being effectively managed throughout the organisation. Considered risk taking is part of the organisational culture.
Outcomes and delivery	Engaging: <ul style="list-style-type: none"> No clear evidence of improved outcomes. 	Happening: <ul style="list-style-type: none"> Limited evidence that risk management is being effective in, at least, the most relevant areas. Working: <ul style="list-style-type: none"> Clear evidence that risk management is supporting the delivery of key outcomes in all relevant areas. Embedded & Integrated: <ul style="list-style-type: none"> Clear evidence of significantly improved delivery of relevant outcomes and evidence of positive and sustained improvement. Driving: <ul style="list-style-type: none"> Risk management arrangements clearly acting as a driver for change and linked to plans and planning cycles.

It is considered that 'Working' is a satisfactory level of maturity for an authority of our size with many advanced arrangements that are characteristic of the higher levels of maturity being unrealistic or not worthwhile in terms of the benefits that would derive from them.

A strategic action plan has been produced to improve maturity levels for those strands deemed to be at lower levels of maturity i.e. at the "Happening" or "Engaging" levels.

The arrangements to be addressed are those that particularly fall short within those strands.

Risk Management Strategic Action Plan

The key questions asked under the benchmarking exercise that led to the maturity assessments are set out below. These will become the areas to investigate and, where possible, address.

Individual action plans will be developed but these will need to be flexible as matters evolve.

The strands, or areas, to address have been prioritised according to their level of maturity. The periods over which to address these areas are also identified below.

Year One: 2011/12

Outcomes & delivery (Engaging)

Risk management contribution to overall performance – The organisation can demonstrate that its risk management arrangements are making a positive contribution to overall performance and service delivery.

Key Questions:

- Is there demonstrable evidence that risk management is contributing to the delivery outcomes?
- Is there demonstrable evidence that risk management is contributing to better financial outcomes?
- Is there demonstrable evidence that risk management is contributing to supporting the reputation of the organisation?
- Is there demonstrable evidence that risk management approaches are having a beneficial effect on how risks to the public are being managed?

Contribution to specific outcomes – Evidence of examples of risk management arrangements having a direct positive effect on the delivery of annual or strategic objectives.

Key Questions:

- Are there examples of risk management arrangements (maximum of three) that have had a significant and direct positive impact on annual or strategic objectives?
- Are there examples of risk management directly contributing to innovative improvements that have improved delivery of services or products to the public?

Partnership, shared risks & resources (Happening)

Year Two: 2012/13

Partnerships – Partnership work is undertaken with appropriate consideration of risk and formal risk management arrangements are in place.

Key Questions:

- Are all key partnerships formally identified and are there consistent and common approaches to managing risks with partners, which cut across organisation boundaries ?
- Where different public sector bodies work together to manage risks for shared strategic objectives: Is there an agreed protocol that defines when risk identification and assessments should be carried out jointly and clearly establishes accountability and capacity maintained to monitor performance and take early action in the event of difficulty?
- Where different public sector bodies work together to manage risks for shared strategic objectives: Has the extent to which risks can be transferred to, or shared with, organisations – both public and private – best placed to manage and / or carry them been assessed?
- Are appropriate contingency and service continuity agreements in place with key partners to manage major incidents?

Year Three: 2013/14

Finance – Risk financing arrangements for the organisation ensure that sufficient resources are available to deliver its risk management strategy and to protect itself against insurable losses.

Key Questions:

- Are sufficient resources provided to fund the implementation of the risk management strategy?
- Are additional resources provided when additional risk activities are cost-effective?

Tools – A range of appropriate tools and process are available to the organisation to manage risk.

Key Questions:

- Does the organisation have appropriate tools for collecting and analysing risk information?

Year Four: 2014/15

Risk handling & assurance (Happening)

Risk handling – Risks are handled effectively across the organisation, particularly in terms of cost effectiveness and including arrangements with partner organisations.

Key Questions:

- Are major decisions risk-informed?
- Are strategic risks including risks to the public, risks that cut across service areas, departments, several organisations, etc. and those risks that relate to the delivery of services managed cost effectively - without incurring disproportionate risk management costs or experiencing excessive losses?
- Are there arrangements to ensure that opportunities are taken and managed cost effectively - without incurring disproportionate risk management costs or experiencing excessive losses?
- Are plans and targets risk-based?

Assurance – The organisation has effective arrangements in place to ensure that it can provide itself with assurance that risks are well managed.

Key Questions:

- To what extent does assurance information cover all significant risks?
- Does assurance information cover all key controls and their effectiveness?
- Is an assessment of the performance of the organisation's risk management arrangements reported and to what extent is risk information disclosed to stakeholders?
- Is there a statement from an independent source about whether risk management is effective and carried out as approved?

Annexe 2: Risk Management Group - Terms of Reference

The terms of the reference of the risk management group comprises:

Overall aim

- § To ensure that effective Risk Management is in place across the Council.

Membership

- § The Group will comprise representatives from key services across the Council.

Specific Objectives and Responsibilities

- § Promote best practice in the management of risks.
- § Assist in the identification and evaluation of risks that could threaten achievement of the Council's objectives.
- § Help develop, implement and review the corporate risk management strategy and policy.
- § Help managers maintain and develop their risk registers by periodically reviewing them and making recommendations on their improvement.
- § Review events and disseminate information regarding lessons learnt in an attempt to help services improve on the management of risk.
- § Compile and implement an annual work plan that helps to embed risk management in the organisation.
- § Help create a risk-aware culture by, for example, instilling in staff the need to manage risks in their jobs.
- § Identify cross-cutting and strategic risks for the attention of senior management.
- § Make recommendations to management on practices and procedures which it is intended will improve the management of risks within Warwick District Council.
- § Oversee the development and implementation of a consistent approach to risk management across the Council's services.

Annexe 3: Summary of Responsibilities

	Develop the corporate risk management strategy	Agree the corporate risk management strategy	Provide advice and support on strategy development and implementation	Implement the strategy	Share experience of risk and risk management issues	Review the effectiveness of the strategy
Elected members/ Executive		§				§
Senior management team	§	§		§		§
Risk champion	§		§	§	§	§
Risk manager	§		§	§	§	§
Risk management group	§		§	§	§	§
Departmental management teams				§	§	§
Service managers				§	§	§
Employees				§	§	
Insurance Officer				§	§	

