

Appendix C

Risk Management Strategy

2013 to 2015

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Introduction

The Risk Management Strategy now includes the Risk Management Policy

The Risk Management Strategy will assist and direct the in the management of its risks. Many of the risks facing the Council are known but some are not. The implementation of the Risk Management Strategy will assist the Council in:

- Reducing risks
- Maximizing opportunities
- Improving the effectiveness of our partnerships
- Enhance our procurement processes
- Support the delivery of the council's Gold Projects.

Benefits of Risk Management

Effective risk management will deliver a number of tangible and intangible benefits to individual services and to the Council as a whole, e.g.

- **Improved Strategic Management**
 - Greater ability to deliver against objectives and targets
 - A sound system of corporate governance
 - Confidence in the rigour of the Annual Governance Statement
 - More likely that new developments can be delivered on time and on budget
 - Delivery of innovative projects
- **Improved Operational Management**
 - Reduction in interruptions to service delivery
 - Reduction in managerial time spent dealing with the consequences of a risk event having occurred
 - Improved health & safety of those employed, and those affected, by the Council's undertaking
 - Improved prevention of fraud, bribery and corruption
 - Allows managers to focus on issues that really matter
 - Delivery of change management and organisational change
- **Improved Financial Management**
 - Better informed financial decision-making
 - Enhanced financial control
 - Reduction in financial costs associated with losses due to service interruption, litigation, etc.
 - Reduction in insurance premiums and claim related costs
- **Improved Customer Service**
 - Minimal service disruption to customers
 - Protection of reputation and reduced risk of misinterpretation by media

Objectives

Below are the risk management objectives.

Objectives:

- Embed a risk management ethos throughout the Council that ensures the regular and systematic identification, prioritizing, treatment and monitoring of risks.
- The production of strategic and departmental risk registers that highlight the key risks facing the council that informs and inform the annual audit plan.
- Anticipate and respond to changing social, environmental and legislative requirements.
- Raise awareness of the need for risk management by all those connected with the Council's delivery of service

These objectives will be achieved by:

- Defining roles, responsibilities, and reporting lines.
- Including risk management issues when writing Cabinet reports
- Maintaining registers of risks
- Holding regular meetings of the Risk Management group that involves Senior Managers.
- Provide appropriate training to all members of staff

Guide for Identification, Prioritizing, and Management of Risk

To ensure the systematic management of risks it is recommended that risks are recorded and communicated. This is done by completing a risk register.

There are four steps to completing a risk register. These are:

1. Gather together the appropriate group of people
2. Use pre-determined risk categories
3. Collate and describe a list of risks and score, decide upon further risk control measures, responsibility for implementing the control measures and by when
4. Maintain risk register of JCAD Risk and review regularly

Step 1 - Gather together the appropriate group of people

Each Risk register will require a different group of people to be gathered.

- Strategic Risk Register - Corporate Management Team
Concerned with the corporate vision, gold projects.

- Service Risk Registers – Assistant Director and Management Team
Concerned with operational effectiveness
- Project Risk Registers
Concerned with the effective and efficient outcome of a project

Step 2 - Use pre-determined risk categories to prompt discussion

Different Types of Risk

To help identify risks more easily it has been decided to create a number of categories which will typically fall. Please note that risks can fall into more than one category.

Type of Risk	
Economic/ Financial	Events or lost opportunities that have a detrimental affect on the finances of the authority.
Political	Risks that affect the Council's ability to deliver it's strategic objectives.
Health & Safety	Events that lead to the physical/mental harm of employees and/or stakeholders.
Environment	Events that may have a detrimental affect on the physical environment
Legal/Regulatory	Actions or events that breach regulations, civil or criminal law
Management inc contractual	Events, actions or proposed actions that lead to increased management effort

Step 3 – Collate and describe a list of risks.

When describing a risk ensure that the description states the risk – not an outcome. E.g. Loss of staff is an outcome of a risk – Swine flu leading to loss of staff is a risk

Once a draft list of risks has been identified the same/similar need to be grouped together this ensures that the risk register is focused and not too unwieldy.

The final lists of risks require to be scored in a consistent manner. The scoring system is based upon a 5 x 5 matrix

Prob abilit	Very High	6	12	18	24
	High	5	10	15	20
	Significant	4	8	12	16

	Low	3	6	9	12
	Very Low	2	4	6	8
	Almost impossible	1	2	3	4
		Negligible	Marginal	Critical	Catastrophic
		Severity			

The scoring of the “probability” and the “severity”, is divided into 4 categories

Low	
Medium	
High	
Very High	

The descriptors for both ”Probability” and ”Impact” are shown below

Severity

	Negligible	Marginal	Critical	Catastrophic
Economic/Financial	Financial impact up to £50,000 requiring virement or additional funds	Financial impact between £50,000 and £500,00 requiring virement or additional funds	Financial impact between £500,000 and £1,000,000 requiring virement or additional funds	Financial impact in excess of £1m requiring virement or additional funds
Political	Could have a major impact one departmental objective but no impact on a Council strategic objective	Could have a major impact on a Departments objective with some impact on a Council strategic objective	Council severely impact the delivery of a Council strategic objective	Council would not be able to meet multiple strategic objectives.
Health & Safety	Reduced safety regime which if left unresolved may result in minor injury	Minor injuries	1 death or multiple serious injuries	Multiple deaths
Environment	Minimal short-term/temporary environmental damage	Borough-wide environmental damage	Major long term environmental damage	Very severe long term environmental damage.
Legal/Regulatory	Minor breach resulting in small fines and minor disruption for an short period	Regulatory breach resulting in small fines and short term disruption for an short period	Minimal CMT but major departmental management effort required	Very severe regulatory impact that threatens the strategic objectives of the Council
Management inc Contractual	Minimal contract management required	Minimal departmental but major contract management required	Minimal CMT but major departmental management effort required	Major CMT management effort would be required

PROBABILITY

	Almost Impossible	Very Low	Low	Significant	High	Very High
	Less than 10%	10 – 30%	30 -50%	50-70%	70 – 90%	More than 90%
	Event may occur only in exceptional circumstances	Event will occur in exception circumstances	Event should occur at sometime	Event will occur at sometime	Event may occur only in most circumstances	Event will occur only in most circumstances

Assessment of Risks

It is important to recognize that risks are assessed twice. Risks are assessed on the basis that there are no controls in place. This is known as the **Current Risk**.

The risk is then considered again considering what controls are in place or are proposed and assessed again. This is known as the **Controlled Risk**.

Where an action or course of actions have been decided upon to mitigate the effect of a risk then an officer needs to be identified so assume responsibility for ensuring that the control measure or measures are completed.

Risks should be mitigated to a level where **Controlled Risk** is at or below the **Risk Appetite**. The **Risk Appetite** is the maximum amount of risk that the organization does not wish to go beyond.

Ways to Mitigate Risks

The vast majority of risks can be mitigated in some way or other but most risks cannot be eliminated altogether and risk management is about determining what level of risk is acceptable.

There are four basic responses to the mitigation of risk. These are:

- Transfer
- Control
- Terminate
- Tolerate

Response	
Transfer	Some risks can be transferred – legal liability can be transferred to an insurer, or service delivery can be transferred to a third party provider.
Control	Some risks will require additional control measures to reduce their probability or impact.
Terminate	Some activities present risks that are so disproportionate to the benefits derived from carrying out that activity that consideration should be given to terminating the activity – it should be noted that this is not always possible.
Tolerate	This response is acceptable if The risk is already managed to its lowest level of impact and/or probability

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Control Measures

Control measures are the actions taken to “mitigate” the probability and impact of a risk

Control measures can take many guises and below is a list of control measures and how they mitigate a risk.

Control Measure	How it Mitigates
Project Plan	The discipline of completing and maintaining a project plan is a good way of identifying and planning the management of issues that may arise.
Monitoring	This can take the form of a 121, appraisal, service meeting with a contractor or provider. Monitoring to a set of defined performance indicators helps ensure that actions are performed to a prescribed level in a timely manner.
Reporting	Regular reporting of performance to senior officer/ member groups encourages the completion of actions especially reports that highlight non-performance.
Auditing	This ensures the veracity of claims that actions are in progress or have been completed.
Action	Action proposed to mitigate a risk. These, when completed should affect the probability and/or impact of a risk.

Risk Registers and Their Maintenance

Below is a list of the information that is contained with a risk register.

- Reference Number
- Risk including possible outcomes and the risk appetite is explicitly expressed.
- Assessment of current probability
- Assessment of current impact
- Current risk assessment score
- Current Control measures
- Future control measures
- Officer responsible
- Assessment of controlled probability
- Assessment of controlled impact
- Controlled risk assessment score.

The risk registers are maintained on the JCAD Risk system.

How Risk Management in Slough Borough Council is organised.

The next section deal with how risk management is organised in Slough Borough Council. This includes:

- Roles and Responsibilities
- Training
- Pyramid of Risk Registers
- Terminology

Roles & Responsibilities

To help ensure that the risk management is embedded in the day to day function of all staff

Officer/Group	Responsibility	Frequency
Audit & Risk Committee	Refer to Terms of reference	Every Three months
Corporate Management Team.	Update Strategic Risk Register.	Every six months
	Undergo relevant training	As and when
Asst. Directors	Update Risk Register	Every three months
	Discuss risk at departmental meetings	Standing Item on CMT agenda every month
	Undergo relevant training	As and when
	Cascade risks down to individual teams	Standing Item on Team Meeting Agendas. At 1 2 1 supervision meetings monthly As part of PDA process annually
Team Leaders	Report and advise Asst. Director of any emerging risks	Standing Item on Team Meeting Agendas. At 1 2 1 supervision meetings monthly As part of PDA process

Officer/Group	Responsibility	Frequency
		annually
	Undergo relevant training	As and when
All other staff	Bring risk issues to the attention of their manager. Undertake relevant training	On-going
Risk & Insurance Officer	Maintain and facilitate updating of Risk registers	On-going
	Produce overview of departmental risks for Directors	Every Three Months
	Organise Risk Management Training	On-going
	Review and update Risk Management Policy	Annually

Training

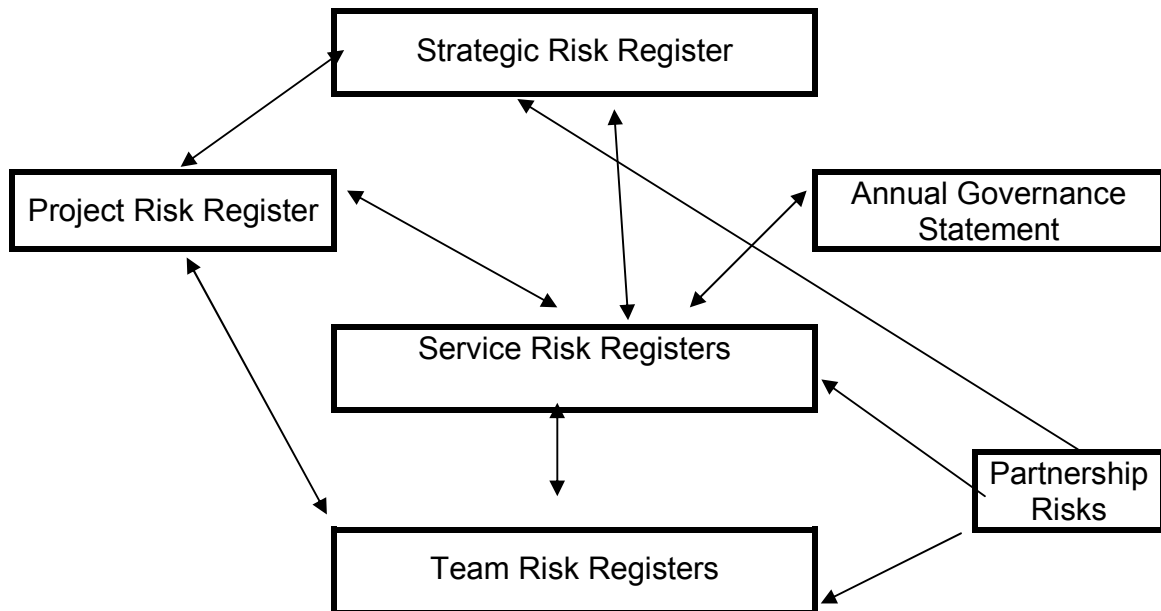
The Council has launched an on-line training package to show all staff the basics of risk management. The course includes a short test and the results are recorded although not published.

www.meritec.co.uk/FoRM password is **SBCUser**

Other more focused training will be arranged and delivered throughout the year.

Risk Registers

Below is a diagram that shows the links between the various risk registers and other elements that feed into the risk registers



Definitions

To ensure that risk management is embedded into the organisation. Below is a list of terms with definitions.

Risk Register – A document that contains details of a risk, current risk assessment, controlled risk assessment, proposed control measures and responsible officer

Probability – Also known as Likelihood – is the estimated chance of a risk transpiring.

Impact – The estimated severity of a risk transpiring

Risk Management Improvements

Below are the planned improvements to the risk management strategy over the coming 24 months.

- Move from the current 3x3 scoring matrix to a more sophisticated 5x5 matrix as described above
- The JCAD risk management system is upgraded to a web based system hosted by JC Applications.
- Once the system has been upgraded guidance notes will be issued on how to use the upgraded system
- Each departmental risk register will be quality assured by the Risk Management Group on a rolling basis.

Appendix

- Risk & Audit Committee Terms of Reference
- Risk Management Group Terms of Reference

Appendix 1 Audit and Risk Committee – Terms of Reference

ARTICLE 10 – AUDIT AND RISK COMMITTEE

The Council will appoint an Audit and Risk Committee

1. Statement of Purpose

The purpose of this Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority framework and nonfinancial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

Terms of Reference

2. Within the Terms of Reference of the Committee it will be
 - a. the member forum for external auditors matters, recommending to council the approval of the audited statement of accounts, formal approval will remain a full council responsibility.
 - b. the member forum for internal audit matters,
 - c. a key element of the internal control framework for the Council and take responsibility for the Annual Governance Statement,
 - d. be the member forum for risk management matters,
 - e. be the member forum for corporate governance matters.

General Role/Membership

3. The Committee is advisory and therefore not subject to the provisions of the local Government Access to Information Act 1985.
4. The Committee will comprise 7 people (6 Councillors on a proportional basis, and one co-opted member from outside the Council with suitable experience). The quorum for the Committee is three members.
5. That Committee will meet four or more times per year.
6. In order to promote the independence of the Committee there should be limited cross membership between Overview and Scrutiny Committee and the Audit Committee limited to a maximum of 2 members. Also Cabinet membership of the Committee is limited to one member.

Specific Functions

7. The Committee's specific functions shall include but not be limited to
 - (a) External Audit
 - To consider the external audit report to those charged with governance on issues arising from the audit of the accounts, and ensure that appropriate action is taken in relation to the issues raised

- To consider the external auditor's annual letter and ensure that appropriate action is taken in relation to the issues raised
 - To consider and comment on any plans of the external auditors
 - To comment on the scope and depth of the external audit work and to ensure it gives value for money
 - To consider any other reports by the external auditors
 - To liaise with the appointed body over the appointment of the Council's external auditor
- (b) Internal Audit
- To consider the Chief Internal Auditor's annual audit opinion and the level of assurance given over the Councils Corporate governance arrangements
 - To consider regular reports, including statistics, abstracts and performance of the work of internal audit as presented by the Chief Internal Auditor
 - To consider and approve the annual Internal Audit plan, ensuring that there is sufficient and appropriate coverage
 - To consider reports from Internal Audit on agreed recommendations not implemented in accordance within the agreed timescale
 - To contribute to the annual audit plan
 - To comment on the scope and depth of the internal audit work and to ensure it gives value for money
 - To consider any other reports the Chief Internal Auditor may make to the Panel.
- (c) Internal Control
- To recommend the adoption of the Annual Governance Statement to the Council
 - To ensure that an appropriate action is taken with respect the issues raised in the Annual Governance Statement.
- (d) Risk Management
- To approve the risk management strategy and review the effectiveness of risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and seek assurances that action is being taken on risk related issues
 - To ensure that assurance statements, including the Annual Governance Statement properly reflect the risk environment
 - To review the Council's risk register
- (e) Governance
- To consider the arrangements for Corporate Governance and to make appropriate recommendations to ensure Corporate Governance meets appropriate standards
 - To consider the Council's compliance with its own and other published standards and controls
 - To review any issues of governance referred to the Committee by internal or external audit.
 - To take ownership of the Protocol on referring Matters to the External Auditor
 - To review the Anti-Fraud and Corruption policy
- (f) Other
- To liaise with the Overview and Scrutiny Committee to ensure that the work of the two committees is complementary
 - To promote effective relationships between external audit, internal audit, inspection agencies and other relevant bodies to ensure that the value of the audit and inspection processes are enhanced and actively

promoted

- To consider financial and non-financial performance issues to the extent that this impacts upon financial management and governance.

8. The Committee shall report annually to the Council and report on an exception basis through the Performance Report produced by the Strategic Director of Resources, Housing and Regeneration for Cabinet.

9. The Terms of Reference shall be reviewed annually.

Appendix 2 Risk Management Group Terms of Reference

A Risk Management Group has been set up by the Council to represent the view and interests of all departments in developing and maintaining a corporate approach to risk management issues.

Aims

The aims of the Corporate Risk Management Group are to:

- Act as a forum to report on the progress made in mitigating risk as per departmental risk registers Departmental Risk Registers.
- Provide challenge on the risks and mitigating measures identified.
- Identify and agree suitable risk management training methods for both members and officers.
- Consider relevant recommendations emanating from inspections, reviews etc so that concerns are adequately reflected in risk registers.
- Publish departmental risk registers on the intranet
- examine and comment on the business continuity plans of departments and key suppliers
- Review Corporate Risk Register every 6 months

Membership

The meetings will be chaired by The Risk and Insurance Officer and will consist of:

- An Assistant Director from each department
- A member Internal Audit

Meetings

Meetings will be held quarterly and the Minutes from the meetings will be circulated to CMT.

All matters discussed and papers submitted for the meeting including Minutes of previous meetings must be treated as confidential