

Appendix A: Draft risk management strategy



Risk Management Strategy

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1. Purpose

- 1.1 South Cambridgeshire District Council's primary role is to deliver high quality services that represent best value, accessible to all the community. The Council also aims to enhance quality of life and work in partnership to manage growth in the district.
- 1.2 The Council has an obligation to minimise risks involved in providing or enabling service delivery. This strategy is a key part of strategic planning and an integral part of service planning and performance management. It sets out the arrangements for the identification, assessment, management and review of risks that may adversely affect the Council's services or the achievement of its objectives and priorities.

2. Objectives

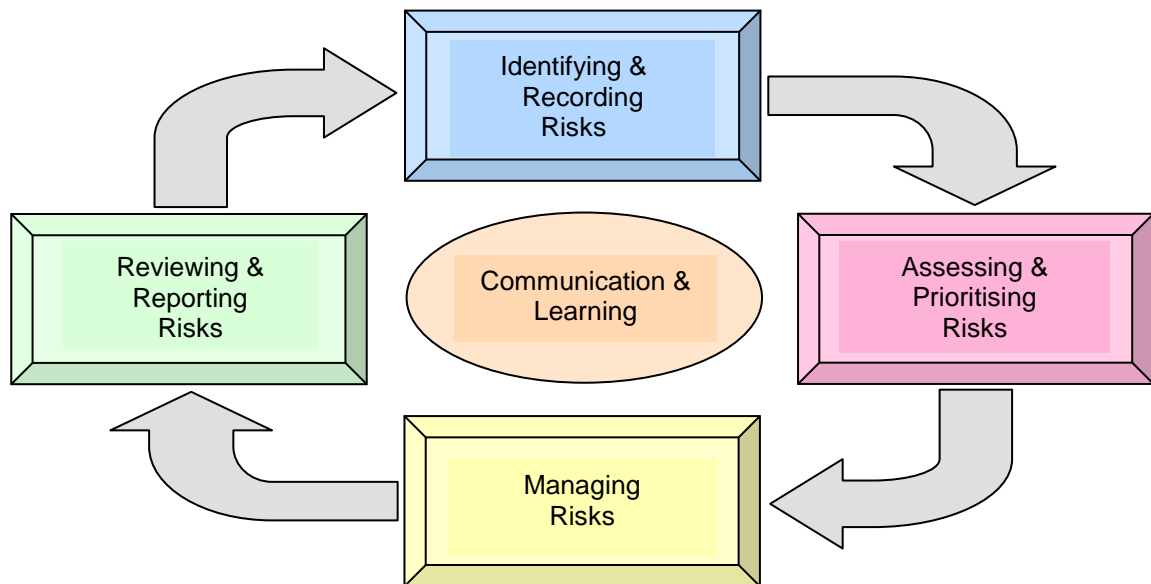
- 2.1 The Council's aim is to manage risk effectively, eliminating or controlling risk to an acceptable level. This is done by identification, assessment and management of potential risks, rather than reaction and remedy to past events.
- 2.2 The objectives of the strategy are to:
 - (a) Integrate risk management into the culture of the Council, including a process to identify and report upon existing and emerging risks to the Council.
 - (b) Anticipate and respond to changing social, environmental, legislative, etc requirements.
 - (c) Manage risks in accordance with best practice, so that they are eliminated or controlled to an acceptable level.
 - (d) Raise awareness of the need for risk management by managers responsible for the Council's delivery of services.
 - (e) Improve the delivery of Council services and enhance the Council's reputation and public image.
- 2.3 It will not always be feasible completely eliminate risk. Indeed, calculated risk-taking may be required in certain circumstances to achieve innovative or creative solutions that will help to improve the service to customers. However, reckless or unplanned risk-taking would never be acceptable.

3. Guiding principles

- 3.1 To fulfil its risk management objectives, the Council will:
 - (a) Develop a culture that involves the participation of all appropriate staff in risk management.
 - (b) Secure the commitment of Members and management at all levels to promote risk management and provide leadership and direction.
 - (c) Adopt agreed standards of risk management that are monitored at corporate and service level and ensure that further action is taken where necessary.
 - (d) Ensure that regular identification, assessment and management of significant risks is integral to all corporate and service planning.
 - (e) Ensure that effective processes are in place to facilitate prompt remedial action on adverse events and near misses and their identification and reporting.
 - (f) Have effective communication to make sure everyone is sufficiently informed about risk management.
 - (g) Provide information, training, guidance and advice, as appropriate, to meet these objectives.

4. Approach to risk management

4.1 The Council will employ a simple four step process to manage its risks:



4.2 These steps are outlined in the sections below.

4.3 In accordance with best practice, risk management at the Council started with the identification and management of strategic risks, then cascaded the process down to service area levels, and now incorporates project and partnership risks, thus embedding it throughout the Council.

5. Identifying and recording risks

5.1 *Identifying risks*

5.1.1 A risk is an event that may occur, which will have an impact on the Council's services, or the achievement of its objectives and priorities. This strategy requires the Council to identify strategic, service area (i.e. operational), project and partnership risks.

5.1.2 Types of risks are outlined in the diagram at **Annex A**. While not exhaustive, the diagram provides a starting point for identifying potential risks, including reputational risks, at both strategic and service area levels, as well as for projects and partnerships.

5.2 *Recording risks*

5.2.1 Identified risks will be recorded in the relevant strategic or service area risk register, project risk log, or partnership risk log/register. The strategic risk register template is attached at **Annex B**. The strategic risk register will identify the top risks facing the Council from a corporate perspective and will note relevant corporate objectives or annual/service priorities for each risk identified and the person nominated as responsible "risk owner".

(Note: The dotted line shows the Council's risk tolerance line (see 6.2.2 below).)

6. Assessing and prioritising risks

6.1 *Assessing risks*

6.1.1 Each of the identified risks, at both strategic and service area levels, will be assessed in terms of the likelihood of the risk occurring and the potential impact of it materialising, according to the guidelines in **Annex C** and **Annex D**, respectively.

6.2 *Prioritising risks*

6.2.1 A matrix of these assessments will be used to prioritise risks (see **Annex E**), enabling the Council to make decisions about their significance and prioritise action. The numbers in the matrix boxes indicate the order of priority of assessed risks. The strategic risk register will be re-scheduled in line with the order resulting from the prioritisation matrix.

6.2.2 The dotted line running through the matrix shows the Council's risk tolerance line, which depicts the Council's 'appetite' or willingness to accept risk. Those assessed risks that fall 'above the line' are considered to require further action to address the risk; action plans will be prepared for these risks (see 7.1 below).

7. Managing risks

7.1 At the strategic level, risk owners (i.e. the officers named in the strategic risk register) will work with the Finance Project Officer (FPO) to develop and implement action plans for managing risks assessed above the risk tolerance line (see template at **Annex F**).

7.2 These action plans will identify additional actions or controls to mitigate the risk and the person(s) responsible for implementing them. Where additional actions or controls affect other services, objectives or priorities, projects or partnerships, or require additional resources, these will be notified to the manager concerned and incorporated in the next review of the relevant plan or budget.

7.3 At the service area level, service managers will include actions in their service plans to manage service area risks above the tolerance line. Where actions require additional resources, these will be noted under 'Resources' against the relevant action, together with any estimated costs, which service managers will build in to the next review of the relevant service budget. The FPO will review service plans to ascertain that actions are appropriate and adequate to address the risks.

7.4 Project and partnership risks will be managed in accordance with their governance arrangements.

8. Reviewing and reporting risks

8.1 *Reviewing risks*

8.1.1 Risks are reviewed utilising existing service planning, project management, partnership, Executive Management Team (EMT) and Corporate Governance Committee meetings:

- EMT will review the strategic risk register resulting from the prioritisation assessments of likelihood and impact quarterly, together with relevant action plans.

- Service managers will review service area risk registers as part of the annual preparation of service plans and at quarterly intervals.
- Corporate managers may collate their service areas' risk registers, to give a comprehensive set of risks coming under their responsibility and enable moderation of likelihood and impact assessments; the FPO would facilitate this.
- Project managers and partnership lead officers will review their risk logs/ registers at frequencies set out in their project or partnership plans.

(Note: The service plan process is currently being reviewed. This strategy will be amended, as necessary, if it is affected by any change to the service plan process.)

8.1.2 Should significant risks arise between reviews, they will be considered when they are identified, as necessary.

8.2 ***Project risks***

8.2.1 Projects, such as those of a corporate or significant service nature, major ICT related projects, etc, are required to have their own risk logs, including nominated lead officers and appropriate countermeasures. Project managers will review project risk logs in accordance with their governance arrangements.

8.3 ***Partnership risks***

8.3.1 This strategy covers the way that the Council manages the risks facing it in the delivery of its services and the achievement of its objectives and priorities. Where these are delivered in partnership with other organisations, the application of this strategy may extend outside the Council's direct control.

8.3.2 The Council must therefore identify all the partnerships in which it participates and have an understanding of its involvement and the implications of that involvement in each partnership. Equally, each of the partnerships must have clearly set out objectives and an understanding of the Council's role in the partnership.

8.3.3 The Council must review its partnerships to identify those that are most strategic and important for it and the wider community. For these significant partnerships, a two stage approach will be adopted by those managing them:

- (a) Identify and assess, from the Council's perspective, the risks that face the Council from participating in the partnership. This analysis should identify the controls and contingency plans (including an appropriate exit strategy) that are or should be in place. This will be informed by the extent to which the partnership has effective controls and risk management procedures in place and whether it is able to provide the Council with the relevant assurances in this regard.
- (b) Champion effective risk and performance management procedures within the partnership, so that the threats to the achievement of the partnership's objectives are properly identified, assessed and managed.

8.3.4 Partnership lead officers will review partnership risk logs/registers in accordance with their governance arrangements.

8.4 **Links**

- 8.4.1 When reviewing the strategic risk register, EMT may cascade a strategic risk to an appropriate service area risk register, so that it can be included in the relevant service plan and the service manager can take a corporate lead on managing it. The FPO will facilitate this.
- 8.4.2 When reviewing their service area risk registers, service managers may escalate a service area risk for consideration by EMT for inclusion in the strategic risk register, if the risk is significant or has a corporate nature. The FPO will facilitate this and may similarly escalate a risk if it, or a similar one, is being recorded in more than one service area risk register.
- 8.4.3 The strategic risk register may also include project and partnership risks, if these are of a corporate or significant nature. The FPO will facilitate this. The project risk logs/partnership risk registers/logs will record the detailed risks and action plans relating to the particular project/partnership.
- 8.4.4 The FPO will keep a record of the risks included in the strategic risk register and the impact and likelihood assessments of them, so that the priority of identified strategic risks can be tracked over time.

8.5 **Reporting risks**

- 8.5.1 The FPO will report the draft strategic risk register and associated action plans to EMT quarterly, for review and recommendation to Corporate Governance Committee.
- 8.5.2 Corporate Governance Committee may report to full Council, if the Committee considers it necessary to ensure that strategic risks are appropriately managed.
- 8.5.3 Service managers will report service area risk registers alongside service plans to portfolio holders annually for approval. The service plans will include actions to address significant risks. Service managers will update their service area risk registers and actions included in service plans to the FPO quarterly, for EMT to consider in its quarterly review of the strategic risk register.
- 8.5.4 Project managers and partnership lead officers will report project and partnership risk logs/register in accordance with their governance arrangements and reporting frequencies. Project managers and partnership lead officers will update their risk logs/register, including countermeasures, to the FPO quarterly, for EMT to consider in its quarterly review of the strategic risk register.
- 8.5.5 If a risk materialises, it will be reported as follows:
- strategic: a report to the next meeting of EMT by the risk owner, in conjunction with the FPO, outlining the event that occurred, the consequence for the service, objective or priority and the outcome that resulted, together with recommendations for the application of any lessons to be learnt;
 - service area: a similar report to the service manager by the officer nominated in the service plan;
 - EMT or the service manager, as appropriate, will decide how the recommendations regarding lessons to be learnt will be implemented;
 - for project or partnership risks materialising: a similar report by the project manager or partnership lead officer; decisions about how recommendations

regarding lessons to be learnt will be implemented; both, in accordance with the project or partnership governance arrangements;

- 8.5.6 Reports to Members contain as standard a Risk Management Implications section. Report writers use this section to describe risks associated with the report's proposals, possible consequences, the likelihood and potential impact of the risk occurring. Where the risk is assessed above the Council's tolerance line, report writers also outline the additional actions that will be taken to mitigate the risk and copy the report to the FPO, so that the risk can be incorporated in the strategic risk register and/or relevant service area risk register, project risk log, or partnership risk log/register, as appropriate. Members should be fully briefed on risks identified in the report.
- 8.5.7 Reports to Members also include as standard, Options and Financial Implications sections. Where reports relate to major options appraisal or capital investment decisions, report writers will also review relevant risk registers and logs, to identify any risks that need to be considered in the report.
- 8.5.8 The FPO will report to EMT on the risk management strategy and process (including staffing resources) annually, or if there is a material change during the year, for EMT to review the strategy and process and make any recommendations regarding them to Corporate Governance Committee.

9. Communication and learning

9.1 *Communication*

- 9.1.1 Relevant staff and Members will be given timely guidance and advice relating to their risk management responsibilities, including particular aspects such as review of risk registers.
- 9.1.2 Staff and Members will also be kept informed about risk management by creating a link to risk management matters on the front page of In-Site, the Council's intranet, and posting on the intranet:
- the risk management strategy,
 - the strategic risk register,
 - service area risk registers;
 - guidance and advice concerning risk management, including assessment criteria for the potential impact and likelihood of risks occurring;
 - risk management templates.

9.2 *Learning*

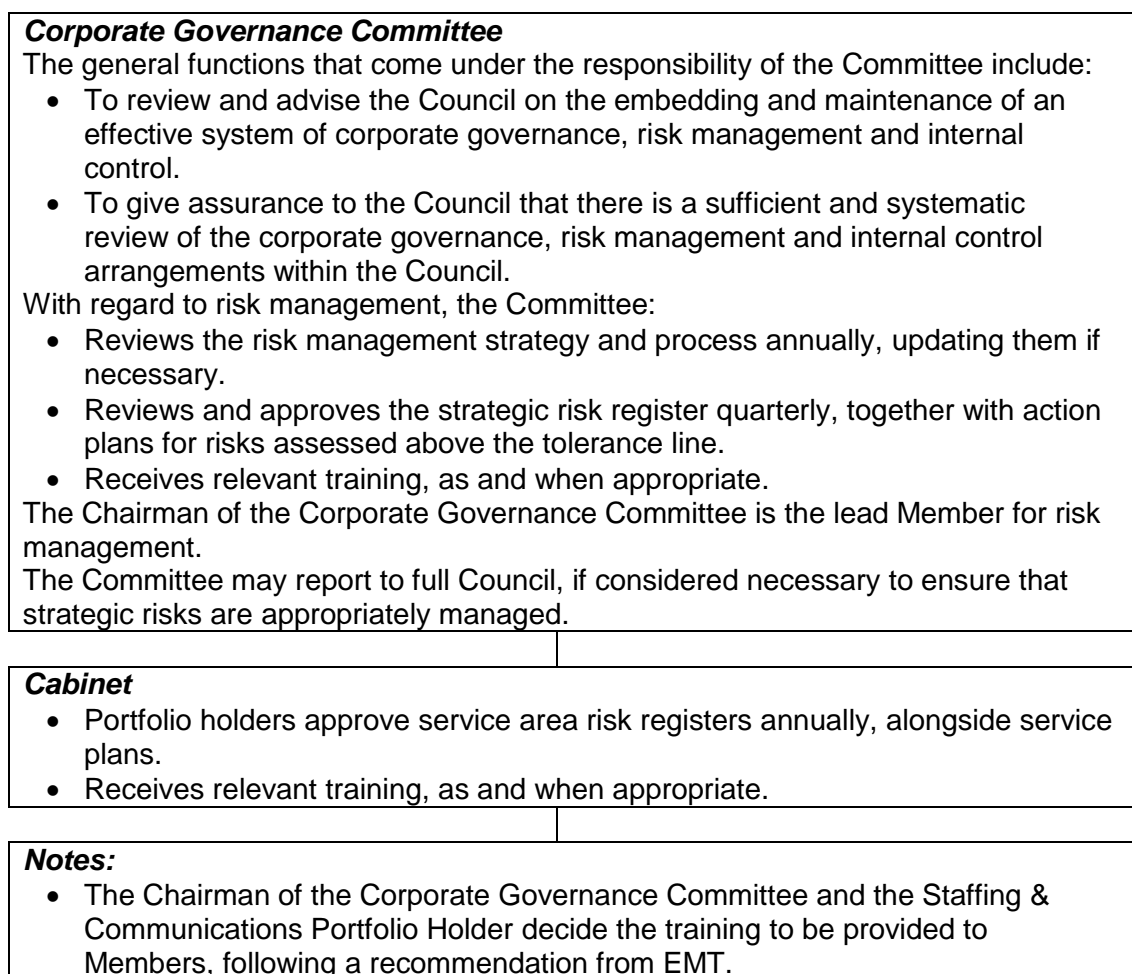
- 9.2.1 The Council will keep its risk management strategy and processes up to date by learning from a variety of sources:
- keeping up to date with the Audit Commission's Comprehensive Performance Assessment (CPA) Use of Resources, Key Lines of Enquiry (KLOEs) and Corporate Governance Inspection (CGI) assessment criteria, and similar standards;
 - applying best practice from other local authorities and organisations, as appropriate;
 - ascertaining whether risk management matters identified in one service area also apply elsewhere across the Council;

- providing relevant training for appropriate staff and Members, facilitated by external specialists if necessary. (EMT will decide the training to be provided to staff, following a recommendation by the FPO; the Chairman of the Corporate Governance Committee and the Staffing & Communications Portfolio Holder, responsible respectively for risk management and for Member training, will decide the training to be provided to Members, following a recommendation from EMT.)

(Note: Funding for external training is currently available under the Council's insurance contract, which is being re-tendered; funding for risk management training will be reviewed if no similar arrangement is available under the new contract.)

10. Organisational arrangements

10.1 The chart below summarises the Council's arrangements for risk management:



Executive Management Team (EMT)

- Reviews the risk management strategy and process annually, recommending changes to Corporate Governance Committee if necessary.
- Reviews the strategic risk register quarterly, together with action plans for risks assessed above the tolerance line; recommends the strategic risk register and associated action plans to Corporate Governance Committee.
- May cascade a strategic risk to an appropriate service area risk register.
- Considers reports on strategic risks that occur and decides how lessons learnt will be implemented.
- Promotes and champions risk management.
- Decides training to be provided to staff, following a recommendation from the FPO; recommends training to Corporate Governance Committee.
- The Chief Executive and Chief Finance Officer is the senior manager responsible for risk management.

“Risk owners”

(Note: The “risk owner” is the person nominated as the lead officer responsible for each risk identified in the strategic risk register.)

- Work with the FPO to develop and implement action plans for managing strategic risks assessed above the tolerance line.
- Report strategic risks materialising, in conjunction with the FPO, to the next meeting of EMT, recommending the application of any lessons to be learnt.

Service managers

- Review service area risk registers alongside service plans annually, reporting these to portfolio holders for approval, and at quarterly intervals.
- Where strategic risks are cascaded to a service area risk register, take a corporate lead on managing the risk.
- May escalate a service area risk for EMT to consider including in the strategic risk register.
- Include actions in service plans to manage service area risks assessed above the tolerance line and implement these actions.
- Build estimated costs of additional resources required for actions in to the relevant service budget at its next review.
- Update the FPO quarterly regarding service area risk registers and actions included in service plans.
- Consider reports on service area risks that occur and decide how lessons learnt will be implemented.
- Have primary responsibility for managing risks in their service areas: since they are best-placed to determine the appropriate actions to minimise risks to their customers, staff, services or budgets.

Project managers (including Inspire, Housing Futures)

- Review project risk logs at frequencies set out in project plans, reporting these in line with governance arrangements.
- Update the FPO quarterly regarding project risk logs, including countermeasures.
- Report project risks materialising, in accordance with governance arrangements.

Partnership lead officers

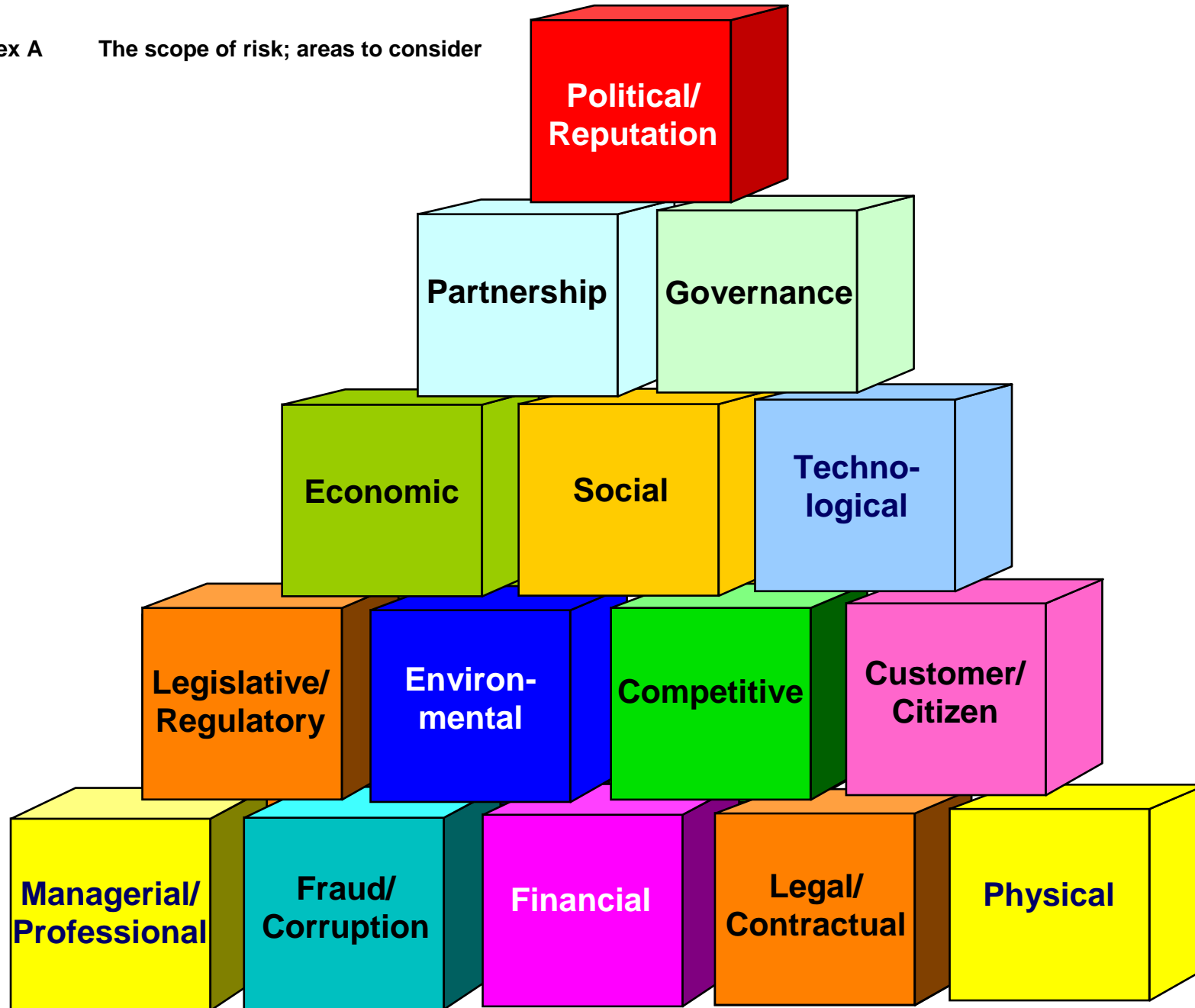
- Review partnership risk registers/logs at frequencies set out in partnership plans, reporting these in line with governance arrangements.
- Update the FPO quarterly regarding partnership risk registers/logs, including countermeasures.
- Report partnership risks materialising, in accordance with governance arrangements.

Finance Project Officer (FPO)

- Coordinates EMT's annual review of the risk management strategy and the resulting reports to the Corporate Governance Committee.
- Coordinates EMT's quarterly review of the strategic risk register and associated action plans, and the resulting reports to the Corporate Governance Committee.
 - Liaises with risk owners re existing strategic risks and with members of EMT re any new strategic risks, to update the strategic risk register for EMT's review.
 - Liaises with risk owners re their implementation of action plans, to update action plans for EMT's review.
- Assists nominated risk owners to develop and implement action plans to manage strategic risks assessed above the Council's risk tolerance line.
- Keeps a record tracking the priority of identified strategic risks.
- Assists risk owners to report on strategic risks that occur, together with recommendations regarding any lessons to be learnt.
- Coordinates service managers' reviews of service area risk registers and actions included in service plans, quarterly.
- Reviews service area risk registers to identify risks of a significant, corporate or common nature.
- Reviews service plans to ascertain that actions included to address risks are appropriate and adequate.
- Facilitates the collation of service area risk registers for corporate managers.
- Facilitates cascade of strategic risks to relevant service area risk registers and escalation of significant, corporate or common service area risks for EMT to consider including in the strategic risk register.
- Links project and partnership risk logs to the strategic risk register and/or service area risk registers, as appropriate.
- Facilitates inclusion of risks identified in reports to Members, in the appropriate risk register/log.
- Recommends training for staff and Members to EMT.
- Facilitates relevant training, guidance and advice on risk management.
- Communicates risk management matters to staff.

10.2 All staff, at every level, have a role to play in risk management, since they are often best placed to identify many of the risks faced by the Council. All staff therefore have a responsibility to identify and minimise risk. This includes taking prompt remedial action on adverse events and near misses, when necessary, and the reporting of these. Staff also have a responsibility to follow Council policies and procedures designed to manage risk and maintain a general level of risk awareness.

Annex A The scope of risk; areas to consider



Annex B Strategic Risk Register template

No.	Title/Description <i>(i.e. the risk event, leading to consequence for service/objective/priority, resulting in possible outcome(s).)</i>	Impact/ Likelihood	Corporate Objectives	Annual Priorities	Owner

<u>Impact</u>	<u>Likelihood</u>	<u>Corporate objectives</u>	<u>Annual priorities</u>
A Extreme	1 Almost certain	O1 High quality, accessible, value for money services	P1 To improve customer service
B High	2 Likely	O2 Quality village life	P2 To achieve successful, sustainable new communities at Northstowe and other major new settlements
C Medium	3 Possible	O3 A sustainable future for South Cambridgeshire	P3 To increase the supply of affordable housing
D Low	4 Unlikely	O4 A better future through partnership	
	5 Seldom		
	6 Rare		

- Notes: 1. The dotted line shows the Council's risk tolerance line.
 2. The Council has adopted new corporate objectives and service priorities for 2008/09 onwards.

Annex C Assessment of Likelihood guidelines

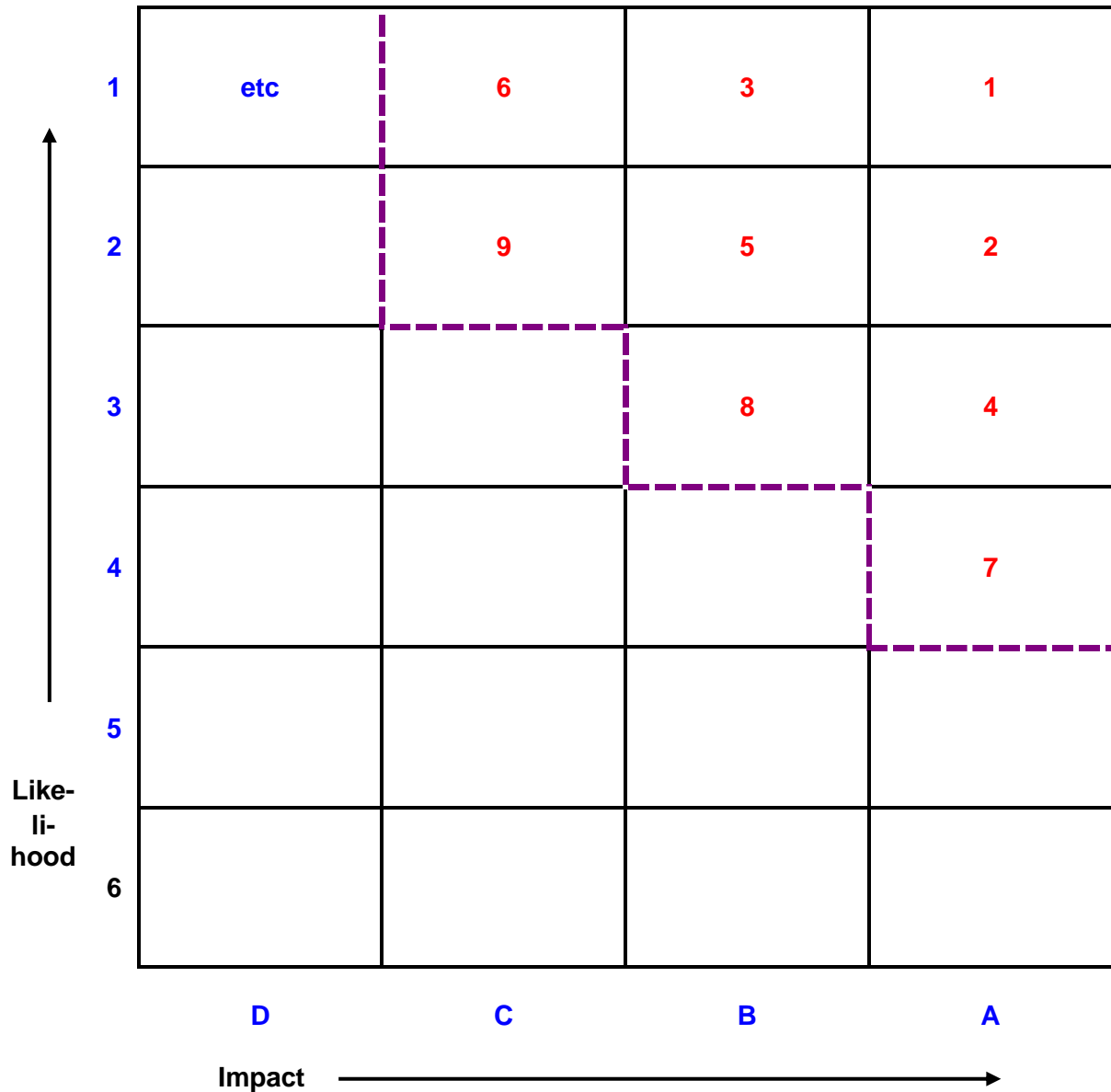
<i>Likelihood</i>	<i>Guidelines</i>
1 Almost certain	<ul style="list-style-type: none"> • Expected to occur in most circumstances (more than 90%), or • More than 90% likely to occur in the next 12 months
2 Likely	<ul style="list-style-type: none"> • Will probably occur at some time, or in most circumstances (71% - 90%), or • 71% to 90% likely to occur in the next 12 months
3 Possible	<ul style="list-style-type: none"> • Fairly likely to occur at some time, or in some circumstances (51% - 70%), or • 51% to 70% likely to occur in the next 12 months
4 Unlikely	<ul style="list-style-type: none"> • Is unlikely to occur, but could, at some time (31% - 50%), or • 31% to 50% likely to occur in the next 12 months
5 Seldom	<ul style="list-style-type: none"> • May occur in some circumstances (11% - 30%), or • 11% to 30% likely to occur in the next 12 months
6 Rare	<ul style="list-style-type: none"> • May only occur in exceptional circumstances (up to 10%), or • Up to 10% likely to occur in the next 12 months

Annex D Assessment of Impact guidelines

Impact	Classification	Guidelines
A Extreme	Service disruption	<ul style="list-style-type: none"> • Total failure of service, or • Impact at strategic level, on corporate objectives or annual/service priorities
	Financial loss	<ul style="list-style-type: none"> • More than £500k
	Reputation	<ul style="list-style-type: none"> • National adverse publicity, or • Resignation of leading member or chief officer
	Statutory service/ legal obligations	<ul style="list-style-type: none"> • Central government intervention, or • Multiple civil or criminal suits, or • Litigation, claim or fine, more than £500k
	People	<ul style="list-style-type: none"> • Fatality of one or more clients/staff
B High	Service disruption	<ul style="list-style-type: none"> • Serious disruption to service, or • Impact on many other processes
	Financial loss	<ul style="list-style-type: none"> • £251k - £500k
	Reputation	<ul style="list-style-type: none"> • National publicity or press interest
	Statutory service/ legal obligations	<ul style="list-style-type: none"> • Strong regulatory sanctions, or • Litigation, claim or fine, £251k - £500k
	People	<ul style="list-style-type: none"> • Serious injury to/permanent disablement of one or more clients/staff
C Medium	Service disruption	<ul style="list-style-type: none"> • Disruption to service, or • Some impact on other objectives
	Financial loss	<ul style="list-style-type: none"> • £51k - £250k
	Reputation	<ul style="list-style-type: none"> • Local adverse publicity
	Statutory service/ legal obligations	<ul style="list-style-type: none"> • Regulatory sanctions, interventions, public interest reports, or • Litigation, claim or fine, £51k - £250k
	People	<ul style="list-style-type: none"> • Major injury to an individual (impairment lasting more than 1 month)
D Low	Service disruption	<ul style="list-style-type: none"> • Some minor impact on service, or • No impact outside single objective
	Financial loss	<ul style="list-style-type: none"> • Up to £50k
	Reputation	<ul style="list-style-type: none"> • Local publicity or press interest, or • Internal adverse comment
	Statutory service/ legal obligations	<ul style="list-style-type: none"> • Minor regulatory consequences, or • Litigation, claim or fine, up to £50k
	People	<ul style="list-style-type: none"> • Minor injuries to people, or } impairment • Illness, or } lasting up to • Damage to equipment } 1 month

Annex E Prioritisation Matrix template

Prioritisation matrix



Likelihood:

- 1 Almost certain
- 2 Likely
- 3 Possible
- 4 Unlikely
- 5 Seldom
- 6 Rare

Impact:

- A Extreme
- B High
- C Medium
- D Low

----- Risk Tolerance Line

Annex F Action Plan template

[No.]	Action Plan: [Title, per strategic risk register]	Owned by: [Job title]
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Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Current and Target risk scores	Review frequency	Key dates
[actions/controls already being done that relate to this risk]	[how effective the actions/controls already in place are]	[new actions/controls required to manage the risk down to its target score]	[the person responsible for the action plan being carried out]	[current matrix position and target improved matrix position]	[frequency of reviewing this action plan (at least six-monthly; less if the risk is urgent or actions will occur more frequently)]	[milestones/ deadlines]