

RISK MANAGEMENT STRATEGY

2014 DRAFT

Author: Stephanie Payne, Audit, Risk Management and Value for Money Officer
Endorsed by: Cllr Debbie Llewellyn, Member Champion for Risk Management
Updated: November 2014

CONTENTS

| <u>Description</u> | <u>Page</u> |
|--|-------------|
| 1. Foreword | 3 |
| 2. What is risk management? | |
| - 2.1 Definition and scope | 4 |
| - 2.2 Risk management objectives | 4 |
| 3. Risk appetite | 5 |
| 4. How is risk management delivered? | |
| - 4.1 Types of risk | 5 |
| - 4.2 Risk management cycle | 6 |
| 5. Roles and responsibilities | 8 |
| 6. Business continuity planning | 10 |
| 7. Further guidance and support | 10 |
| Appendix A: Risk types | 11 |
| Appendix B: Scoring risk | 13 |
| Appendix C: Recording risk – risk registers | 15 |

Document version control

| Version number | Version date | Summary of changes |
|----------------|---------------|---|
| 1 | March 2008 | Original document |
| 2 | March 2012 | Updated version – approach update due to cessation of use of Performance Plus system (for performance and risk management) |
| 3 | November 2014 | Updated version – inclusion of strategic risk register biannual review by Committee and alignment of approach, roles and responsibilities with the Council’s up to date structure |

Risk Management Strategy 2014 DRAFT

1. Foreword

'If a Council doesn't have effective risk management then it doesn't have effective management'

- 'Chance or Choice' the Society of Local Authority Chief Executives

At Gloucester City Council we understand risk management plays an integral part in our journey of transformation, supporting the delivery of the Council priorities which are detailed within the Council Plan 2014/17:

- Prosperity – growing Gloucester's economy
- People – working with our communities
- Place – creating pride in our city and improving our environment
- Performance – sound finances and strong performance

Risk management is a key principle of effective corporate governance at the Council and a main contributor to a sound internal control environment.

The Council's Members and Senior Management Team support and endorse the work of embedding a risk management culture across all levels of Gloucester City Council's operations. The importance of integrating risk management techniques in planning, decision making and delivery is recognised, as is the need to raise overall awareness and understanding of risk.

The Council's aim is to apply recognised best practice in the identification, evaluation and management of risks and opportunities, through delivery of a structured and consistent risk management approach to ensure decisions made by the Council consider all relevant risk and opportunity implications and that identified risks and opportunities are proactively managed.

The Risk Management Strategy details our framework and approach to how we deliver risk management and embed it at Gloucester City Council. The Leader of the Council, Members and the Senior Management Team are committed to this Strategy and see it as part of our commitment to driving improvement strategically and in our services.

Paul James
Leader of the Council

Martin Shields
Corporate Director,
Services & Neighbourhoods

Risk Management Strategy 2014 DRAFT

2. What is risk management?

2.1 Definition and scope

'Risk management is the culture, processes and structures that are directed towards effective management of potential opportunities and threats to the Council achieving its priorities and objectives'

ALARM

This Strategy is intended to reaffirm and improve effective risk management in the Council, comply with good practice and in doing so, effectively manage potential opportunities and threats to the organisation achieving its objectives.

Ensuring that there is an understanding of 'risk' and that the Council adopts a consistent approach to identifying, prioritising and reporting risks should lead to conscious choices over the most appropriate method for dealing with each risk – e.g. risk elimination, reduction, transfer or acceptance.

2.2 Risk management objectives

Gloucester City Council is aware that, as a multi-service organisation, it is exposed to a very wide range of risks and threats to the delivery of key services to the community it serves.

The Risk Management Strategy is to support a structured approach to risk management through adopting best practice in the identification, evaluation and the cost effective management of risks to ensure that they are reduced to an acceptable level.

The objectives of Gloucester City 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 and legislation requirements.
- Prevent injury, damage and losses and reduce the cost of risk.
- Raise awareness of the need for risk management in all those connected with the Council's delivery of services.
- Enable the Council to achieve its key corporate priorities and objectives.

This will be achieved by:

- Establishing clear roles, responsibilities and reporting lines for risk management.
- Providing and using a robust and systematic framework for identifying, managing and responding to risk.
- Reinforcing the importance of effective risk management through communication and risk management awareness training.
- Incorporating risk management into the Council's corporate, financial and service planning processes.
- Reinforcing the value of risk management within the Council's (and partnerships') project management, performance management and procurement processes.
- Monitoring arrangements on an ongoing basis.

Risk Management Strategy 2014 DRAFT

3. Risk appetite

'The alternative to risk management is crisis management but that is far more expensive, embarrassing and time consuming'

- James Lam, risk management author

An organisation's risk appetite is the amount of risk it is prepared to accept, tolerate or be exposed to in order to achieve its objectives. This is then factored into planning, decision making and delivery.

The Council's goal is to be risk and opportunity aware. Gloucester City Council's risk appetite is determined by individual circumstances. In general, the Council's approach to service provision is to be innovative, seek continuous improvement and provide value for money within a framework of robust corporate governance. The framework includes a risk management approach that identifies and evaluates risks relating to actions being considered. Decisions on whether to proceed with such actions are only taken after full assessment of the identified risks and an analysis of the risks compared to the benefits.

However, in all circumstances:

- The Council should secure the legal integrity of its actions at all times.
- The Council should manage its financial affairs so that no action would be taken which would jeopardise its ability to continue as a going concern.

4. How is risk management delivered?

4.1 Types of risk

Risks should be assessed at appropriate levels within the Council. These are as follows:

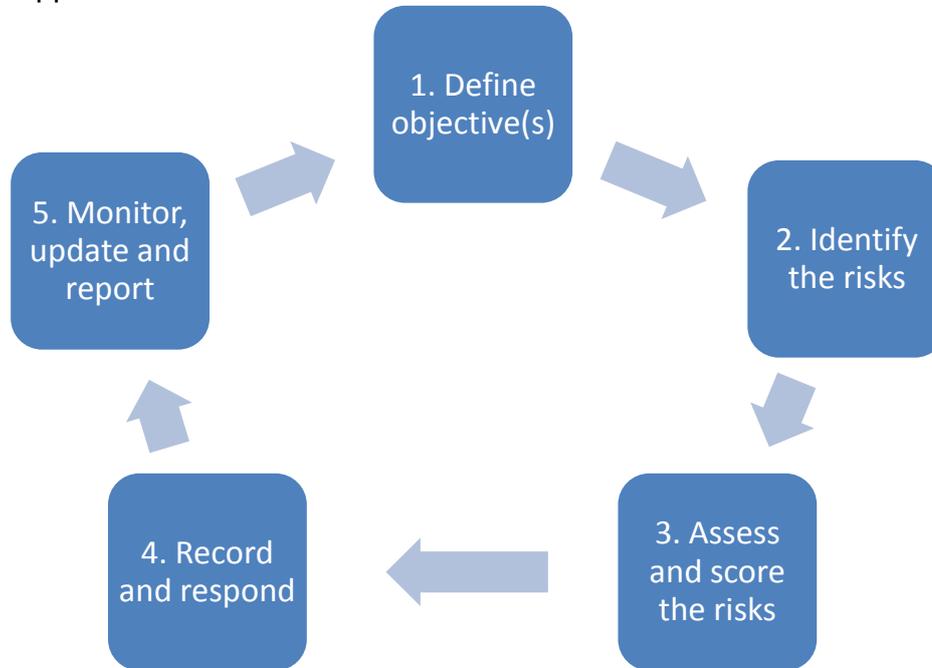
| Type | Responsible officers | Risk assessment method |
|-----------------|--|--|
| Strategic | Senior Management Team (SMT) and Members | Strategic risk register |
| Service | Heads of Service and Service Managers | Service risk registers |
| Projects | Project Boards/Lead officer | Risk assessment pre commencement – i.e. within the project decision Risk management criteria within project agreement/contract Project risk register |
| Partnership | Partnership Boards/Lead officer | Risk assessment pre commencement – i.e. within the partnership decision Risk management criteria within partnership agreement/contract Partnership risk register |
| Decision making | Report Author | Committee report template |
| Procurement | Lead officer for procurement of item/service | Compliance with the Council Constitution Standing Orders and procurement work flow criteria |

Risk Management Strategy 2014 DRAFT

Appendix A gives further details on risk types and examples.

4.2 Risk management cycle

The risk management cycle applies to all types of risk and involves a number of key stages which are outlined below. The scoring and recording of risk is shown in more detail in Appendices B and C.



| Stage | Description |
|-------------------------------|---|
| 1: Define objective(s) | This applies to all risk types. Objectives form part of the risk management cycle as they will often change/develop, requiring review as appropriate. |
| 2: Identify the risks | <p>Risk registers should document the risks/opportunities that could impact or prevent the achievement of the defined objective(s).</p> <p>It is the responsibility of all parties associated with an objective to help identify potential risks and report them to the manager responsible for the objective.</p> <p>Risks should be recorded in enough detail to enable identification of the objective the risk affects, the specific risk, and the impact of the risk.</p> |
| 3: Assess and score the risks | <p>Risk is scored using a 4*4 (risk likelihood multiplied by risk impact) scoring matrix – detailed at Appendix B.</p> <p>The Council use a three stage risk assessment approach and this is reflected within the risk register template at Appendix C:</p> <ul style="list-style-type: none"> - Original Risk: The impact and likelihood of the risk without any controls in place – the inherent risk score if no action was taken. - Current Risk: The impact and likelihood of the risk considering the existing controls in place – i.e. what is being currently delivered. Current controls should be evaluated and documented. |

Risk Management Strategy 2014 DRAFT

| Stage | Description |
|-----------------------|--|
| 4: Record and respond | <p>- Mitigated Risk: If the current risk with existing controls is above the level of risk appetite, the risk score should be assessed to determine whether it can be revised to an acceptable level through implementation of further risk mitigating controls. This will include actions such as:</p> <ul style="list-style-type: none"> - Avoiding the risk. - Limiting or reducing the risk. - Mitigating the risk. - Transferring the risk, e.g. take out insurance. - Defer or stop – due to the risk being unacceptable. <p>This process records the further mitigating controls that are required and realistic time scales for their implementation.</p> <p>Once the further mitigating controls have been identified, the risk is reassessed to confirm the mitigated risk score (i.e. the target for acceptable risk).</p> <p>Risks should be recorded within a risk register, in line with the Council’s template – see Appendix C.</p> <p>Each risk needs to be allocated a risk owner to take responsibility for managing the risk, ensuring controls remain effective and mitigating actions implemented.</p> |
| 5: Monitor and report | <p>All risks can change over time and therefore need close monitoring to ensure that current controls remain in place and are effective, and that mitigating actions are achieved within the stated timeframe. Also new/emerging risks should be considered on the risk register and those that are no longer a risk should be removed.</p> <p>All changes must be recorded and reported appropriately. Risk registers should be reviewed and updated as appropriate to ensure they reflect the current risk position.</p> <p>The strategic risk register is formally reviewed by SMT on a monthly basis, and biannually by Members through Audit and Governance Committee and Cabinet.</p> <p>Service business plans and risk registers are reviewed by SMT on an annual basis.</p> <p>Independent monitoring of risk management arrangements will be completed as part of the Risk Based Internal Audit Plan. An annual risk management report is also submitted to Audit & Governance Committee.</p> |

Risk Management Strategy 2014 DRAFT

5. Roles and responsibilities

Everyone has a role to play in managing risk and delivering the Risk Management Strategy. All Members, managers, employees and partners must understand the nature of risk and accept responsibility for managing risks associated with their area of activity.

These roles and responsibilities are confirmed within the following table.

| Post | Role and responsibilities |
|--|--|
| Leader and Cabinet | <ul style="list-style-type: none"> - Consider and approve the Council's corporate Risk Management Strategy. - Receive and endorse the Council's strategic risk register on a biannual basis. - Nominate a Member Risk Management Champion (role defined below). |
| Audit and Governance Committee | <ul style="list-style-type: none"> - The following roles and responsibilities are in line with the Council Constitution requirements. - Consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council, while integrating risk management into the governance and decision making processes. - Monitor the effective development and operation of risk management in the Council, including review of the Risk Management Strategy for recommendation to Cabinet and receipt of the annual report on risk management activity. - Monitor progress in addressing risk-related issues reported to the Committee. - Consider and confirm that reports to Audit & Governance Committee properly reflect the risk environment and any actions required to improve it (including but not exclusive to the Risk Based Internal Audit Plan, Annual Governance Statement, and reports from both internal and external audit). - Provide independent assurance to Council on the adequacy and effectiveness of the risk management framework. - The ability to require the Leader, Cabinet Members, and Corporate Directors to attend and be questioned on risk management matters relating to their roles and responsibilities. - Receive and endorse the Council's strategic risk register on a biannual basis. |
| Members | <ul style="list-style-type: none"> - Be aware of the risk management implications of decisions and ensure that all identified risks have been considered in decision making. |
| Member and Officer Risk Management Champions | <ul style="list-style-type: none"> - Ensure that the Council manages risk effectively through the development, implementation and review of a robust and comprehensive Risk Management Strategy. - Arrange training and guidance in Risk Management as appropriate (Officer Champion only). - Be pro-active in supporting, promoting and challenging risk management activities across the Council. - Support the Council officers and Members in delivering the Risk Management Strategy – including raising awareness, providing advice and support, and assisting with risk registers. |

Risk Management Strategy 2014 DRAFT

| Post | Role and responsibilities |
|---|--|
| SMT | <ul style="list-style-type: none"> - Ensure the Council identifies and manages risk effectively through the development, implementation and review of a robust and comprehensive Risk Management Strategy. - Ensure the risk appetite for the Council is identified and reviewed regularly. - Strategic risk register ownership, review and update (monthly review and update as a minimum). - Receipt and review of service and significant partnership risk registers on an annual basis, to consider risks affecting delivery of services as reported by Managers. - Ensure that risks are fully considered in management processes and all strategic decision making. |
| Managers | <ul style="list-style-type: none"> - Support the Council in the effective implementation, review and promotion of the Risk Management Strategy within services. - Support the embedding of risk management within the culture of the Council as an integral part of the planning, decision making and performance management framework. - Own their service risk register and ensure they are managed, monitored and communicated effectively (including delivery of mitigating action activity) – review and update should be completed on a regular basis to ensure that new and/or emerging service risks are considered. - Ensure that risks are identified, evaluated and managed appropriately in projects and partnerships (see Appendix C). - Promptly advise SMT of any service/partner/project risks that may require escalation to the strategic risk register. - Provide assurance to SMT regarding risk management compliance at service, partner and project level. - Ensure risks relating to Committee report recommendations are appropriately considered and reported. - Ensure that any policies or procedures for which they are responsible make the appropriate linkages to risk management. |
| Employees and Volunteers | <ul style="list-style-type: none"> - Identify and assess risks and opportunities effectively in their job. Report identified risks/opportunities to their managers. - Undertake their job within contractual, policy and statutory guidelines. |
| GAAP – Internal Audit service provider | <ul style="list-style-type: none"> - Produce and deliver an annual Risk Based Internal Audit Plan to monitor the effectiveness of internal controls. - Report where controls are not in place/operating effectively and provide recommendations for management consideration and action. - Facilitate an independent audit of the Risk Management Strategy and processes (including risk register review). |
| Insurance officer role (Financial Services) | <ul style="list-style-type: none"> - Day to day management of the insurance function, including arrangement, claims, provision of advice/support etc. - Ensure appropriate arrangements are in place to mitigate against identified insurable risks. |

Risk Management Strategy 2014 DRAFT

6. Business continuity planning

As a Council, and in undertaking our role as a Category One Responder under the Civil Contingencies Act (2004), there is a legal requirement to have robust business continuity procedures in place.

Business continuity planning is an element of risk management and is a process to ensure continuity of service delivery following an unplanned disruption to normal working. There should be a Business Continuity Plan (BCP) in place in all Council services and at each of our key service delivery partners.

The Gloucester City Council BCP lead document is our Corporate Recovery Plan and the approach is supported by our corporate recovery team.

For further information on business continuity planning, please e mail the business.continuity@gloucester.gov.uk or contact the Deputy District Emergency Planning Liaison Officer directly - edward.pomfret@gloucester.gov.uk

7. Further guidance and support

Further advice on risk management can be obtained from the Officer Risk Champion or by e mailing the risk management in box – details below:

Stephanie Payne
Audit, Risk Management and Value for Money Officer
01452 39 6432
stephanie.payne@gloucester.gov.uk

riskmanagement@gloucester.gov.uk

Other risk management relevant documentation is available on the Council intranomic - under the corporate information and democratic and decision making sections:

- Risk register template
- Council report writing guide (including the Committee report template)
- Procurement flow chart and risk examples to consider

Risk types

Strategic level

Strategic risk may impact the achievement of the Council's corporate priorities and objectives, detailed within the Council Plan 2014/17. Strategic risks are documented within the strategic risk register.

Strategic risk categories include:

- **Political** – e.g. failure to meet local administration commitments or central government policy
- **Economic/Financial** – impacting the Council's ability to meet the Money Plan
- **Social/Customer** – e.g. failure to meet changing needs of residents
- **Technological** – e.g. obsolescence of technology; confidentiality/security breach
- **Legislative** – e.g. non application and compliance with statutory regulations resulting in legal challenges, judicial review or public interest reports
- **Environmental** – environmental consequences (e.g. energy, efficiency, pollution etc) of Council objective delivery
- **Reputation** – e.g. lost confidence in the Council to deliver objectives; adverse media attention
- Risks faced as an **Employer** – e.g. a lack of competence and professionalism within the authority leading to diminished performance and failure to comply with legislation and Council rules, regulations and procedures
- **Regeneration (Property Assets)** – due to the significance of City regeneration within the Council Plan 2014/17

The strategic risk register is formally reviewed by SMT on a monthly basis and risk owners are at SMT level. Review by Members at Audit and Governance Committee and Cabinet is completed on a biannual basis.

Service level

Each service should establish a service risk register, a document that should sit alongside and link with the service's business plan.

The service risk register should consider and document the risks/opportunities that could impact the delivery of service objectives. Service risks may change within the year, therefore service risk registers should be reviewed and updated as appropriate to ensure they reflect the current risk position.

Service business plans and risk registers are reviewed by SMT on an annual basis.

Example service risk categories include (but are not exclusive to):

- **Financial** – e.g. non achievement of budget due to overspend/reduced income
- **Human Resources** – e.g. staff turnover or resourcing issues impacting a service's ability to deliver objectives
- **Legal** – e.g. breach of legislation or non compliance with statutory deadlines
- **Contractual** – e.g. failure of contractor/partner to deliver services/products or over reliance on key suppliers

Risk Management Strategy 2014 DRAFT

- **Physical/assets** – related to security, accident prevention and health & safety
- **Professional** – associated with the service's professional delivery e.g. homelessness services ability to provide temporary accommodation for households in need within statutory and local requirements

The top risks should be detailed in the service business plan under the 'factors that may affect service delivery'.

Projects

Risks must be identified, managed and reported to the appropriate Project Board. Project risks should be fed into the strategic risk register if required.

Partnership

Risks are required to be identified for all partnerships in which the Council 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 (through contract or service level agreement) 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 risks and prioritising mitigating actions
 - Preparation of a joint risk register
 - Clarity on who owns risk
 - Review of the partner's business continuity plan
 - Clarifying requirement for monitoring information and who has access
 - Ensure perceptions of risk are shared and consider logging different perspectives
- Joint risk reviews are undertaken
 - Use of same risk language

Partnership risks should be fed into the Council's strategic risk register where appropriate.

Risks in decision making

Committee reports should identify potential risks and opportunities to the Council arising from the report recommendations. This should be completed within the 'risk & opportunity management implications' section of the Committee report template – which should demonstrate that the risks and opportunities have been assessed, and that there are risk management actions planned to ensure the proposal has a successful outcome.

Not all reports will require detailed risk analysis and it is the responsibility of the report author to gauge the extent of the risk analysis to be undertaken. Where a full risk analysis has been completed (e.g. a risk register) it should be held as a background document and not accompany the report, but may be called upon by Committee.

If there are no/minimal risks, then the report author should document this to confirm that risk implications have been considered. A suggested wording is 'Risk and opportunity implication review has identified minimal/no risk to the Council connected with the recommendations made in this report'.

Scoring risk

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

| | | | | |
|--|--|-------------|-----------------|-----------------|
| Impact ↑ Catastrophic Minor | Low 4 | High 8 | Very High 12 | Very High 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 e.g.

- Minor service disruption/short term inconvenience
- Minor injury
- Financial loss of £49,999 and under
- Isolated service user complaints

2: Medium impact e.g.

- Service disruption
- Loss time injury
- Financial loss between £50,000 and £249,999
- Adverse local media coverage/number of justified service user complaints

3: High negligible impact e.g.

- Significant service disruption
- Major/Disabling injury
- Financial loss between £250,000 and £499,999
- Adverse local media coverage/high number of justified service user complaints

4: Extreme/catastrophic impact e.g.

- Total service loss for a significant period
- Fatality to employee service user or other person
- Financial loss of £500,000 and above
- Adverse national media coverage/significantly high number of justified service user complaints

Likelihood: rated 1 – 4

1: Unlikely/rarely happens

2: Moderate chance/could happen

3: Likely

4: Almost certain

Risk Management Strategy 2014 DRAFT

Overall risk score

The overall risk score can be interpreted as follows:

| Overall risk score | Level of risk appetite |
|--------------------|---|
| 12 - 16 | <p>Very high risk – take further mitigating action to manage the risk and reduce its impact and likelihood.</p> <p>If risk cannot be mitigated, consideration should be given to confirming a contingency plan or stopping/altering the objective.</p> <p>Operational risks (service/partner/project/etc) should be escalated to SMT for awareness and consideration for the strategic risk register, where the operational residual risk score (the mitigated score) is at this level.</p> |
| 8 - 9 | <p>High risk – take further mitigating action to manage the risk and reduce its impact and likelihood.</p> |
| 6 | <p>Medium risk – consider further mitigating action where appropriate and cost effective.</p> |
| 1 - 4 | <p>Low risk – monitor to ensure conditions remain unchanged.</p> |

Recording risk – risk registers

The standard template for the recording of risks at all levels (i.e. strategic, service, partnership and project) and for assessing risks in decision-making is detailed below. The risk register template is available on the Council’s intranet – via the corporate information, risk management section.

The key elements of the risk register format are as follows:

- Description of the risk
- Original risk score – assessment of the risk impact and likelihood if no controls were in place (inherent risk)
- Confirmation of the current controls in place that are being fully delivered
- Current risk score – assessment of the risk impact and likelihood considering the current controls in place
- Assessment of whether further mitigating action is required to reduce the current risk score – considering the level of risk appetite
- Documentation of the planned further mitigating actions with target timescales
- Mitigated risk score – assessment of the risk impact and likelihood considering the current controls and further mitigating actions to be taken – i.e. what is the targeted acceptable level of risk
- The name of the risk owner

Council template for recording risk - example

| No | Risk | Original score | | | Current controls | Current score | | | Further mitigating action | Target timescale | Mitigated score | | | Risk owner |
|----|--|----------------|------------|-------|--|---------------|------------|-------|--|-----------------------------|-----------------|------------|-------|-------------|
| | | Impact | Likelihood | Score | | Impact | Likelihood | Score | | | Impact | Likelihood | Score | |
| 1. | Failure to meet service delivery and statutory requirements due to contractor failure to perform | 4 | 4 | 16 | *Agreed contract specification – including service criteria, KPIs & penalty clauses *Defined contract contacts (both parties) | 4 | 2 | 8 | *Establish monthly performance monitoring meetings with action plan and timescales where targets not met *Performance reports to Committee on a quarterly basis | April 2015 July 2015 | 4 | 1 | 4 | A.N.Officer |

Template: risk register

To be completed in line with the Risk Management Strategy guidance

Risk register purpose:

(e.g. service risk register to support a service business plan; partnership risk register; project risk register to support project planning & delivery; to support a procurement exercise; to support a policy decision; etc)

Responsible officer:

Service:

Date of risk register update/review:

| No | Risk | Original score | | | Current controls | Current score | | | Further mitigating action | Target timescale | Mitigated score | | | Risk owner |
|----|------|----------------|------------|-------|------------------|---------------|------------|-------|---------------------------|------------------|-----------------|------------|-------|------------|
| | | Impact | Likelihood | Score | | Impact | Likelihood | Score | | | Impact | Likelihood | Score | |
| 1. | | | | | | | | | | | | | | |
| 2. | | | | | | | | | | | | | | |
| 3. | | | | | | | | | | | | | | |
| 4. | | | | | | | | | | | | | | |
| 5. | | | | | | | | | | | | | | |