RISK MANAGEMENT HANDBOOK – TOP TIPS FOR MANAGERS GUIDANCE

RISK MANAGEMENT AT BDC /RBC

The **Risk Management Handbook** provides an overview for all staff of the council's approach to Risk Management, including the extent to which Performance Management and Data Quality are integral to this.

This **'Top Tips for Managers'** Guide aims to provide more detailed guidance for Service Managers to support the identification and management of risk, aligned with the available resources, and contributing to the delivery of the council's overall strategic purposes

RISK MANAGEMENT CYCLE

The Risk Management Cycle must be applied both to strategic and operational risks. It is as follows:
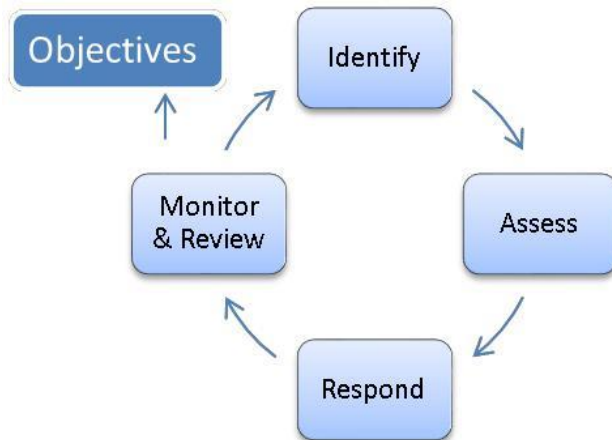
IDENTIFY YOUR RISKS

- A risk is an event or action that will have an effect on our ability to achieve our purposes
- Those best placed to identify risks are those who are responsible for the delivery of the purposes.

To be effective, Risk Management needs to be aligned with corporate aims, purposes and priorities. At BDC / RBC, risk is embedded at the heart of planning and ongoing performance management.

Strategic risks recorded on the Corporate Risk Register:

- The risks that are potentially damaging to the achievement of the council's overall purposes, or have an impact on the council corporately (e.g. damage to reputation). Strategic risk management is a task for the CMT, in close liaison with elected members.
- Corporate Plan

Operational risks recorded in individual Operational Risk Registers:

The risks associated with individual service delivery, which will be managed by the Service Managers responsible for delivering those services.

RISK MANAGEMENT – TOP TIPS

You can begin to think about your potential risks using a range of tools. These could include:

• Analysing past claims and other losses;
• Analysing past corporate incident'/failures;
• Health & Safety inspections;
• Induction training & performance meetings;
• Staff and customer feedback

It may also help to think about the kinds of categories in which risks may sit. Suggestions are listed at Appendix I to assist.

ASSESS YOUR RISKS

Once the potential risks to service delivery have been identified, these need to be analysed by:

• Assessing the likelihood of the risk occurring
• Assessing the impact of the risk

Measure the LIKELIHOOD – the chance of something nasty happening

• **High –** event expected to occur in most circumstances
• **Medium –** might occur in most circumstances
• **Low –** likely to occur only in exceptional circumstances

Measure the IMPACT – the effect that something nasty happening would have

Seven criteria can help up measure impact; injury to personnel, loss of service, damage in reputation, number of people involved, scope for complaint/litigation, amount of financial loss or regulatory breach.

We use the following three categories to measure impact. Each can be defined in line with the seven criteria. However, it should be noted that these criteria are for ***guidance only*** and do not need to all apply exactly. Each risk should be considered individually.

CRITICAL
1. Death, extensive permanent injuries, long term injury
2. Short to medium term <u>loss</u> of service capability
3. Adverse local publicity, potential for embarrassment nationally
4. More than 40 people involved
5. Strong possibility of litigation
6. Financial loss in excess of £250,000
7. Breaches of law punishable by fines and/or imprisonment

SIGNIFICANT
1. Medical treatment required, long term sickness
2. Short to medium term <u>disruption</u> to service capability
3. Needs careful public relations management
4. Up to 40 people involved
5. High potential for complaint, litigation possible
6. Financial loss between £50,000 and £250,000
7. Breaches of regulations/national standards

NOTICEABLE
1. No injuries beyond 'first aid' level
2. No significant disruption to service capability
3. Unlikely to cause any adverse publicity
4. No more than 6 people involved
5. Unlikely to cause complaint/litigation
6. Financial loss below £50,000
7. Breaches of local procedures/standards

NB. A number of low impact incidents may have a significant cumulative effect and require attention.

**Wherever possible, describe your risk using:
"Loss / failure of xxx, leading to xxx, resulting in xxx"**

RISK MANAGEMENT - TOP TIPS

ASSESS contd.

After assessment, the likelihood and impact measures can be input into our Risk Matrix:

RISK ASSESSMENT MATRIX

LIKELIHOOD OF OCCURENCE

	NOTICEABLE	SIGNIFICANT	CRITICAL
HIGH	4	7	9
MEDIUM	2	5	8
LOW	1	3	6

IMPACT

This will produce a 'score' for the risk and, more importantly, a colour risk rating (i.e. red, amber or green). These colours define our Risk Appetite (the level of risk we are willing to accept), and therefore guide how we will respond to each risk. *(note this may change subject to current work to identify risk appetite)* The ratings are:

Unacceptable risk: immediate control improvement required

Acceptable risk: monitor closely and seek cost effective control improvements

Acceptable risk: review regularly and seek low cost control improvements if possible

RESPOND TO THE RISKS

Our risks, once identified and assessed, must be dealt with in line with the colour rating/Risk Appetite so we are providing a proportionate and cost effective response.

> • Can we take action to reduce the likelihood of the event happening?
> • Can we reduce the impact of the event?
> • Can we change the consequences of the event?

Ask yourself:

We use four basic ways of responding to risk although, in practice, we will probably need to use a mixture of responses to address risk. These are;

• **Tolerate**
• **Treat**
• **Transfer**
• **Terminate**

See page four for a description of each.

RISK MANAGEMENT – TOP TIPS

Tolerate

- Do nothing / consciously accept the risk
- Certain risks cannot be adequately treated by either avoidance, transfer or control. In such cases, there is no alternative but for the council to accept the 'residual', or remaining, risk.
- We need to keep an eye on trends as too many may need investigation. Although they may not merit the cost of action, even very low risks, if repeated often enough, can become a problem that needs management.

Treat

- Take action to ensure existing controls are effective by periodic review and/or by implementing additional controls where considered necessary to reduce either the impact or likelihood that the event will materialise.
- The effort/cost must be proportionate to the level of risk.

Transfer

- Involves another party taking on, or sharing, the risk.
- Good examples of this are insurance and contracting out/shared services.
- **NB** Ultimate responsibility to undertake statutory requirements remains with the council, even if third party provision is engaged.

Terminate

- Deciding not to continue or proceed with an activity in view of the level of risk involved, wherever possible
- **NB** Statutory Requirements cannot be avoided.

RE-ASSESSING RISK

Putting in place appropriate actions to respond to the risk will allow for the risk to be measured again. The risk matrix can be used to re-evaluate the risk after control measures have been put in place, and this will provide the risk's *'residual score'*.

The 'Residual Score' should be at a level that is acceptable to management, and will also be recorded on the relevant **Risk Register (corporate or operational).** It will give a measure of the effectiveness of the various control measures, and help to raise awareness of their importance.

It will also inform managers of the level and type of monitoring and management that will be required for the risk on an ongoing basis.

MONITOR & REVIEW THE RISKS

Effective risk management requires a reporting and review structure to ensure that risks are effectively identified and assessed, and that appropriate controls and responses are in place. The **Risk Registers** record risks to the council.

Corporate Risk Register

We have a dynamic process of review; identifying new risks, removing mitigated risks and tracking changing risk scores throughout the year. In addition, there are formal review points:

- Published on the intranet
- Reviewed quarterly by risk management group and reported to CMT
- 6 monthly review to Audit Committee
- Annual report also produced for SMT

RISK MANAGEMENT – TOP TIPS

Operational Risk Register

- Council Plan actions and Operational Risk Registers are combined
- Maintained by service areas on the 4 Risk system
- Having carried out assessment of risk, managers must:
- Ensure that the agreed control measures continue to be applied
- Check whether there has been any change in circumstances that necessitate a fresh risk assessment being carried out
- Formally review all risk assessments affecting their areas of activity quarterly, *providing a current risk score each quarter*.
- Revisit all risks each year.

New Risks

New risks identified throughout the year must be captured on the appropriate risk register, either by Service Managers for operational risks, and then discussed at risk management group meetings, or through notification to the HOS for corporate risks.

New corporate risks will be reported to the next quarter's CMT meeting and added to the register if deemed appropriate by CMT..

The assessment and response to new risks must be recorded in line with the Risk Management Handbook, as with any other risk.

Review

The risk assessment process involves all managers and will be repeated at least annually to monitor the effectiveness of the risk control measures implemented.

Audits are carried out in line with Internal Audit's rolling three year plan to identify opportunities for improvement. Changes in the council and the environment in which it operates will continue to be identified and appropriate modifications made to systems.

The monitoring process will provide assurance that there are appropriate controls in place for the council's activities, and that procedures are understood and followed.

DECISION MAKING, PROJECT PLANNING & WORKING IN PARTNERSHIP

Decision making

The Council needs to be able to demonstrate that it has considered the key risks associated with any proposed activity before arriving at a decision. This must also include considering the key risks associated in deciding against that proposed activity.

Risk therefore needs to be addressed at the point at which decisions are being taken. Where members and managers are being asked to make decisions they will be advised of the key risks associated with the recommendations being made.

Risk management is used to guide decisions and policy development.

RISK MANAGEMENT – TOP TIPS

Project Planning

Risk management must also be an integral part of project management, both in terms of the initial project/solution design and as part of ensuring that projects are delivered successfully.

Working in partnership

Where the council provides services in partnership, potential risks that could prevent success still need to be considered, just as though the council were providing those services itself. Risks should be managed through formal contracts and partnership agreements that clearly identify risks and allocate them to the appropriate parties. They are also included in our Corporate Risk Register.

Agreeing clear partnership outcomes is essential from the outset of an agreement. There must be open communication between the partners about the key risks that the partnership faces in achieving its purposes, which are formalised in partnership agreements.

Risks in partnerships should be considered using the council's Risk Management Framework and cycle which will:

- Highlight the risks that the partnership faces
- Identify the barriers to the partnership's success
- Creates a common understanding among partners of the issues the partnership faces
- Prioritise the risks and ensures that these are regularly reviewed and monitored
- Allocates responsibility for managing the risks to the party best placed to do it
- Provides the necessary assurance to each organisation that the partnership is being adequately managed

Risks associated with key partnerships must be regularly reviewed with the monitoring process agreed when the partnership is set up. Reports to the partnership and the individual organisations should be determined by the significance of the risks involved.

The following documents will include formal identification of associated risks:

All reports to members	Business cases and project plans
Recommendations to CMT	Business Plans

ACCOUNTABILITIES, ROLES & RESPONSIBILITIES

The Director of Finance and Resources has the lead role for developing the council's approach to risk management. She is assisted by the Finance Manager and Insurance Officer, who support officers in implementing risk management on an annual and day to day basis.

Risks cannot be managed if they are not owned. This means the day to day responsibility for risk management lies with managers and staff.

Roles & Responsibilities are described in Appendix II.

RISK MANAGEMENT – TOP TIPS

TRAINING

Having established responsibilities for risk management, the council must ensure that staff and members have the appropriate skills to undertake the roles.

It is the responsibility of managers to ensure their staff are properly trained in the implementation of this strategy.

A programme of training will then be provided including:

- An induction to 4-risk
- Awareness raising for all staff
- Refresher training
- Ad hoc training from Zurich, the council's Risk Advisers, to meet identified need
- Inclusion of Risk in the Members' Handbook

This 'Top Tips for Managers' Guide is also intended for use as an ongoing training resource.

APPENDIX 1

RISK CATEGORIES

Here is a list of risk categories to help you identify your risks. Risks can be strategic, operational or sometimes a mixture of both. These categories are only intended as a guide to help you consider risk, and will not be exhaustive or cover every risk in every situation.

We also need to bear in mind Governance factors:

STRATEGIC	Sources of Risk	Risk Examples
	Business Continuity	Loss of data / records / buildings
	Infrastructure	Functioning of transport, communications and utilities infrastructure. Impact of storms, floods, pollution
	Financial	Funding sources
	Politics and Law	Effects of change of government policy, UK or EC legislation, national or local political pressures or control, meeting the administrations manifesto commitments
	Social Factors	Effects in changes in demographic, residential and social trends on ability to deliver objectives
	Technology	Capacity to deal with obsolescence and innovation, product reliability, development and adaptability to use technology to address changing demands
	Competition and Markets	Affecting the competitiveness (cost & quality) of the service and/or ability to deliver Best Value and general market effectiveness
	Stakeholder related factors	Satisfaction of: citizens, users, central and regional government and other stakeholders
	Environmental	Environmental consequences of progressing strategic objectives (e.g. in terms of energy efficiency, pollution, recycling emissions etc.)

OPERATIONAL	Sources of Risk	Risk Examples
	Finance	Associated with accounting and reporting, internal financial delegation and control e.g. managing revenue and capital resources, pensions
	Human Resources	Recruiting and retaining appropriate staff and applying and developing skills in accordance with corporate objectives, employment policies, health and safety and absence rates
	Contracts and Partnerships	Failure of Contractors to deliver services or products to the agreed cost and specification. Procurement, contract and relationship management. Overall Partnership arrangements e.g. for pooled budgets or Community Safety
	Tangible Assets	Security of land and buildings, safety of plant and equipment, control of I.T. hardware
	Environmental	Relating to pollution, noise or the energy efficiency of ongoing operations
	Processes	Infection control, inspection compliance, project management, performance management
	Professional judgement and activities	Risks inherent in professional work such as legal or other professional advice, working with children, designing buildings

GOVERNANCE		
	Integrity	Fraud and corruption, accountability and openness, equality and diversity, legality of actions and transactions and limits on authority
	Leadership	Reputation, authority, democratic renewal, trust and identity
	Policy and strategy	Ensuring clarity of purpose and communication. Policy planning, community planning and monitoring and managing overall performance
	Data and information for decision making	Data protection, data reliability and data processing. Information and communication quality. Effective use and interpretation of information. Control of data and information.
	Risk Management	Incident reporting and investigation, risk measurement, evaluation and monitoring

RISK MANAGEMENT HANDBOOK – Roles & Responsibilities

APPENDIX I

In the following table, risk management responsibilities relate to business as usual, projects, risks and financial performance

Employees	**Resources – (Insurance Officer)**
	• Leading the annual review of the Risk Management Handbook/Policy and Strategy
	• Maintaining and reporting on the Corporate Risk Register
	• Advising Service Managers on the identification, assessment and management of operational risks during the Service Planning process
	• Working with Service Managers on a quarterly basis to review risk management, as part of the Performance Management Framework
	• Providing ongoing support and training to staff in relation to risk management.
	• Consolidate inspection policy
		All Employees
		• All council employees are responsible for ensuring there are robust and fit for purpose systems of internal control and risk management in place, and that they are aware of the risks that they:
		  - Are empowered to take
		  - Must avoid
		  - Must report upward
		  - Risk Owners are accountable for the management of their own risk, and these are defined in Risk Registers.
		• All staff are responsible for reporting hazards/risks to their manager for escalation/consideration for inclusion in the Corporate Risk Register.

Managers	**Senior Management Team / CMT** • Collectively, approving the risk management approach • Considering and approving the Risk Management Policy, as formed by the Handbook • Individually, ensuring risk is managed effectively in their own service area, in line with the agreed strategy • Ensure risk is managed and monitored effectively in shared services (hosted and non-hosted) in their area • Affirming and supporting the work of risk management throughout the council, which is an important part of the council's corporate governance arrangements • Monitoring corporate risks on a six monthly basis and annually in SMT meetings • Reporting all new and amended risks to Insurance Officer for inclusion in the Corporate Risk Register, and to ensure they are linked to the budget planning process	**Service Managers** • Ensuring that all employees within their service understand and comply with the risk management policy & procedures • Identifying, evaluating and managing operational risks and reporting any possible corporate risks to the Head of Service • Ensure that operational risk registers are established for their services and regularly reviewed to ensure that risks are adequately monitored and managed • Formally review all arrangements for risk management affecting their service areas at least annually as part of the business planning process
Members	**Council** The Leader of the Council is responsible for acting as the Lead Councillor for risk management.	**Executive Committee** Executive Committee is responsible for considering risk implications when making any decision	**Audit, Standards & Governance Committee** Notified of Corporate Risk Register and its contents on an annual basis. Review on a 6 monthly basis
All Members	• Considering risk implications in planning and decision making • Have a responsibility to understand the strategic risks facing the council • Bringing to the attention and discussing with officers any risks relating to the council's policies and activities, or any risks identified when undertaking duties as an elected member • Have an understanding of the key council risks falling within their portfolio area, where relevant • Providing leadership and direction for the management of risk on		
Internal Audit	• Undertaking audits of the council's Risk Management system and procedures in order to assess their effectiveness and compliance with the council's requirements as part of the corporate governance process • Making recommendations to improve the effectiveness of Risk Management within the council		