Risk Management Strategy

For Managing Risk and Uncertainty

2012

1. Introduction

Brighton & Hove City Council (the "Council") operates within a complex and dynamic environment. There are a number of key changes which are affecting the Council ("the Council) and the public sector more widely that have direct implications for the management of risk and the achievement of the Council's corporate priorities. These include:

- A challenging national economic climate;
- Major changes to the funding and organisation of public services;
- The impact of wider government policy and legislative change;
- Reforms to the regulation and assessment of public services;
- Significant organisational change – both within the council and other organisations that the council works work;
- A focus on prioritising limited resources based on need to meet agreed outcomes for the city.

The Risk Management Strategy 2012 is intended to provide for the next three years, 2012-2015, but is dynamic and will be subject to continuous review. It is designed to better reflect these circumstances and to apply a robust, systematic and documented process so that the council's approach to both negative risks (such as threats or issues which could prevent achievement of objectives) and positive opportunities (such as those connected with innovation and working with others creatively to achieve objectives) is properly managed and overseen. In this way, the Risk Management process supports the Council in achieving its corporate priorities and is an integral element of good corporate governance . Better risk management will result in better outcomes for the City. .

The Council has a track record of good risk management and innovative service delivery initiatives. It has successfully embedded risk management into its business and activities. The Council recognises that maintaining a dynamic risk aware culture is vitality important as it continues to go through a period of significant change.

The council's approach and strategy incorporates best practice for risk management and aims to promote a positive risk awareness culture to support the achievement of the Council's priorities[1]:

- Tackling inequality

- Creating a more sustainable city

- Engaging people who live and work in the city

- A responsible and empowering employer

- A council the city deserves

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[1] Brighton & Hove City Council Corporate Plan 2011-15

Also those which have been agreed with the Local Strategic Partnership in the Sustainable Community Strategy.

The Council has taken the positive step of integrating the systematic identification and management of risks through Performance & Risk Management Framework into its Service and Financial Planning process.

The Council's Corporate Plan 2011 – 2015 expresses it as follows:

"The Council's Performance and Risk Management Framework is an important piece of the improvement jigsaw, ensuring that every member of staff has clear objectives that connect their contribution to the council's priorities. The business planning process links employee development with day-to-day tasks and service outcomes, right through to the Sustainable Community Strategy aims. This provides a 'golden thread' of work by individuals to the long-term vision for the city. Identifying opportunities and mitigating against risk is an integral element of each services business plan."

Aims of the Strategy

- To bring consistency in understanding what risks the Council, and other organisations the Council works with, face in delivering services for the city.

- To identify and prioritise risks and plan to deliver improvements to mitigate negative risks or enhance positive opportunities so that the Council's objectives are achieved.

Our Risk Management Approach

To accord with best practice the Council's approach aims to get the right balance between innovation and change on the one hand, and the avoidance of shocks and crises on the other. This is why Risk Management can also be referred to as ROM (Risk & Opportunity Management).

This supports working towards achievement of the International Standard ISO31000. The ISO31000 definition of Risk is:

"the effect on uncertainty on objectives"

and further expands that

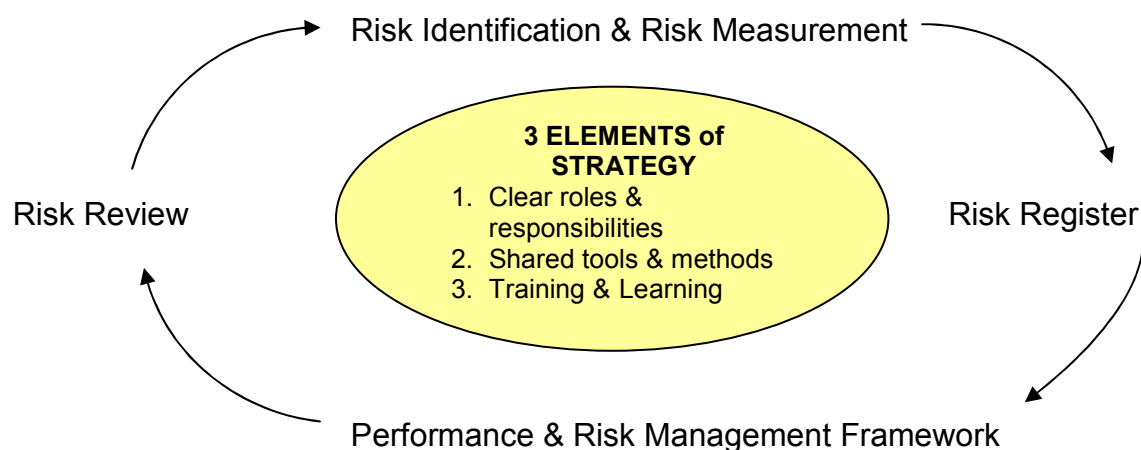## *"an effect is a positive or negative deviation from what is expected".*

The approach to be taken in the 2012 Risk Management Strategy will be to continue to:

- embed risk management into the culture of the council by integration into existing processes and frameworks to enable management of uncertainty in a systematic, effective and efficient manner[2];
- recognise good practice and expertise of related risk disciplines, e.g. civil contingencies planning, financial planning including insurance, health and safety and sustainability; [3]
- work with others outside of the organisation to share, improve and update our processes to either anticipate and/or respond to changing operating environments and requirements.

The Council believes risk needs to be managed rather than avoided and will be proactive to ensure it takes an acceptable level of risk. The amount of risk the Council is prepared to accept or be exposed to (its risk appetite) will vary according to the perceived significance in terms of timing as well as legislative constraints.

ELEMENTS OF THE RISK MANAGEMENT STRATEGY

These elements support delivery of the Risk Management process as set out in the diagram below:

Risk Identification & Risk Measurement

3 ELEMENTS of STRATEGY
1. Clear roles & responsibilities
2. Shared tools & methods
3. Training & Learning

Risk Review

Risk Register

Performance & Risk Management Framework

Some risks will always exist and can never be eliminated; they therefore need to be appropriately managed. This Strategy sets outs how the Council will:
- Establish clear roles, responsibilities within the council for Risk Management as part of the Council's decision making and operational management processes, e.g. Service/Business Planning, Commissioning, Project Management, Partnerships and Procurement processes **(Strategy Element 1)**
- Provide a shared methodology which can be used to ensure common standards and an understanding of risk management to provide an overview of risks to which the Council is exposed **(Strategy Element 2)**
- Reinforce the importance of effective management of risk through training and provision of opportunities for shared learning **(Strategy Element 3)**

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[2] The Council's Performance & Risk Management Framework is an example
[3] The Council's Risk Management Steering Group, an informal group chaired by the Risk Manager, which meets at least four times a year, includes representation of these disciplines

Strategy Element 1 – Roles & Responsibilities for Risk Management

The Risk Management Strategy 2012 sets out the roles and responsibilities for risk management in the Council so that:

- √ everyone knows how they contribute within the Council wide framework to understand and manage risks at the level which applies to them so that the Council's exposure to risk is within its acceptable limits
- √ risks, both "downside" threats or "upside" opportunities, are appropriately managed at least in accordance with specified roles and responsibilities or, if beyond the individual's direct control, they are "escalated" to the management level above
- √ Ensure that the identification of risks is an ongoing task and aligned with business planning and performance management arrangements

Those with a responsibility to manage risks (either a person or a group) are also known as "Risk Owners", they have authority to ensure that action in response to risk is appropriate.

On the next page is a table setting out details of roles and responsibilities for risk management. It is not significantly different from the previous risk management strategy or practice but better reflects the current structure and operating model of the Council.

Roles & Responsibilities for Risk Management	How
All Staff and Risk Owners delivering a particular service or business objective (including Corporate Management Team)	
* Achievement of agreed objectives within legal and budgetary boundaries* * Proactive risk & opportunity management in their day to day activities * Agree resource allocation within their allowed boundaries * Identify the need for escalation of negative risks through the reporting process	* Through ownership of a service plan with integrated risk register * Through ownership of a project plan and associated risk register * Make use of the comprehensive risk management information on the Council's intranet and access training to assist them in fulfilment of their responsibilities * Scheduled progress meetings, e.g. with manager; Commissioner of Services; project board to report progress towards achievement of objectives & management of risks
Risk Owner for organisations delivering services for, or with, the Council e.g. contractor/supplier/partners	
* Comply with their own organisation's risk management arrangements * Achieve objectives agreed with the Council *	* Provide evidence of organisation's risk management arrangements * Scheduled progress meetings
Strategic Leadership Board (Chief Executive, Strategic Directors and Director of Finance	
* Manage the strategic risks faced by the Council, including in its partnership work * Responsible for reviewing the strategic risk register at least six monthly and management action plans to address risk * Provide the leadership and support to promote a culture in which risks and opportunities are managed with confidence at the lowest appropriate level	* Risk Owners to review, or delegate responsibility for the purposes of reporting to Councillors and the Audit Committee & Ensure that any significant approved new project or changes have appropriate risk management arrangements
Councillors	
* Require the Risk & Opportunity Management paragraphs in reports submitted for decisions making to be completed and satisfy themselves on the information contained	* Make use of the comprehensive risk management information on the Council's intranet and access training to assist them in fulfilment of their responsibilities
Council Elected Member Leadership (e.g. Cabinet)	
* Approve the Risk Management Strategy * Require the Risk & Opportunity Management paragraphs in reports submitted for decisions making to be completed and satisfy themselves on the information contained	*Make use of the comprehensive risk management information on the Council's intranet and access training to assist them in fulfilment of their responsibilities
The Audit Committee	
* Ensure independent assurance of the adequacy of Risk Management and the associated control environment	* At least annually receive the strategic risk register, and reports on risk management arrangements, Risk Management Programme and progress * Where it considers it appropriate, make recommendations to Council Elected Member Leadership Group * Engage in Risk Management to increase their knowledge and understanding

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<u>Strategy Element 2 – Shared methodology for risk management</u>

Many of the Risk Management tools and methods have not been significantly changed during production of this new Strategy, but rather they are continually revised to reflect the most up to date operating context for the Council and best practice developments.

The Council's process has a series of well defined steps to support sound decision making through understanding of risks, whether a positive opportunity or negative threat and their likely impact.

The methods used to identify, prioritise and manage risks have not changed as they have been effective, are widely used and understood and have been developed with NHS and partners connected with delivering the Civil Contingencies Act 2004.

The Risk Manager consults on and seeks approval from the Audit Committee for an annual Risk Management Programme for the Council to detail the key strategic actions, improvements and developments to the Risk Management process. At year end, a progress review of achievements for the annual programme is submitted to assist the Audit Committee.

By continuing to develop a common understanding, and practice of risk management, the following benefits will be achieved to help deliver the Council's objectives:
 * the "risk appetite" for services delivered by or in connection with the Council is consistently understood (i.e. the level of risk that is acceptable) and escalation of risks to the management or decision-making level above is carried out in an ordered way;
* risk registers are completed for significant and high risks to enable an overall picture of risk exposure whether through direct service provision or in conjunction with other parties;
* decision-makers may be assured that the strategic objectives of the council, including related objectives of its partner organisations, external parties or business partners, stand a good chance of being successful;
* managers and staff are equipped to identify, record, escalate, monitor and self-audit risks.

There are 3 Steps of the Risk Management Process:

1) Risk identification

2) Risk measurement

3) Risk registers

Once actions have been agreed and set out in the risk registers, they will be incorporated into the usual planning and performance management processes.

Step 1: Risk Identification

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Related Tools available on the Intranet ("the Wave")
  1) Risk Category Checklist
  2) ROM Quick Analysis Tool
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Risk Management starts with being clear on the objective to be achieved and then identifying risks which could affect achievement of that objective. The Risk Categories checklist below is used to prompt identification of risks or issues (*new additions are denoted in italics*)**.**

Risk Categories Checklist
Professional/Managerial/Partnerships – Recruitment/Retention of qualified staff; *Capacity;* Investing in Training; Skill mix; Over reliance on key officers; Ability to implement change; Management of partnership working
Economic/Financial – Impact of national economic position; Failure of major project(s); Missed business and service opportunities; Failure to prioritize, allocate appropriate budgets and monitor; Inefficient/ineffective processing of documents.
Social – Meeting the needs of disadvantaged communities; Tracking the changes in population base; Employment opportunities; Regeneration; Partnership working; Life-long learning.
Technological – Functionality and reliability of IT systems – impact on service delivery; Data security issues; Inability to implement change; Obsolescence of technology; Technology strategy.
Legislative – Meeting statutory duties/deadlines; Breach of confidentiality/Data Protection Acts requirements; European Directives on Procurement of Services; Implementation of legislative change.
Physical – Human Resources issues; Loss of intangible assets (e.g. intellectual property); Health and Safety; Loss of physical assets (e.g. damage to property as a result of fire or theft).
Contractual/Competitive – Over reliance on key suppliers/contractors; Ineffective contract management; Contractor failure; Lack of existing markets.
Equalities – Workforce Composition – across all persons who provide a service on behalf of the council and its partnership work; Appropriate recognition of the diversity of Service Users/Customers, e.g. age, ethnicity, gender, disability, religion; Ensuring consistent minimum standards to meet legislative duties (incl. training, sharing policies & best practice); Altering working practices as necessary to meet diverse needs and ensure no discrimination; Ability to demonstrate equalities in action (incl. monitor, evaluate and review).
Political – Impact of Strategic Priorities on business activities; Clarity & cohesion in decision making; Impact of Central Government policy on local policy/local initiatives.
Environmental/Sustainability – Energy use (efficiency), energy costs, energy supply; *Climate Change considerations;* Waste Management – correct disposal, hazardous waste; Waste reduction and recycling issues; Noise and street scene implications; Pollution control, air pollution, spillages; Water conservation; Transport implications.
Practice & Clinical Issues, including Clinical Governance – Practice issues; Patient Safety; Clinical Governance; Clinical Procedures; On-going professional development; Loss of key clinical staff.
Customer/Citizen – Appropriate consultation; Quality customer care; Access to services; Views of Service Users and/or viewpoint of patients; Political support, e.g. Members of city council.
Fraud & Corruption – Appropriate segregation of duties; Security of data *and other assets*; Hospitality/Gifts Policy, Record Keeping and Monitoring; Trends of working (e.g. usual lone or late working) or sickness absences (potentially fraudulent); Verification/Validation checks e.g. before staff/contractor appointments/cash transactions.

Step 2: Risk Measurement

Related Tools available on the Intranet ("the Wave")
  3) Risk Matrix
  4) Risk Descriptor Guidance (to help "score" Likelihood and Impact of each risk

Risks are assessed on their impact and likelihood of occurrence. This involves allocation of a "Likelihood" and an "Impact" score to each one (use the risk matrix).

LIKELIHOOD	MOST LIKELY **IMPACT** (if in doubt grade up not down)				
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	5	10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Almost Impossible (1)	1	2	3	4	5

All risks should be quantified by using a standard form of measurement. The use of a basic 5 by 5 calculation where exposure to risk is measured based on the multiplication of likelihood and associated impact, i.e. if a risk has a very high likelihood and a very high impact it will receive a combined rating of 25. This is known as the "initial" risk score (sometimes called the "Inherent" risk score).

This is the approved method which applies across most public sector organisations, such as the Council, the NHS and organisations connected with the Civil Contingencies Act 2004.

The Risk Appetite (the amount of risk that the council is willing to accept) of the council, unless specified differently by decision makers (e.g. a project board) is determined by the colour coding, and the actions to take are set out below.

The Risk Matrix contains guidance on what action should be taken according to the initial Risk Score.

1 – 3	4 - 7	8 - 14	15 - 25
Low	**Moderate**	**Significant**	**High**
Monitor periodically	**Monitor if the risk levels increase**	**Review & ensure effective controls**	**Immediate action required & need to Escalate to the management level above**

Step 3: Risk Registers

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Related Tools
  5) Risk Register available on the Intranet ("the Wave")
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How successful we are in dealing with the risks we face can have a major impact on the achievement of our key priorities and outcomes.

The Risk Registers set out the existing controls that relate to the risk as most are already subject to some degree of management. This helps the council set a more realistic or "real" prioritisation of the issues by assignment of a residual risk score. This means effort and resource can be targeted to mitigate or manage the risk and actions with responsibilities and target dates being set out in the Risk Register (see format of Risk Register on next page). Through this re-assessment of priority scores (using the "Residual Risk Score) further work or "solutions" can be planned to address the risk until it reaches an acceptable level (i.e. within the risk appetite set).

This is one of the key benefits of Risk Management, i.e. to prioritise, assess the existing deployment of resources, whether it is effective and to influence future deployment of resource (e.g. money and effort).

As not all risks are priorities, and risks will always exist, having identified and measured risks one of the following proportionate actions (the Risk Strategy for the particular issues) can be selected:

➢ Treat the risk – agree an action to manage the risk to an acceptable level
➢ Transfer the risk – possibly by purchasing additional insurance or bonds
➢ Terminate the risk – stop the current system or process and introduce a new system
➢ Tolerate the risk – if nothing reasonable can be done to control the risk because it may be out of the service or the Council's sphere of influence

Actions from Risk Registers, with details of key dates and individual responsibility for action should be integrated into service plans and project plans. Appropriate review is needed to keep the risk register current. Each risk owner will need to have a securely retained copy of the register and a clear history of changes made as risk registers may be requested at any time by decision makers, project boards, the Risk Manager, Internal or External Auditors or any interested parties in the interest of openness & accountability.

Risk Register Format

Risk No.	Reference link (i.e. Service Objective No. or Strategic Risk)	Risk Description	Potential Consequence	Initial Likelihood (L) Risk Score	Initial Impact (I) Risk Score	Mitigating Controls & Actions	Controlled Likelihood (L) Risk Score	Controlled Impact (I) Risk Score	Controlled Risk Score	Risk Action Owner	Further "Solutions", i.e. actions/ controls (these represent "work that needs to be done to be included as Key Actions in Business Plan)	Target Date	Risk Strategy select one: * Transfer * Treat * Terminate * Tolerate
Example line follows for guidance – add as many rows as you need to this table to record a comprehensive risk register. There are a number of ways to do this but the easiest is to move to the end cell and press the tab key.													
Assign a unique number	Detail the particular service objective no. or Strategic Risk, if relevant	Summarise what it is that you think could prevent achievement of your objective	Summarise what could happen and detail the impact on outcomes	Use the Risk Matrix	Use the Risk Matrix	List existing processes/Mitigations/ Controls that are in place to manage the risk	Use the Risk Matrix	Use the Risk Matrix	Multiply L x I and check Risk Matrix	Record name of a colleague in your unit	List further actions that you have planned or realise that you need to take AND add these as Key Actions in your Business Plan	Completion date for this action	

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<u>Strategy Element 3 - Reinforce the importance of effective management of risk through training and provision of opportunities for shared learning</u>

The Council's Risk Manager is charged with providing active support and training by:

➢ Providing advice on risk and opportunity management to assist those with responsibility for Risk Management through the Learning & Development training programme and individual's use of the extensive intranet (Wave) pages and the ROM e-learning programme;

➢ Helping others to understand what risk is and reinforcing the opportunities that risk management can present;

➢ Facilitating risk identification, assessment and mitigation through facilitated risk workshops or topic sessions which offer groups and/or individuals an opportunity to learn about risk management and apply it to a real situation which needs attention;

➢ Ensuring that a consistent approach to risk management is applied, including a common understanding of terminology and definitions.

For details or for advice, search on the Council's intranet ("the Wave") under "risk & opportunity" or contact jackie.algar@brighton-hove.gov.uk. Overall accountability for risk management rests with the Director of Finance.