Watford Borough Council

RISK MANAGEMENT STRATEGY

March 2011

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Risk Management Strategy

1. PURPOSE OF THE STRATEGY

1.1 Watford Borough Council recognises that all aspects of business risk must be managed. The purpose of this strategy is to provide a framework for the effective management of risk within the authority. By improving the management of risk, the council will be better able to achieve its objectives and ensure best value in the services it provides.

2. BACKGROUND

2.1 Risk management is essentially about good management practice and effective decision-making. The council has made a clear commitment to improving its approach to risk management, and in advance of a formally approved revised strategy has already made progress in a number of areas.

2.2 Risk management is now firmly embedded within both the authority's project management and best value processes and financial risk analysis has become an important part of the council's decision taking and budget-setting processes.

2.3 This strategy shows how the authority will continue to develop its risk management practices as part of its overall aim to demonstrate effective corporate governance and sound corporate management.

3. RISK MANAGEMENT STRATEGY OBJECTIVES

3.1 By definition, risk management is:

'the identification, analysis and control of those risks which can impact on the council's ability to deliver its priorities and objectives.'

3.2 The objectives of Watford Borough Council's risk management strategy are to:

- Integrate risk management into the culture of the council.
- Manage risks in accordance with best practice.
- Anticipate and respond to changing social, environmental, economic and legislative requirements.
- Prevent injury, damage and losses and reduce the cost of risk.
- Raise awareness of the need for risk management by all those connected with the council's delivery of services. This awareness to be recognised by all the council's partner organisations.

and to enable the council to achieve its key aims, strategic and organisational priorities which are:

Our Vision

A town to be proud of, where people will always choose to live, work and visit

Council Key Aims

- Improve the health of the town and enhance it's heritage
- Enhance the town's clean and green enviroment
- Enhance the towns sustainability
- Enhance the towns economic prosperity & potential

- Supporting individuals and the community
- Securing an efficient, effective, value for money council
- Influence and partnership delivery

3.3 Good risk management is the key to the council achieving <u>all</u> of its objectives, however it is particularly important in ensuring the authority meets its organisational priority of delivering modern, efficient and effective services at a cost that the community can afford.

3.4 The objectives of the Risk Management Strategy will be achieved by:

- Establishing clear roles, responsibilities and reporting lines within the council for risk management.

- Enabling managers to demonstrate that risk assessment and management is taking place.

- Providing opportunities for shared learning on risk management across the council.

- Providing a means for identifying and prioritising risk areas.

- Reinforcing the importance of effective risk management as part of the everyday work of employees.

- Incorporating risk management considerations into best value reviews of services.

- Incorporating risk management into the council's corporate, financial and service planning processes.

- Reinforcing the importance of risk management as part of the council's project management, performance management and procurement processes.

- Monitoring arrangements on an ongoing basis.

4. STAGES FOR MANAGING RISK

The cycle of risk management involves a number of key stages which are outlined below. The scoring and recording of risk is shown in more detail in **Appendices A** and **B** attached.

Stage 1:   Identify the Risks

Identification of the risks or barriers to achieving the objectives through:

- Specifying the strategic risks to which the authority is exposed in meeting its corporate objectives.
- Creation and maintenance of a strategic risk register, including a list of key strategic risks to the organisation.
- Operational risks being identified and recorded in service plans
- Project and partnership risks are identified and recorded within appropriate documentation.
- Risks affecting the achievement of objectives to be included in the risk management section of all committee reports.

Stage 2:   Assess and Score the Risks

Original Score
Having identified areas of potential risk, these are then analysed with the use of a risk matrix (**Appendix A)**, to give an assessment of impact and likelihood and an overall score for the risk without any mitigating controls, ie the inherent risk score.

Current Score
Having evaluated the risk without controls in place, list the key controls/ actions that will reduce the risk of non achievement and re-evaluate using the risk matrix in Appendix A, to arrive at the 'residual' risk score.

Mitigated Risk Score
If the risk, after putting in place controls/ actions, is still too high then further controls will need to be identified so that the score is revised to an acceptable level. In essence, this entails reducing the likelihood of non achievement by the implementation of further risk mitigation controls.

This whole risk process records the controls that are required to be put in place, including time scales, in order to reduce the likelihood of the risk occurring and the impact upon council objectives and will include such actions as:

*   avoiding the risk through pre-planning or risk transfer
•   limiting or reducing the risk
•   accepting the risk and managing it
•   covering the risk through measures such as insurance
•   defer or stop if the risk is too great

Once all controls have been identified, the risk is recalculated using the table in **Appendix A**, to arrive at the mitigated risk.

Stage 3:   Recording the Risks

Each risk needs to be allocated an accountable risk owner to take responsibility for managing the risk, ensuring controls remain effective and actions are taken.

Appendix B shows how the risks are recorded, including:

•   The nature of the risk
•   The inherent risk score
•   The residual risk score
•   The mitigated risk score
•   The existing key controls
•   The mitigating action
•   The risk owner

Stage 4:   Monitoring and Reporting

Risks are dynamic and subject to change and therefore need close monitoring to ensure that the controls remain in place and are effective.

New risks can be added to the risk register and those that are no longer a risk can be removed.

All changes must be recorded and reported appropriately although as a minimum this review exercise should be undertaken quarterly.

5. **TYPES OF RISK**

Whilst the display of the risk register is a standard format, as shown in **Appendix B**, there are different types of risk and include the following:

Strategic Level

Strategic risk may affect the achievement of the council's corporate objectives and are detailed in the Strategic Risk Register.

Risk owners are at Director/ and Head of Service level and all risks are reviewed quarterly with each risk owner and the Corporate Risk Manager and this will result in the Leadership Team receiving an 'exception' report on a quarterly basis. Leadership and the Audit Committee will also consider a full review on an annual basis.

Such risks may be classed as:

- **political,** eg changing strategic priorities, not meeting changed government agenda
- **economic,** eg the cost exceeds any demonstrable benefits
- **socia**l, eg failing to meet needs of disadvantaged communities
- **technological**, eg obsolescence of technology, not meeting future aspirations of community
- **legislative,** eg failure to comply with statutory changes
- **environmental**,eg noise, contamination, health
- **competitive**, eg failure to demonstrate best value/ VFM
- **customer/citizen**, eg lack of consultation, reputational risk
- **governance** eg proper processes such as procurement not followed
- **major service failure,** eg total breakdown in delivering vital service—rent allowance payments

Whilst driven by the Leadership Team, it is the responsibility of the Audit Committee to review the Strategic Risk Register annually and require improvement where necessary.

Operational Level

Each service area should establish a risk register, which links to their service objectives. These should be revised on a regular basis and used to influence decision-making.

The top 10 risks should be detailed in the service development plan in a corporate format and examples could include:

- Failure to deliver service
- Not meeting statutory requirements
- Implications of loss of key staff
- Reputational damage
- Failure to comply with EU directives
- Loss of assets or financial loss
- Over-reliance on key suppliers
- Budget overspend

Specific *Projects*

Projects within the authority should run in accordance with the principles of the Prince 2 methodology. Risks must be identified, managed and reported to the appropriate Project Board.

Risks attached to projects should be fed into the Strategic Risk register where appropriate and should certainly feature within Directorate Service Plans.

Partnerships

Risks are required to be identified for all partnerships in which the authority is involved. These could be risks for the council itself and/or the partnership.

Managing risks in partnerships should be undertaken in accordance with the Best Practice principles outlined in the HM Treasury document 'Managing Risks with Delivery Partners'. Such principles will be agreed between the council and its partner and will include:

- Common understanding of the objectives of the partnership
- Common understanding of the risks and how they can be managed
- Agreed standards for assessing the severity of the risk so that mitigating action can be prioritised
- Preparation of a joint risk register which is shared.
- Joint risk reviews are undertaken
- Use of same risk language
- Review of the partner's business continuity plan
- Clarifying requirement for monitoring information and who has access
- Clarity on who owns risk
- Ensure perceptions of risk are shared and consider logging different perspectives

Identification of *Risks within Committee Reports*

Decisions should be recorded by the author of the report in the section "Risk Management Implications" as follows:

Risk	Original risk (without controls) (1-4) 1= Low 4= High	Current risk (with controls (1-4) 1= Low 4= High	Actions to mitigate risk	Mitigated Risk	Risk owner
Example					
Lack of staff	4	3	Prioritise workloads	2	A.N. Other
Budget overspend	4	4	Look to reduce contract content or seek virement	3	A.N. Other

All significant risks with a score of 8 and above associated with the decision contained within a report should be reported within risk registers.

A full risk analysis including all identified risk, risk owner, the controls, etc should be held as background and do not accompany the report, but may be called upon by committee as required.

If there are no risks or little risk, then the author of the report should indicate this to demonstrate that this has at least been considered. A suggested wording is "**There is little or no risk to the authority connected with the recommendations on this report**".

6.   ROLES AND RESPONSIBILITIES

4.1   The roles and responsibilities of all those involved in the risk management process can be summarised as follows:

	Role
Managing Director/ Elected Mayor	• Leads on the wider corporate governance agenda, of which risk management is a part. • Signs off the annual Governance and Assurance Statements. • Ensures that risks are fully considered in all strategic decision-making and that the risk management strategy helps the Council to achieve its objectives and protection of its assets.
Corporate Risk Manager/ Head of Strategic Finance	• Lead Officer for Risk Management • Owner of Risk Management Strategy • Chairs Corporate Risk Management Group
Leadership Team	• To ensure the council manages risk effectively through the development of a comprehensive risk management strategy. • To monitor progress against strategic and cross-cutting risk action plans. • To attend risk management training as appropriate.
Risk Management Group	• To support the council and its services in the effective development, implementation and review of the risk management strategy. • To share experience on risk, risk management and strategy implementation across the council. • To assist with strategic and operational risk assessments and identification of cross-cutting risks. • To monitor progress against operational risk action plans. • To attend risk management training as appropriate. • To review the risk management strategy annually. • Each risk champion will coordinate the

	identification, analysis and control of risks in their service and report back to the group on any changes. • To monitor compliance with the risk management process by quarterly review of risk registers.
Audit Committee	• To consider and approve the council's corporate Risk Management and Opportunities Strategy. • To review annually the council's Strategic Risk Register. • To attend risk management training as appropriate. • Have a collective responsibility to understand the strategic risks that the authority faces and to oversee the effective management of these risks by officers. • Monitor the effectiveness of the authority's risk management arrangements • Seek assurances that action is being taken on risk related issues identified by auditors and inspectors • Be satisfied that the authority's assurance statement, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it.
All Members	• Have a responsibility to understand the strategic risks that the authority faces, to oversee the effective management of these risks by officers. • Ensure that all identified risks have been considered in decision-making. • Seek clarification from Portfolio Holders if risks are not specifically shown in reports • Use the Key Strategic Risk Register to help select items for Scrutiny reviews
Service Managers	• To ensure the council manages risk effectively in each service within the agreed corporate strategy. • To attend risk management training as appropriate. • To cascade the principles of good risk management to their sections, report potential strategic risks to their management team and manage all the risks associated with their service. • To ensure that risks are fully considered in the decision making process. • To ensure that risks are reviewed on a regular basis but quarterly as a minimum. • To ensure that risks are managed appropriately in any projects and partnerships that they are responsible for or are involved with.

	• To ensure that any policies or procedures for which they are responsible make the appropriate linkages to risk management.
Insurance manager	• Day to day management of the insurance function, including administration of claims. • To monitor claims experience and provide relevant data to service managers in order to reduce risk and ensure that claims experience levels are minimised.
Project managers and managers of Partnerships	• To use the corporate risk management methodology to identify and manage their risks. • To report their risks to the appropriate partnership/project board on a regular basis. • To ensure that their risks are included in the appropriate risk register.
Employees and volunteers	• To manage risk effectively in their job. • To attend risk management training as appropriate.

7. BUSINESS CONTINUITY PLANNING

Business Continuity Planning is integral to Risk Management and is a process to ensure continuity of service delivery following an unplanned disruption to normal working. To ensure that the organization is prepared, a Business Continuity Plan (BCP) is prepared.

BCP's should be prepared by the council and by each of the council's service delivery partners. It is the responsibility of client officers to review the effectiveness and robustness of partners' plans. The Risk Management Group will monitor compliance with the procedure.

A BCP will include the following elements:

• Identification of business critical systems, eg payment of benefits, housing the homeless.
• Details of alternative arrangements for short-term, medium and long-term continuity of service.
• Details of key contacts.
• Details of alternative accommodation and offsite ICT arrangements.

Information on Business Continuity Planning is contained on the Intranet under The Risk Management section.

Business Continuity Plans should be tested periodically and a simulated exercise to test awareness should be held annually.

8.   FURTHER ADVICE AND GUIDANCE

Further advice on risk management can be obtained from:

- Any member of the Risk Management Group or the risk champion for your area, details of which are contained in Appendix B

- By attendance at the risk management training sessions organised by corporate personnel (contact Learning and Develoment to express your interest)

- By reference to the risk management e-learning training module on the intranet under "Management competencies".

This document was prepared by Claire Coghlan, Risk Management Adviser to the Council.
It has been approved by the Risk Management Group, 21st February 2011;
Leadership Team, 22nd February 2011; and the Audit Committee 16th March 2011.

Scoring Risk

The impact and likelihood of any risk is evaluated on a scale of 1 – 4, with the produce of the two representing the risk score.

Impact Catastrophic ⟶ Minor	Low 4	High 8	Very High 12	Unacceptable 16
	Low 3	Medium 6	High 9	Very High 12
	Low 2	Low 4	Medium 6	High 8
	Low 1	Low 2	Low 3	Low 4
	Likelihood Very Unlikely ⟶ Very Likely			

The interpretation of the scores is as follows:

Impact: Rated 1 – 4

1. **Low Negligible Impact eg**
    - Minor service disruption/short term inconvenience
    - Financial loss under £25,000
    - Isolated service user complaints
    - Failure to achieve full objective is of minor consequence

2. **Medium Impact eg**
    - Service disruption
    - Minimal risk of injury to providers/ customers
    - Financial loss between £25,000 and £100,000
    - Adverse local media coverage/lots of service user complaints
    - Failure to achieve full objective is significant

3. **High Impact eg**
    - Significant service disruption
    - Major injury or ill health epidemic
    - Financial loss in excess of £100,000
    - Adverse national media coverage
    - Failure to achieve objective is unacceptable

4. **Extreme/Catastrophic Impact eg**
    - Total service loss for a significant period
    - Fatality to customers/employees or any other person
    - Financial loss in excess of £500,000
    - Adverse local media coverage/lots of service user complaints
    - Objective has unanticipated catastrophic consequences

Likelihood: Rated 1 – 4

1. Unlikely/rarely happens
2. Moderate chance/could happen
3. Likely
4. Almost certain

Overall Risk Score

The overall risk score can be interpreted as follows:

Overall Risk Score	
16	Unacceptable – if risk cannot be mitigated, consider stopping project.
12	Very High—risk must be reduced through planned actions
8 – 9	High risk – take further action to manage the risk and reduce its impact and likelihood.
6	Medium risk – consider further action
1 – 4	Low risk – monitor to ensure it remains low

Appendix B

Recording of Risk

The standard template for the recording of risks at all levels ie strategic, operational, specific projects and for assessing risks in decision-making is detailed on the following page.

The key elements of the registers will be:

- The nature of the risk
- The <u>original</u> risk score <u>without</u> any controls
- The current controls in place
- The <u>current</u> score with existing controls in place
- Further mitigating actions, if required, with timescale, to reduce the <u>current</u> risk score
- Re-assessment of the <u>mitigated</u> risk score with the further mitigating controls in place
- The name of the risk owner
- The date of assessment
- A date for review

Standard template for recording risk

No	Risk	Original Score			Current controls	Current Score			Further Mitigating Action	Timescale	Mitigated score			Risk owner
		Impact	Likelihood	Score		Impact	Likelihood	Score			Impact	Likelihood	Score	
1	Failure to Complete Colosseum refurbishment													
a.	Contractor fails to keep to timescale	3	4	12	Contract specification/ Regular progress meetings	3	3	9	Review critical path .Extend working hours. Review specification. Re-schedule opening date to minimize impact re bookings.	March 2011	2	3	6	Cate Hall
2.	ServicePrioritisation profiled savings are not realized on time	3	4	12	Regular meetings of ProgrammeBoard(Executive Management team). Full engagement of Leadership team	3	3	9	Implementation plans need to be finalized. External help identified. Service Heads made accountable for non achievement. Contingency plan should be in place in case of non achievement.	March 2011	3	2	6	A.N. Other

Risk Management Group

Purpose

The purpose of the group is to complete the implementation of our Risk Management Strategy as a key element of our Corporate Strategy with particular attention to:

• Strategic risk register
• Operational risk register
• Business continuity plans
• Monitoring and reporting procedures
• Review and updating procedures
• Specification of standards
• Specification to develop integrated training programmes
• Protection of core information systems and infrastructure
• Managing risk in partnerships

The aim is to identify, evaluate and quantify the risk exposure in relation to all functions that threaten the achievement of the corporate strategy

Reporting

The group will report back to Leadership quarterly (by exception) and a full review on an basis. The Audit Scrutiny Committee will receive an annual report upon all aspects of risk management.

Group Composition
The group will meet two monthly, shall be chaired by the Head of Strategic Finance and consist of 'risk champions' drawn from staff across the council whose job it will be to disseminate information to their service units and act as first point of contact for risk management advice.

The core group is as follows:

Portfolio/Service Area	*Risk Champion*
Customer Services	*Danielle Negrello*
Planning and the Transportation	*Jane Custance*
Environmental services	*Alan Gough*
Communities Services	*Lesley Palumbo*
Partnerships and performance	*Kathryn Robson*
Finance and Asset Mgt	*Bernard Clarke*
Revenues and Benefits	*Phil Adlard*
Facilities Management	*Clive Goodchild*
Legal and Property Services	*Carol Chen*
Internal Audit	*AN Other*
Human Resources	*Terry Baldwin*
ICT	*Avni Patel*
Corporate Risk Co-ordinator	*Laxmi Curwen*
Emergency Planning Adviser (HCC)	*Philip Le Grove*