

PLYMOUTH CITY COUNCIL

Risk Management Strategy 2010-2012

INDEX

<u>PAGE NO</u>	<u>TITLE</u>
3	Executive Summary
4	Vision
5-7	Outline of the Risk Management Strategy
8-9	APPENDIX A - Risk Management Policy Statement, Aims and Objectives
10-12	APPENDIX B - Roles and Responsibilities
13	APPENDIX C - Managing Risk Framework Diagram
14-17	APPENDIX D – Risk Analysis and Monitoring Arrangements
18	APPENDIX E – Sources of Reference

Executive Summary

In its report *Chance or Choice?*, the Society of Local Authority Chief Executives said, “*If a Council doesn’t have effective risk management then it doesn’t have effective management*”.

High performing organisations consistently demonstrate strengths in leadership, financial management, performance management and risk management.

Risk Management is both a statutory requirement and an indispensable element of corporate governance and good management. As such, its implementation is crucial to the Council and essential to its ability to discharge its various functions; as a partner within the Local Strategic Partnership, a deliverer of public services, a custodian of public funds and a significant employer.

This revised Risk Management Strategy provides a comprehensive framework and process designed to support Members and officers in ensuring that the council is able to discharge its risk management responsibilities fully. The Strategy outlines the objectives and benefits of managing risk, describes the responsibilities for risk management, and provides an overview of the process that we will implement to manage risk successfully.

Risk Management can be defined as the culture, processes and structures that are key to the effective management of potential opportunities or threats to an organisation in achieving its objectives and delivering services to the community. Risk management is not about being risk averse but, rather, it is about understanding and evaluating risks, whether they are an opportunity or a threat, and making informed decisions about how those threats are then managed, or opportunities fully exploited, in order to maximise the efficiency of our services.

The planned and systematic approach to the identification, analysis and economic control of those risks which threaten the employees, assets, or earning capacity of an organisation will help plan for the right balance between innovation and change and the avoidance of shocks and crises.

The Council will record the significant risks identified as potential threats to the delivery of its objectives within Risk Registers and incorporate mitigation controls within action plans, allocating appropriate resources according to the level of risk exposure and will report findings within the reporting framework of the Council.

This strategy requires elected members and employees alike to assist in, and take responsibility for, the identification, control and reduction of risk and containment of cost in all aspects of their activities and areas of responsibility.

The benefits gained with a Risk Management Framework are improved strategic, operational and financial management, continuity of knowledge, improved compliance and, most importantly, improved customer service delivery and better outcomes for the citizens of Plymouth.

We embrace the management of risk to support the delivery of our vision for the City and to enable the provision of high quality services to the citizens of Plymouth.

Barry Keel
Chief Executive

Cllr Vivien Pengelly
Leader of the Council

Adam Broome
Director for Corporate Support

Our Vision is ...

To make Plymouth a healthy, wealthy, safe and wise City so that by 2020 it will be one of Europe's finest, most vibrant waterfront cities where an outstanding quality of life is enjoyed by everyone.

Pride and self-confidence in taking the Council forward is at the heart of how we will make Plymouth one of the top performing Councils in the Country.

Our vision is for the Council to underpin that pride and self-confidence through ensuring that risk management is embedded in its culture to help successfully deliver its corporate and service objectives.

Risk Management is now generally acknowledged as a key feature of public sector management and is integral to the Corporate Governance Framework. Good Corporate Governance helps reduce risk, stimulate performance, improve access to capital, enhances services, improves leadership and demonstrates transparency and social accountability.

How successful we are as a Council in dealing with the risks we face can have a major impact on the achievement of our key promises, objectives and service delivery to our Community. The Risk Management Strategy will help support and underpin our fourteen Corporate Improvement Priorities:

- CIP 1 Improving Customer Service
- CIP 2 Informing and involving residents
- CIP 3 Helping people to live independently
- CIP 4 Reducing inequalities between communities
- CIP 5 Providing better and more affordable housing
- CIP 6 Providing more and better culture and leisure activities
- CIP 7 Keeping children safe
- CIP 8 Improving skills and educational achievement
- CIP 9 Developing high quality place to learn in
- CIP 10 Disposing of waste and increasing recycling
- CIP 11 Improving access across the city
- CIP 12 Delivering sustainable growth
- CIP 13 Supporting council staff to perform better
- CIP 14 Providing better value for money

In seeking continuous improvement, Risk Management is a framework by which managers can view, manage and respond to risks, both threats and opportunities in a robust, systematic and documented way.

The benefits gained in managing risk are improved strategic, operational and financial management, continuity of knowledge and information management processes, improved compliance and most importantly, improved customer service delivery.

This strategy has been produced to reflect major changes within the Council and Governance expectations nationally within Local Government to ensure the on-going effectiveness of risk management arrangements.

The Risk Management Strategy...

... outlines our commitment to ensuring that Risk Management is at the heart of everything we do.

What is Risk Management?

Risk Management is the culture, processes and structures that are directed towards effective management of potential opportunities and threats to an organisation achieving its objectives.

This Strategy is intended to reaffirm and improve effective Risk Management in Plymouth, 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 authority adopts a uniform approach to identifying, prioritising and reporting risks should lead to conscious choices over the most appropriate method for dealing with each risk, whether that is by elimination, reduction, transfer or acceptance.

Policy Statement and Aims and Objectives

A clear Policy Statement together with the aims and objectives of the Risk Management Strategy are outlined at Appendix A.

Roles and responsibilities

All Members, managers, employees and partners must understand the nature of risk and accept responsibility for managing those risks associated with their area of activity.

Everyone has a role to play in managing risk and delivering the Risk Management Strategy. Risk Management now forms part of the Council's Competency Framework and will be used to assess the contributions of relevant employees in the organisation.

A full description of roles and responsibilities is shown at Appendix B.

Guidance and assistance

The Corporate Support Directorate, through the Head of Corporate Risk and Insurance, will promote and monitor good practice, provide guidance, support, advice and information and organise training.

Guidance and reference material is listed in Appendix E

Risk Analysis and Monitoring Arrangements

The Corporate Risk Management Group will monitor and manage the delivery of the Risk Management Strategy at a strategic level. The Group's purpose is to effectively embed Risk Management within the ethos of the Council's culture as an integral part of strategic planning, decision-making and its performance management framework. The Group will also be responsible for the development and monitoring of the Strategic Risk Register.

The Operational Risk Management Group, comprising departmental risk champions and under the direction of the Head of Corporate Risk and Insurance, will be responsible for the delivery of this strategy at an operational level and for the development and monitoring of service level Operational Risk Registers.

A full description of risk analysis and monitoring arrangements is shown at Appendix D.

Performance Management

Monitoring, managing and responding to risks are key to the delivery of priorities and services. The Council's Performance Management System will provide a robust monitoring and management framework for identified risks by enabling the recording of risk registers and associated action plans and linking these to the Corporate Plan and Business Plans.

In addition, risk management is included as one of the five key management competencies in the Council's Competency Framework and managers will therefore be assessed on their contribution to the management of risk in their area of responsibility as part of their annual performance appraisal.

Corporate Governance

Risk Management is key to effective corporate governance and the diagram at Appendix C illustrates the central role it plays in relation to other key systems and processes.

Partnerships

In order to deliver a successful partnership risk management must form an integral part of the evaluation process. Partners need to understand what potential risks they may face in achieving the planned objectives and identify these in a partnership risk register. Key decision making processes should be the subject of a risk assessment and where necessary risk management plans to identify timelines, responsible individuals, contingency plans and financial monitoring arrangements need to be agreed confirming what action should be taken should the risks be realised,

All directorates are required to formerly identify and record their major partnerships in accordance with the corporate Code of Practice for Partnerships.

Embedding Risk Management

The risk management strategy is reviewed annually to ensure it remains up to date. The Portfolio Holder for Governance and the Director for Corporate Support jointly champion the process. Each Directorate has an officer appointed as Risk Champion who is trained to advise staff on best practice to ensure that the risk management process is embedded in the Council's business processes, including:

- * strategic and business planning
- * information quality and use
- * financial planning
- * policy making and review
- * performance management
- * project management

Awareness training can be arranged for any member of staff via the Head of Corporate Risk and Insurance

Benefits of Good Risk Management

Integration of risk management into the culture and working practices of the Council and its partnerships has numerous benefits, which include:

- * Protecting and adding value to the Council and its stakeholders by supporting the achievement of the Council's aims and corporate priorities
- * Improved strategic, operational and financial management

- * Contributing to more efficient use/allocation of resources within the Council and its partnerships
- * Keeping the Council within the requirements of the law
- * Mitigation of key threats and taking advantage of key opportunities
- * Protecting and enhancing assets and image
- * Improving decision-making (making the right decisions), planning and prioritisation by comprehensive and structured understanding of activity and volatility
- * Enabling future activity to take place in a consistent and controlled manner
- * Safeguarding of assets
- * Promotion of innovation and change
- * Improved customer service delivery
- * Continuity of knowledge and information management processes
- * Developing and supporting people and the Council's knowledge base
- * Optimising operational efficiency and therefore delivering efficiency gains and value for money
- * Allocating time and management effort to major issues
- * Avoiding nasty surprises, shocks and crises

Risk Management Policy Statement and Aims and Objectives

Plymouth City Council is aware that, as a large 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 Council recognises that it has a responsibility to identify, evaluate and manage those risks and it therefore supports a structured approach to risk management through its corporate risk management strategy, the aims and objectives of which are described below:

The aims of the risk management strategy are to:

- Integrate and raise awareness of risk management for all those connected with the delivery of Council services
- Embed risk management as an integral part of strategic, service, information use, financial and project planning and policy making
- Establish a standard systematic approach to risk identification, analysis, control and monitoring and reviewing
- Provide a robust and transparent framework for managing risk and supporting decision making
- Support well thought-through risk taking
- Anticipate and respond to changing external and internal environment
- Embed risk management as an integral part of delivering and aligning successful partnerships

The objectives of the risk management strategy are:

- To embed Risk Management as part of the Council's culture of governance
- To provide and use a robust and systematic framework for identifying, managing and responding to risk
- To provide a robust and transparent track record of managing, communicating and responding to risk

Risk Appetite and Tolerance

Calculated (controlled) risks such as accepting new opportunities or using innovative approaches to service delivery may be taken providing the risk exposure is within the Council's risk tolerance levels, known as its "risk appetite".

The council's levels are defined as:-

Acceptable risks – the risks associated with any proposed actions and decisions need to be clearly identified, evaluated and managed to ensure that risk exposure is acceptable. Particular care is needed in considering any action which could:

- have an adverse effect on the Council's reputation and/or performance
- undermine the independent and objective review of activities
- result in censure or a fine by regulatory bodies
- result in financial loss

Any threat or opportunity that may have a significant potential impact should be closely examined and the risks clearly defined, and referred to the appropriate Director. Where there is both a significant potential impact and a high likelihood of occurrence (a Red Risk), it should also be referred to the Head of Corporate Risk and Insurance.

Risk Treatment

There are four basic ways of treating risk, which are:-

- Treatment - Ensuring effectiveness of existing controls and implementing new controls where considered necessary and cost effective.
- Transfer - Which involves another party bearing or sharing the risk i.e. via insurance
- Tolerate - Where it is not possible to treat or transfer. Consideration needs to be given to how the risk and consequences of such are to be managed should they occur.
- Terminate - Deciding where possible not to continue or proceed with the activity in view of the level of risks involved.

Framework

The Council maintains two different types of Risk Register - Strategic and Operational.

The Strategic Register records medium to long term high level risks and the Operational records those risks affecting the day to day departmental operations

Both registers detail the following:-

- possible consequences of the risks identified, both negative (risks and threats) and positive (opportunities)
- potential impact and likelihood of the risk identified
- existing controls in place to mitigate the risks
- actions planned to mitigate the risks with relevant timescales and the responsible officers

The Strategic Register is owned by the Corporate Management Team in its capacity of the Corporate Risk Management Group and maintained by the Head of Corporate Risk and Insurance and Operational Registers are maintained by the relevant Department's Risk Champion.

Risk Management Strategy – Roles & Responsibilities

Cabinet Planning

- Approve the Council's Risk Management Strategy
- Receive and approve monitoring reports on the Strategic Risk Register and an annual Risk Management report

Corporate Risk Management Group/CMT

- Ensure the Council implements and manages risk effectively through the delivery of the Risk Management Strategy and consider risks affecting delivery of services
- * Appoint a Senior Information Risk Officer (currently the Director of Corporate Support) this role also includes being the Senior Responsible Officer for overseeing the impact on the Council from the use of covert surveillance
- * Ensure risk management is considered by Management Team Agenda on a quarterly basis
- Provide assurance to Cabinet Planning and Audit Committee regarding risk management compliance.
- Be responsible for and monitor the Strategic Risk Register
- Receive and approve Risk Management status reports from the Operational Risk Management Group
- Approve and monitor the progress and effectiveness of the Risk Management Strategy and Operational Risk Management Group
- Support the embedding of Risk Management within the culture of the Council as an integral part of strategic/business planning, decision-making and performance management framework
- Approve risk management monitoring reports to Cabinet Planning and Audit Committee

Lead Member and Officer for Risk Management

- The Portfolio-holder for Governance and the Director for Corporate Support will act as Member and Officer risk champions
- Ensure that the Council manages risk effectively through the development of a robust and comprehensive Risk Management Strategy

Head of Corporate Risk and Insurance

- Support the Council and its departments in the effective development, implementation and review of the risk management strategy
- Share experiences across the Council and partners, promoting, facilitating and overseeing the arrangements for managing and monitoring of risk
- Provide training and guidance in Risk Management
- Support the Corporate Risk Management Group
- Lead and direct the work of the Operational Risk Management Group

Operational Risk Management Group (ORMG)

- Monitor, review and communicate information on operational and strategic risks within their directorate
- * Ensure risk management is embedded within departmental business plans.
- Review cross cutting operational issues
- Report to Corporate Risk Management Group every six months
- Meet six times per year
- * Receive, consider and approve bids for financial assistance towards risk reduction initiatives

Audit Committee

- Provide independent assurance to the Council on the effectiveness of the Council's Risk Management, Internal Control and overall assurance framework

Directors

- Take responsibility for the promotion of the Risk Management Strategy within their areas
- Ensure that Operational Risk Registers are managed, monitored, responded to and communicated effectively in their areas and reported through the Council's Performance Management Framework
- * Ensure that risk management is a key consideration in the delivery of Corporate Improvement Priorities

Managers

- * Identify, evaluate, prioritise and control risks and opportunities facing the Council in achieving its objectives

Risk Champions

- * Attend Operational Risk Management Group meetings
- * Co-ordinate, present and monitor bids against the Risk Management Fund
- * Promote, maintain and monitor risk registers in line with risk management/business planning guidance
- * Promote and advise on the risk management strategy

Employees

- Assess and manage risks effectively in their job and report hazards / risks to their service managers
- Undertake their job within contractual, policy and statutory guidelines
- * Consult with department risk champion as necessary

Internal Audit

- Provide a risk based Audit Plan to monitor the effectiveness of Internal Controls and provide a trigger and action plan for management intervention
- Audit the Risk Management Strategy and processes

Insurance

- Ensure appropriate risk-financing arrangements are in place to mitigate against identified insurable risks
- Work with the Head of Corporate Risk and Insurance to identify and control insurable risks effectively and economically

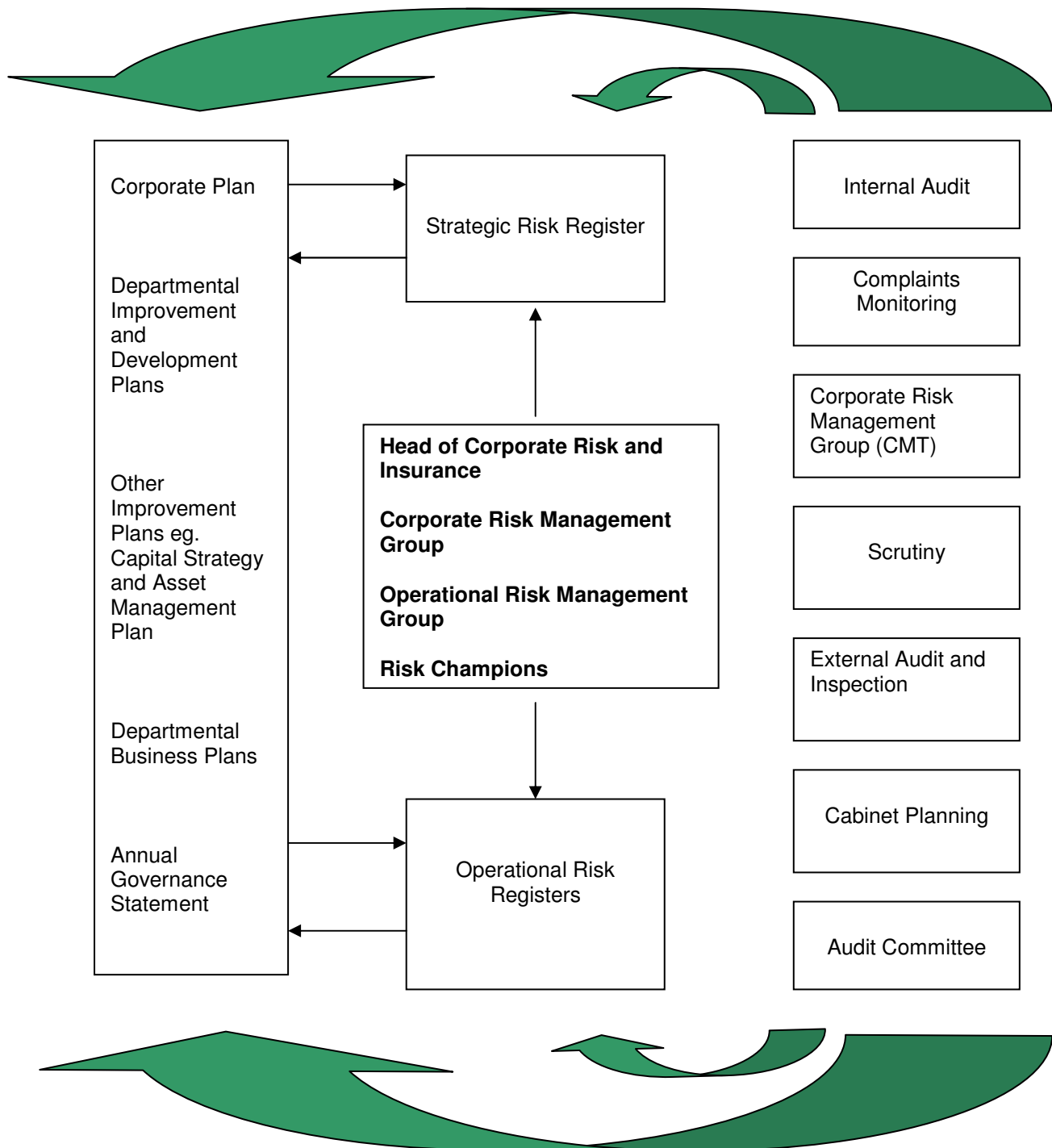
Health & Safety

- * Provide independent health and safety advice to the Operational Risk Management Group
- * Support the Council in managing and monitoring health and safety performance

The Management of Risk

The overall framework for managing risk is illustrated by the following diagram:-

Monitoring and Review process



Risk Analysis

Once risks have been identified they need to be assessed systematically and accurately. The process requires managers to assess the level of risk by considering:-

- The probability of an event occurring – “likelihood”, and
- The potential severity of the consequences should such an event occur – “impact”.

Managers will assess each element of the judgement and determine the score. The tables below give the scores and indicative definitions for each element of the risk ranking process:-

Likelihood		
5	Almost Certain	<ul style="list-style-type: none"> - Is expected to occur in most circumstances - Will undoubtedly happen, possibly frequently eg. Annually or more frequently - Imminent/near miss
4	Likely	<ul style="list-style-type: none"> - Will probably occur in many circumstances - Will probably happen, but not a persistent issue eg. Once in 3 years - Has happened in the past
3	Possible	<ul style="list-style-type: none"> - Could occur in certain circumstances - May happen occasionally, eg. Once in 10 years - Has happened elsewhere
2	Unlikely	<ul style="list-style-type: none"> - May occur only in exceptional circumstances - Not expected to happen, but is possible eg. Once in 25 years - Not known in this activity
1	Rare	<ul style="list-style-type: none"> - Is never likely to occur - Very unlikely this will ever happen eg. Once in 100 years

Impact		
Score	Description	Indicative Guidelines
5	Catastrophic	<p>Risks which can have a catastrophic effect on the operation of the Council or service. This may result in critical financial loss, severe service disruption or a severe impact on the public.</p> <p>Examples:-</p> <ul style="list-style-type: none"> - Unable to function without aid of Government or other external Agency - Inability to fulfil obligations - Medium – Long term damage to service capability - Severe financial loss – supplementary estimate needed which will have a catastrophic impact on the Council's financial plan and resources are unlikely to be available - Death - Adverse national publicity – highly damaging, severe loss of public confidence

		<ul style="list-style-type: none"> - Litigation certain and difficult to defend - Breaches of law punishable by imprisonment
4	Major	<p>Risks which can have a major effect on the operation of the Council or service. This may result in major financial loss, major service disruption or a significant impact on the public. Examples:-</p> <ul style="list-style-type: none"> - Significant impact on service objectives - Short – medium term impairment to service capability - Major financial loss – supplementary estimate needed which will have a major impact on the Council's financial plan - Extensive injuries, major permanent harm, long term sick - Major adverse local publicity, major loss of confidence - Litigation likely and may be difficult to defend - Breaches of law punishable by fines or possible imprisonment
3	Moderate	<p>Risks which have a noticeable effect on the services provided. Each one will cause a degree of disruption to service provision and impinge on the budget. Examples:-</p> <ul style="list-style-type: none"> - Service objectives partially achievable - Short term disruption to service capability - Significant financial loss – supplementary estimate needed which will have an impact on the Council's financial plan - Medical treatment required, semi-permanent harm up to 1 year - Some adverse publicity, needs careful public relations - High potential for complaint, litigation possible - Breaches of law punishable by fines only
2	Minor	<p>Risks where the consequences will not be severe and any associated losses will be minor. As individual occurrences they will have a negligible effect on service provision. However, if action is not taken, then such risks may have a more significant cumulative effect. Examples:-</p> <ul style="list-style-type: none"> - Minor impact on service objectives - No significant disruption to service capability - Moderate financial loss – can be accommodated at HOS level - First aid treatment, non-permanent harm up to 1 month - Some public embarrassment, no damage to reputation - May result in complaints/litigation - Breaches of regulations/standards
1	Insignificant	<p>Risks where the consequences will not be severe and any associated losses will be relatively small. As individual occurrences they will have a negligible effect on service provision. However, if action is not taken, then such risks may have a more significant cumulative effect. Examples:-</p> <ul style="list-style-type: none"> - Minimal impact, no service disruption - Negligible impact on service capability - Minimal loss – can be accommodated at SAC level - No obvious harm/injury - Unlikely to cause any adverse publicity, internal only - Breaches of local procedures/standards

The risk ratings for each part of the assessment are then combined to give an overall ranking for each risk. The ratings can then be plotted onto the risk matrix, see below, which assists in determining the risk priority

Risk Rankings						
Likelihood/Probability	Almost Certain >80 %	5	10	15	20	25
	Likely 51 %-80 %	4	8	12	16	20
	Possible 21 %-50 %	3	6	9	12	15
	Unlikely 6 %-20 %	2	4	6	8	10
	Rare <6 %	1	2	3	4	5
		Insignificant	Minor	Moderate	Major	Catastrophic
Impact/Severity						
Consider the impact on the following when scoring: <ul style="list-style-type: none"> - Achievement of strategic priorities - Council's reputation - Health & Safety of employees, residents or service users - Ability to deliver services (in particular key services) - Financial – e.g. budgets, claims, fine & penalties 						

Risk Appetite		
HIHIGH RISKGH RISK	20 - 2520 – 25	Must be Managed Down Urgently
MEDIUM RISK	12 – 16	Seek to Influence Medium Term/Monitor
LOW RISK	6 - 10	Acceptable but Continue to Monitor
TOLERABLE RISK	1 – 5	Remove from Register

Monitoring Arrangements for Key Risks

The reason for monitoring key risks is to create an early warning system for any movement in risk – key risks are defined as those which score 12 or above in accordance with the above table. Risks scoring below 12 are considered to be managed effectively and therefore within the Council's "risk appetite". Any risk scored below 6 is considered tolerable and can be removed from the risk register and archived.

Risk Registers are living documents and therefore must be regularly reviewed and amended. The risk management strategy requires risks recorded on the Strategic Risk Register and service level Operational Risk Registers to be monitored every six months by departmental risk champions in consultation with senior managers and lead officers

Monitoring reports are presented for approval to the Corporate Risk Management Group and to Cabinet Planning for Member agreement prior to final ratification by the Audit Committee. All operational red risks are referred to the Scrutiny Commission. Information on all risks is recorded

on the Performance Management System and linked with Corporate and Service objectives and Key Performance indicators as appropriate.

The questions asked during monitoring are:-

1. Is the risk still relevant?
2. Is there any movement in the risk score?
 - Are the controls still in place and operating effectively?
 - Has anything occurred which might change its impact and/or likelihood?
 - Have any significant control failures or weaknesses occurred since the last monitoring exercise?
3. If so, does this indicate whether the risk is increasing or decreasing?
 - If the risk is increasing do I need to devise more controls or think of other ways of mitigating the risk?
 - If the risk is decreasing can I relax some existing controls?
4. Are controls / actions built into appropriate documented action plans?
5. Are there any new or emerging risks?
6. Have any of the existing risks ceased to be an issue (and can therefore be deleted)?

Indicator of Success

The ultimate measure of effective risk management is that the Council has the resilience to deliver its services and core objectives and is able to identify, and take maximum advantage of, the occurrence of positive risk.

A measure of the success of its Risk Management Strategy is to achieve at least a level 3 rating for its Use of Resources Assessment for Internal Control/Risk Management. (KLOE 2.4).

Sources of Reference and Guidance

External Sources:-

Risk Management – A Key to Success, a guide to understanding and managing risk - ALARM

Corporate Governance in Local Government – A Keystone for Community Governance – CIPFA/SOLACE

“Worth the Risk” Improving Risk Management in Local Government – Audit Commission

Management of Risk – A strategic overview – HM Treasury

Managing Information Risk: The Cabinet Office – Security Policy Framework

http://www.cabinetoffice.gov.uk/spf/sp1_grmc.aspx

and

http://www.cabinetoffice.gov.uk/spf/sp4_isa.aspx

Internal Sources:-

Risk Management Page in the Staffroom

Business Planning Guidance Document - Striving for Excellence

Plymouth City Council's Corporate Code of Practice for Partnerships