



Corporate Risk Management Strategy & Process

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1. Ashfield District Council Risk Management Strategy - Introduction

1.1 Philosophy and aims

Our philosophy:

Ashfield District Council will seek to embed risk management into its culture, processes and structure to ensure that opportunities are maximised. Ashfield District Council will seek to encourage managers to identify, understand and manage risks, and learn how to accept the right risks. Adoption of this strategy must result in a real difference in Ashfield District Council's behaviour.

1.2 Purpose

The purpose of this risk strategy document is to set out in clear simple terms how risk management should work within Ashfield District Council and become embedded in the culture.

It therefore aims to:

- Develop risk management and raise its profile across the Council, and ensure that risk management becomes a living tool.
- Make risk management part of normal business and therefore incorporated within all decision making processes.
- Integrate risk management into the culture of the Council.
- Ensure that all risks are managed in accordance with best practice.
- Create effective processes that will allow risk management assurance statements to be made annually.

1.3 What is risk management?

Risk Management can be defined as:

“The management of integrated or holistic business risk in a manner consistent with the virtues of economy, efficiency and effectiveness. In essence it is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made. The latter is achieved through controlling, transferring and living with risks”
ZMMS/SOLACE, *Chance or choice?*, July 2000

Risk management therefore is essentially about identifying all the obstacles and weaknesses that exist within the Council. A holistic approach is vital to ensuring that all elements of the organisation are challenged including our decision making processes, work with partners, consultation processes, existing policies and procedures as well as the effective use of all assets – including our staff. Once the obstacles have been identified the next stage is to prioritise them to identify the key obstacles to the organisation moving forward. Once prioritised it is essential that steps are taken to then effectively manage those key obstacles / risks. The result is that major obstacles or

blockages that exist within the organisation can be mitigated to provide the council with a greater chance of being able to achieve its objectives and provide services.

Risk management needs to be seen as a strategic tool and an essential part of effective and efficient management and planning.

1.4 Why do we need a risk management strategy?

Risk management will, by aligning to the business planning and performance management processes, strengthen the ability of the Council to achieve our objectives and enhance the value of the services we provide.

Also, Risk Management will, by aligning to the Business Continuity processes, strengthen the ability of the Council to react to all situations and protect its own interests and those of the district, ensuring essential service delivery.

However it is also something we are required to do, for example:

- The CIPFA/SOLACE framework on Corporate Governance requires the Council to make a public assurance statement annually, on amongst other areas, the Council's risk management strategy, process and framework. The framework requires us to establish and maintain a systematic strategy, framework and processes for managing risk.
- Risk management was a key discipline identified in the Organisational Assessment, particularly looking at whether an authority has assessed the risks inherent in its corporate and service plans. This requirement has now been removed, however, is recognised as good practice.
- Risk management is now considered standard practice in both the public and private sectors.
- To meet our statutory obligations such as Civil Contingencies Act, providing emergency response and planning and providing for emergency assistance.

1.5 Benefits of risk management

Successful implementation of risk management will produce many benefits for the Council if it becomes a living tool. These include:

- Increased chance of achieving strategic objectives as key risks are identified and minimised.
- Achieves buy-in to risk (and action) for officers and members.
- An organisation can become less risk averse (because you understand risks).
- Improved performance, accountability and prioritisation - feeds into and aligns with the performance management framework.
- Better governance can be demonstrated to stakeholders.
- Control and mitigation of business continuity risk

1.6 Link to Corporate Objectives

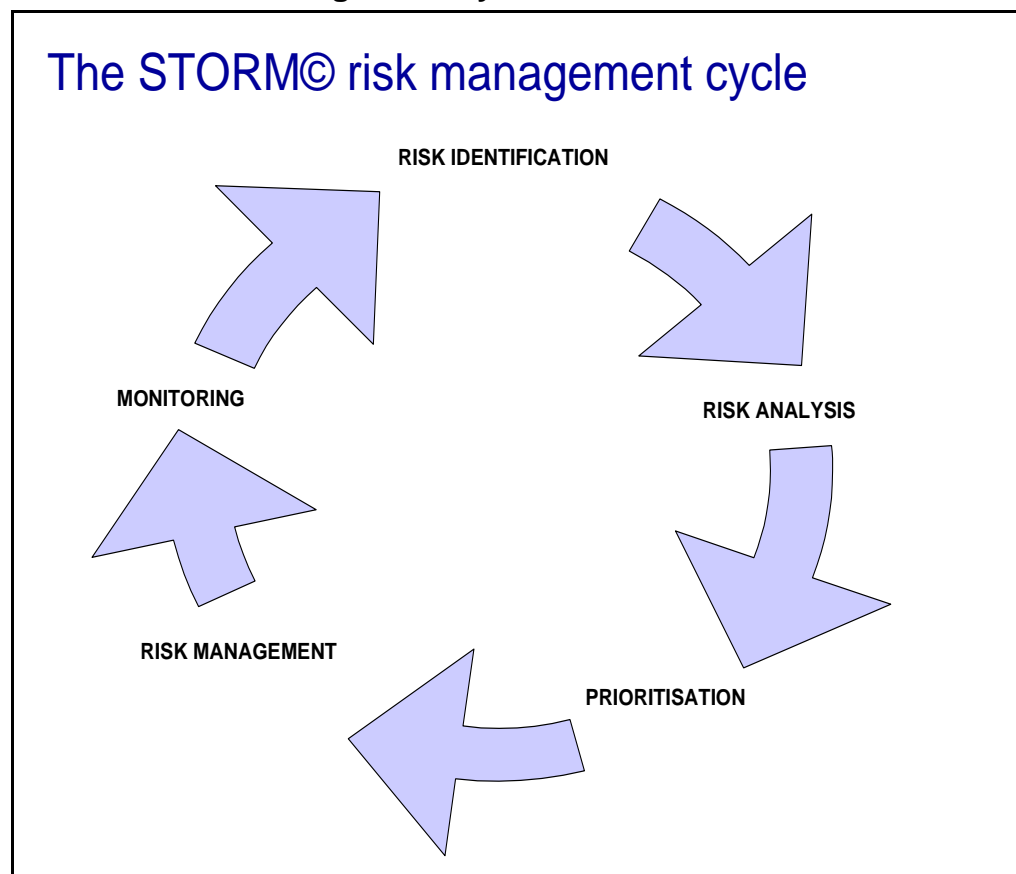
Adequate risk management arrangements link to the authority's Organisational Improvement priority. However, the minimisation of risks also enables all of the council's priorities to be achieved. The identification of risk relating to the achievement of performance and improvement is a key aspect of the performance management framework.

2. Implementing a risk management process

This section covers the implementation of the risk management process within the Council. In order to implement risk management within the Council managers and staff need to become familiar with, and have guidance on, the:

- risk management process,
- roles and responsibilities of officers and members,
- reporting and monitoring.

2.1 The Risk Management Cycle



Implementing the strategy involves adopting a systematic and robust process. The following risk management cycle describes the processes that should be followed.

Step 1 Identifying risks facing the Council.

The identification of risks is derived from both a 'top down' (corporate planning) and a 'bottom up' (operational/business continuity level) process of risk assessment resulting in coverage of the whole Council.

Step 2 Analysing the risks

The risks are analysed and reported in a corporate standard format. (See Appendix 3)

Step 3 Prioritising the risks

The process then prioritises the risks resulting in a focus on the key risks and priorities i.e. those risks most likely to happen and with the greatest impact

Step 4 Managing of the risks through action plans

The risks are then managed through the development of appropriate risk management action plans. The Corporate standard template incorporates risk identification and action planning.

Step 5 Monitoring of the action plans and the risks

Risks are managed through the performance management framework at least once every six months, whilst monitoring the delivery of the service and corporate action plans.

The cycle is continuous and should be followed on a regular basis.

The risk management process is described in detail in Appendix 1.

2.2 Roles and Responsibilities

The following describes the roles and responsibilities that members and officers will play in introducing, embedding and owning the risk management process:

Members

Members have a responsibility to understand the corporate/strategic risks that Ashfield District Council faces, and will be made aware of these risks, and progress on their management, via annual reports to Cabinet and regularly through the Programme Management process and Programme Highlight reports to Priority Theme Boards.

Member's key tasks are:

- Approving the Corporate Risk Management Strategy
- Monitoring the Council's risk management and internal control arrangements via annual reports to Cabinet, and regular Priority Theme Board Programme Highlight reports

- Approving the public disclosure of the annual outcome of this assessment (the assurance statement), and publishing it in the annual Statement of Accounts.

Corporate Leadership Team (CLT)

The Corporate Leadership Team is pivotal in leading the promotion and embedding of risk management within the Council. In addition they have an important role in identifying and managing risks.

Corporate Leadership Team's key tasks are:

- Recommending to Cabinet the Corporate Risk Management Strategy and its subsequent revision.
- actively being involved in the assessment and management of risks on a biannual basis, at Corporate strategic level
- being actively involved in the identification, assessment and management of risks within their directorates as part of the service planning process.
- supporting and promoting risk management throughout the Council,
- support the Risk Management Sponsor

Risk Management Sponsor – Strategic Planning Risk

The Risk Management Sponsor (Strategic Planning Risk) will lead the championing and embedding of strategic risk management and drive its implementation within the Council. This role is part of the duties of the Corporate Performance and Improvement Manager.

Responsibilities will include:

- compile, and report biannually (from Covalent), to CLT all corporate risks, including the risks escalated up from the Directorate level, and lead their identification, assessment and management of strategic risks on a biannual basis
- produce an annual report to Cabinet on the progress of strategic risk management, the risks, and action in managing them,
- support and advise the CLT on strategic risk management issues
- communicate the benefits of effective strategic risk management to all members of Ashfield District Council
- ensure the alignment of risk within strategic planning and performance and improvement processes

All Employees

All employees need to understand their role in the risk management process and why they should be concerned with risk in order to achieve their objectives and to deliver key services. They need to know how to evaluate risks and when to accept the right risks in order to pursue an opportunity.

To do this all employees will need to have an understanding of the different risks and different management techniques available to use and when to use them. This will ensure that the most effective tool is used to give the maximum benefit for the least amount of effort.

2.3 Reporting and monitoring

The responsibility for monitoring and reviewing the corporate risk is the responsibility of the Corporate Leadership Team who is required to do this biannually.

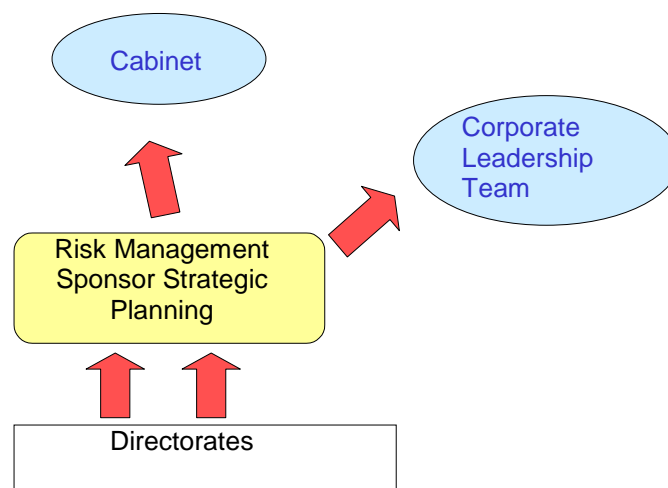
Service Risk Registers should be reviewed as a minimum annually by the respective Service Manager.

Service Directors are responsible for escalating risks, those above the risk tolerance line to the Corporate Leadership Team who will determine if they should be included on the Corporate Risk Register. This should be done through the Risk Management Sponsor – Strategic Planning.

The Risk Management Sponsor – Strategic Planning will report progress on the risk management process, and key risks, annually to Cabinet. They will also be responsible for reviewing the Corporate Risk Management Strategy and most effective risk management processes on an annual basis.

The action plans developed to manage the Strategic risks will be aligned to the Performance Management Framework and will be monitored through the Performance Management System Covalent. This will ensure the integration of risk management with other processes and ultimately ensure its profile and success is maintained.

The framework for reporting risk is summarised below:



It is our ultimate aim for risk assessments to be included in all policies and reports, as well as in our partnership working arrangements, so that risk is considered in everything the Council does. However this will develop in the future as the implementation of risk management continues and becomes more embedded as a process within the Council.

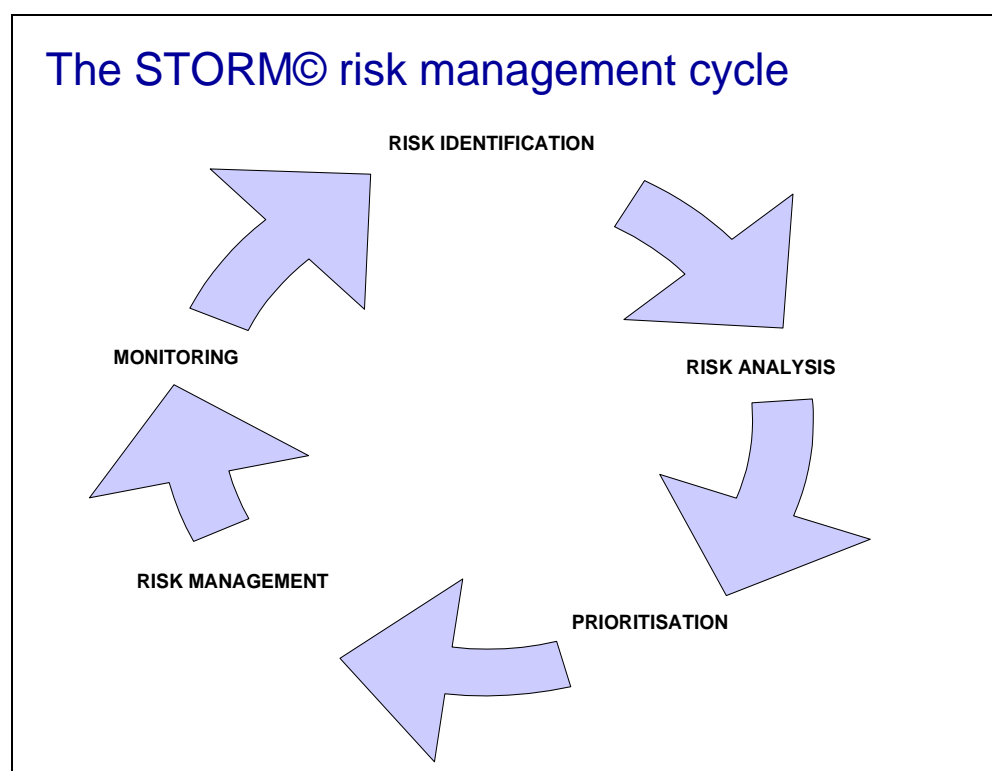
Conclusion

The adoption of a sound risk management strategy should achieve many benefits for Ashfield District Council. It will help with business planning, the achievement of objectives, the demonstration of continuous improvement and will go a long way to demonstrate effective corporate governance.

The challenge however is to implement this comprehensive risk management process without significantly increasing workloads. This should be achieved by the integration of risk management into existing processes and reviews rather than as a separate process.

Appendix 1 – The risk management process

The methodology that will be adopted by Ashfield District Council will be the Zurich Municipal Management Services (ZMMS) STORM© methodology. STORM© (Strategic and Tactical, Organisational Risk Management) is a structured, systematic methodology that identifies, evaluates, prioritises and manages risk at strategic, tactical and operational levels and guides the formation of a Risk Management Strategy. A key element of STORM© involves embedding a risk management culture in all staff and members so that Ashfield District Council can successfully take the process forward into the future.



The key stages are based on the risk management cycle (above), and all aspects of the process are explained in detail below.

Stage 1 - risk Identification

The initial approach at Ashfield District Council was to have individual interviews with the senior managers and Members to identify the key strategic and cross cutting risks facing the Council. However it will be for each Division to decide upon the appropriate approach to identifying its key risks as this process is cascaded down throughout Ashfield District Council.

Therefore in taking the process forward divisions may use the interview approach to identify their risks, or use a facilitated workshop approach to risk identification. Both approaches are outlined briefly below:

Interviews for risk identification

Interviews are a suitable risk identification technique when there are hidden issues (because they are anonymous) or when it is not practical to gather a group of people together. Interviews are often a more effective way to reveal risks than facilitated workshops as they allow people to be more open and honest in revealing their concerns. Interviews are also more time effective for the interviewee's as they only require up to two hours on their specific issues rather than spending a half-day, or more, in a general workshop.

The objective of an interview is to identify the risks, their causes and consequences. Effective questioning, by experienced interviewers, will allow concerns, problems and potential risks and opportunities to be revealed. It is therefore important that the interviewers challenge the interviewees about the risks and drill down into the issues to fully identify all the causes and consequences.

Also important is that the interviewees are chosen from across the Council or service to get a full picture of the risks present. And it is vital that the confidentiality of the interviews is respected and issues are not attributed directly to individuals.

Workshops for risk identification

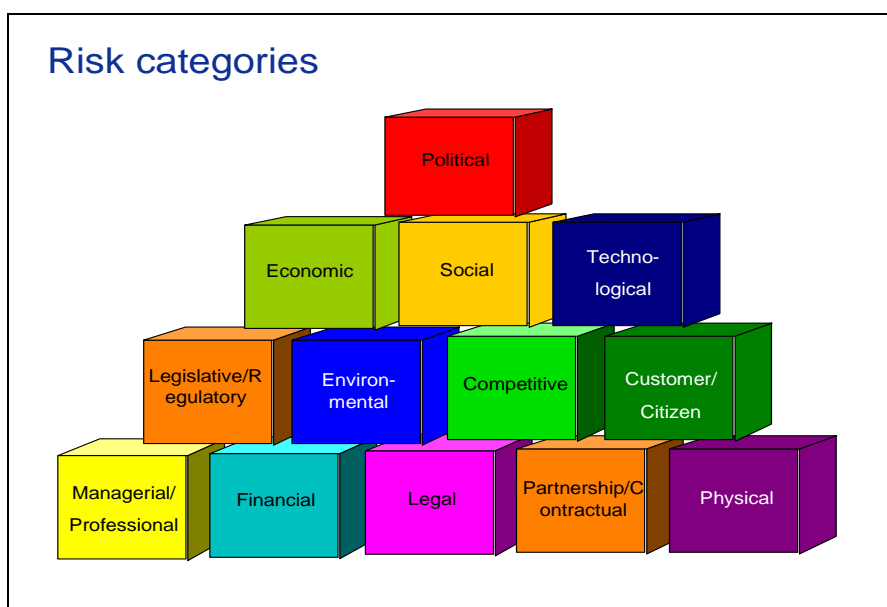
An alternative is to run facilitated workshops within services encouraging employees to share their concerns, problems and potential risks that they foresee.

Workshops should consist of a representative group of employees from across the Council, or service, and need effective facilitation to be successful. Again the objective of a workshop is to identify the risks, their causes and consequences. It is up to the facilitator to ensure that the risks are explored in sufficient depth and that all opinions are shared and captured.

However regardless of the risk identification technique being used is suggested that the following categories of possible risk areas be used. They should act as a prompt and as a trigger for employees involved in the process. They will therefore ensure that a holistic approach to risk identification is taken and that the risk process does not just concentrate on operational, financial or legal risks.

Service Level Strategic Planning and Performance Management

Alongside the two above approaches, each Service will review any relevant risks in the achievement of performance and improvement activity, and therefore achievement of Corporate Priorities. This will be undertaken annually as part of the service planning process, and reviewed as a minimum twice a year as part of the performance management framework. The Corporate Timeline Managers Checklist includes prompts for service managers to review risk on a regular basis (Appendix 2)



Risk	Definition	Examples
Political	Associated with the failure to deliver either local or central government policy or meet the local administration's manifest commitment	New political arrangements, Political personalities, Political make-up
Economic	Affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance cover, external macro level economic changes or consequences proposed investment decisions	Cost of living, changes in interest rates, inflation, poverty indicators
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the council's ability to meet its objectives	Employee levels from available workforce, ageing population, health statistics
Technological	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	E-Gov. agenda, IT infrastructure, Employee/client needs, security standards
Legislative	Associated with current or potential changes in national or European law	Human rights, appliance or non-appliance of TUPE regulations
Environmental	Relating to the environmental consequences of progressing the council's strategic objectives	Land use, recycling, pollution
Professional/Managerial	Associated with the particular nature of each profession, internal protocols and managerial abilities	Employee restructure, key personalities, internal capacity
Financial	Associated with financial planning and control	Budget overspends, level of council tax, level of reserves

Legal	Related to possible breaches of legislation	Client brings legal challenge
Physical	Related to fire, security, accident prevention and health and safety	Offices in poor state of repair, use of equipment
Partnership/ Contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification	Contractor fails to deliver, partnership agencies do not have common goals
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value	Fail to win quality accreditation, position in league tables
Customer/ Citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens	Managing expectations, extent of consultation

The risk identification stage should also include a review of published information such as corporate/service plans, strategies, financial accounts, media mentions, inspectorate and audit reports etc.

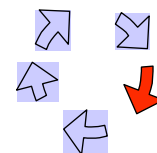
Stage 2 – risk analysis

The information gathered from the risk identification processes above should be analysed and risk scenarios developed for the key concerns using the Risk Register and Action Plan (see Appendix 3). The Risk Register and Action Plan (Corporate and Service) should include a clear description of the risk, priority rating of the risk and proposed action. Generally, where interviewees have perceived a risk, which has been corroborated by others, the risk should appear in the scenarios – particularly if it is backed up by available evidence.

Risks identified in workshops should already have been captured in an approximate risk scenario format and should only require checking or modifying slightly.

Risk scenarios also illustrate the possible consequences of the risk if it occurs so that its full impact can be assessed. An example risk scenario is provided below:

risk scenario



Vulnerability	Trigger	Consequence
There are a number of senior managers leading on key tasks within the organisation with limited cover or sharing of information to best effect. The pressure on managers is high and constant.	Key senior manager(s) leaves / unavailable	<ul style="list-style-type: none"> • Key tasks not done • Key issues missed • Tasks passed onto other staff • Increased pressure across and down the Council • Employee stress and illness • Claims against the Council • Recovery effected/stops • Intervention • Image of the Council damaged • Future recruitment is difficult



Zurich Municipal
Management Services

Stage 3 – prioritisation

Following identification and analysis the risk scenarios need to be evaluated.

This should look at the risk scenarios and decide on their ranking according to the probability of the risk occurring and its impact if it did occur. The matrix (shown over) should be used to plot the risks and once completed this risk profile clearly illustrates the priority of each scenario.

It is essential at this stage that there is agreement around the timescales being used. The profiling group will agree if the risks are to be profiled over a 12-18 month timescale or a 3-4 year timescale. It will often depend on what the information will be used for – annual planning or 3-year planning. Impact should be assessed against the achievement of the Corporate, or service objectives as applicable.

Although the risk profile will produce a priority for addressing each risk determining the group's appetite for risk can enhance this. All risks above the appetite cannot be tolerated and must be managed down, transferred or avoided. The appetite for risk is determined during the facilitated workshop and is achieved by starting in box P1:I1 and asking the group to decide if they are prepared to live with a risk in that box or if they want to actively manage it.

Continuing this process up and across the matrix sets a theoretical tolerance line.

When prioritising risks the P6:I4 box is the first priority or the most important risk to be managed. The priority is led by the impact axis – i.e. P5:I4 followed by P6:I3, P4:I4 followed by P5:I3 followed by P5:I2 and so on.

The risk matrix is given below:

PROBABILITY	Very High P6				
	High P5				
	Significant P4				
	Low P3				
	Very Low P2				
	Almost Impossible P1				
		I1 Negligible	I2 Marginal	I3 Critical	I4 Catastrophic
		IMPACT			

Stage 4 – risk management

Once the risks have been prioritised the next step is to identify actions to help control the risk. Most risks are capable of being managed – either by managing down the likelihood or impact or both. Relatively few risks have to be avoided or transferred. Action plans will also identify the resources required to deliver the improvements, key dates and deadlines and critical success factors/CLs/KLs.

These plans should not be seen as a separate initiative and are incorporated into the existing business planning process. Therefore the results of the risk management work will be fed into the corporate planning, service planning and budgeting process. Ownership of each action plan needs to be allocated to appropriate members of staff with appropriate seniority and ability to drive the progress of the action plans. It will therefore be their responsibility to develop the actions required to mitigate the risks and complete the plans. The corporate Risk Register and Action plan template is shown in Appendix 3.

Stage 5 – monitoring

Monitoring the progress of action plans will be done as part of the Council's Performance Management process. This ensures the integration of risk management with other processes and ultimately ensure its profile and success is maintained. This is achieved through the recording and monitoring of risks within the corporate performance system called Covalent. The system sends email reminders to risk owners on a regular basis to review and re-assess the risk, adding comments regarding mitigating actions.

Appendix 2 – Corporate Timeline Service Managers Checklist

Task	By When	Progress	Completion Date
Financial			
Review of budgets	End November		
Review of fees and charges	End November		
Review of contracts			
Review of year end employee unused benefits	6 April		
Review of year end spend/ income and accruals/ prepayments	6 April		
Monitor service spend	ongoing		
Capital bids	twice year to be agreed by CLT		
Service planning/ performance/ risk			
Review of front line service plans	End February		
Review of support service plans	End March		
Finalise service plan based on year end performance	End April		
Monitor performance and productivity	ongoing		
Quarterly risk register review	Mid June		
	Mid October		
	Mid January		
	Mid April		
People			
PDRs – front line services	End March		
PDRs –support services	End April		
Workforce planning/ service needs analysis/ skills audits	Mid february		
Business Continuity			
Review risk assessments	End September		
Review business continuity service plans	End December		
Review of critical function plans	End December		
Other health and safety			
Equalities			

Appendix 3 – The Risk Register & Action Plan



??Risk Register & Action Plan

Last updated by		
Approved by		
Document Owner		

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Note:

Blue font denotes either a change or an addition from the last period

Risk Matrix

PROBABILITY or LIKLIHOOD	Very High P6				
	High P5				
	Significant P4				
	Low P3				
	Very Low P2				
	Almost Impossible P1				
		I1 Negligible	I2 Marginal	I3 Critical	I4 Catastrophic
IMPACT					

Risk Ref.	Risk Name Description/ Vulnerability	Rating			Link to Corp Obj's	Consequence of the risk occurring	BC Link	Ability to Influence	Mitigating actions Required actions controls	Key Milestone Dates	Resp for action	Actions delivered against mitigations
		Initial	Current	Target								
						•			•			▪
						•			•			•
						•			•			•
						•			•			