![Stevenage Borough Council logo]

Release to Press

Meeting:	**Audit Committee**

Portfolio Area: Resources

Date: **30th May 2006**

REVISED RISK MANAGEMENT STRATEGY
(Corporate Support)

KEY DECISION

Author – Daniel Harris Ext.No. 2341
Lead Officer – Scott Crudgington Ext.No. 2185
Contact Officer – Daniel Harris Ext.No. 2341

1   PURPOSE

1.1   To note the attached revised Stevenage Borough Council Risk Management Strategy.

2   RECOMMENDATIONS

2.1   That the attached Risk Management Strategy be noted (Appendix A).

3   BACKGROUND

3.1   Risk Management has been adopted by both the private and public sectors in recent years. This is partly in response to high profile business failures in the private sector and various public sector scandals particularly in Social Services and Education.

3.2   Effective Risk Management enhances the Council's ability to:

- Deliver strategic and operational objectives successfully
- Safeguard the Council's assets
- Protect the Council's reputation
- Adhere to best practice guidance / surpass CPA requirements

3.3   It should be noted however that no risk management process would be able to identify and mitigate all risks that an organisation faces. Furthermore some studies have indicated that up to 50% of potential risks are not known about at any one time.

3.4   A number of recommendations to improve the Council's systems for managing risk have been made; District Audit Management letter on the Best Value Performance Plan, Comprehensive Performance Assessment Inspection and most recently as part of the CPA Use of Resources review.

3.5   Stevenage Borough Council introduced a formal risk management strategy in January 2003. In addition, a risk register was introduced in June 2005. Whilst both of these were effective in their own right it was felt they could be more joined up to ensure the potential benefits are delivered.

3.6 A complete review of the Council's approach to Risk Management was undertaken in the summer of 2005. This review included consultation with other Local Authorities, CIPFA's consultancy arm and an expert on risk management from the Council's insurance brokers.

3.7 The revised strategy is attached but listed below are the key points contained within the Strategy:

(a)   Benefits of Risk Management:

- Increased likelihood of achieving strategic and operational objectives
- Better planning and prioritisation of resources
- Early warning of problems before they occur
- Relevant staff having the skills to identify and manage risk within their services
- Proactive approach to uncertainty that avoids knee-jerk reactions
- Increased stakeholder confidence
- Ability to identify and take advantage of opportunities

(b)   How will we deliver the benefits:

- The Risk Management Strategy will be reviewed on an annual basis to ensure it remains effective
- Quarterly reviews of the Strategic Risk Register by PMB
- Strategic and Operational risks will also be reviewed by the risk owner quarterly
- Carry out training for Members and Officers in how to identify and evaluate risks
- The Audit Committee will review the Strategic Risk Register every six months and will now be responsible for the ongoing development of corporate risk management within the authority

(c)   Types of Risk

3.8 Risk can be categorised in many different ways. The Council intends to use the following 2 categories:

• **Strategic risk** - risks affecting the medium to long term Ambitions and Priorities of the Council (including political, economic, social, technological, legislative and environmental factors)

• **Operational risk** - risks encountered in the course of the day to day running of services (including professional, legal, financial and contractual matters)

3.9 It should be noted that these categories are not mutually exclusive. The purpose of categorising risk is to ensure that risk is considered across a broad range of issues.

3.10 It should also be noted that there is a clear link between some of the risks identified on the Strategic and Operational registers and those identified during the recent Business Continuity Project. Where this is the case the work being carried out as part of the Business Continuity project to put effective plans in place will be cross referenced to the risk registers.

3   REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Three options were available to the Council in developing an integrated risk management approach:

(a) **Option 1 – No Risk Management Strategy**

This option was not considered viable because all external reviews to date require the Council to improve the risk management arrangements in place.

(b) **Option 2 – Retain existing risk management Strategy**

Also not considered viable because the old strategy is over 3 years old and is not meeting all best practice or CPA requirements.

(c) **Option 3 – Revise the Risk Management Strategy**

This option is proposed in order for the Council to meet and exceed external review requirements such as the CPA Use of Resources. Therefore a review of the strategy was carried out in the summer of 2005. This review included consultation with other Local Authorities, CIPFA's consultancy arm and an expert on risk management from the Council's insurance brokers. The strategy was also made available to all Heads Of Service and First Reports internally for comment.

4.2 **Roles and Responsibilities**

4.3   Risk Management is a key aspect of corporate governance and it is, therefore the responsibility of the Executive to agree the risk management strategy. However, responsibility for the ongoing development of Corporate Risk Management at member level will lie with the Audit Committee.

4.4   Officers are responsible for identifying risks, effecting mitigation strategies and monitoring the risk registers. Although the Chief Executive will be responsible for risk management corporately, it is the responsibility of Heads of Service and 1st Reports to actively identify and manage risks within their areas of responsibility.

5 **IMPLICATIONS**

5.1 **Financial Implications**

5.1.1   The costs associated with updating the existing risk management strategy and providing risk management training for Officers and Members of Audit Committee can be contained within existing budgets.

5.1.2   An effective approach to risk management, in line with best practice, will further strengthen the Council's sound base of strong financial management and internal control and should assist in ensuring that, where possible, potential financial implications associated with individual risks can be successfully mitigated.

5.2 **Legal Implications**

There are no legal implications identified at this time.

BACKGROUND DOCUMENTS

- The Old Risk Management Strategy can be viewed in the Members library

APPENDICES

- A - REVISED RISK MANAGEMENT STRATEGY 2006
- B - OUTLINE METHODOLOGY TO MANAGING RISK
- C – STRATEGIC RISK REGISTER EXTRACT

REVISED RISK MANAGEMENT STRATEGY 2006

1 WHAT IS RISK MANAGEMENT

1.1 **A Risk can be defined as** "the threat that an event or action will adversely affect an organisation's ability to achieve its objectives".

1.2 Risk management provides "a framework for the Council to identify, understand and manage risks by mitigating, transferring or accepting them. Risk management, therefore, as well as providing a means of overcoming threats, provides the means to maximise the opportunities available to an organisation".

2 PURPOSE OF THE RISK MANAGEMENT STRATEGY

2.1 This document sets out the Council's Risk Management Strategy.

2.2 The strategy recognises that effective management of risk enhances the Council's ability to:

- Deliver strategic and operational objectives successfully
- Safeguard the Council's assets
- Protect the Council's reputation
- Allows Risk Management to be accepted as part of the culture (i.e. embed in Service Plans)
- Adhere to best practice guidance / surpass CPA requirements

2.3 The strategy also recognises that effective risk management requires widespread understanding of and commitment to risk management principles. Members, Chief Officers, Heads of Service and Managers need to be familiar with the strategy and all staff need to be aware of it.

3 Benefits of Risk Management:

- Increased likelihood of achieving strategic and operational objectives
- Better planning and prioritisation of resources
- Early warning of problems before they occur
- Relevant staff having the skills to identify and manage risk within their services
- Proactive approach to uncertainty that avoids knee-jerk reactions
- Increased stakeholder confidence
- Ability to identify and take advantage of opportunities

4 How will we deliver the benefits:

- The Risk Management Strategy will be reviewed on an annual basis to ensure it remains effective
- Quarterly reviews of the Strategic Risk Register by PMB
- Strategic and Operational risks will also be reviewed by the risk owner quarterly
- Carry out training for Members and Officers in how to identify and evaluate risks

5   Types of Risk

5.1   Risk can be categorised in many different ways. The Council intends to use
the following 2 categories, Strategic and Operational. The categories should lead to a
sufficiently broad set of issues being considered but on the other hand will not
impose too great an administrative burden.

         • **Strategic risk** - risks affecting the medium to long term Ambitions and Priorities of
         the Council (including political, economic, social, technological, legislative
         and environmental factors)

         • **Operational risk** - risks encountered in the course of the day to day running of
         services (including professional, legal, financial and contractual matters)

5.2   It should be noted that these categories are not mutually exclusive. The purpose of
categorising risk is to ensure that risk is considered across a broad range of issues.

6   The Risk Management Process

         Identifying the Risks

6.1   Risks should be identified against the categories set out above. The main focus
when identifying Strategic risks should be on the Council's Ambitions and Priorities.
Risk Management will be an integral part of the Council's existing service planning
framework. When identifying Operational risks consideration should be given to risks
that will impact upon service delivery.

Prioritising the Risks

6.2   Once analysed the risk needs to be prioritised according to the likelihood and impact.
In addition the proximity of the risk needs to be considered when prioritising the risk.
In order to do this a commonly used methodology will be used which is explained in
Appendix B.

Mitigation Strategies

6.3   Having identified the risks, each one needs to be assessed to determine the
appropriate action required to mitigate the risk, this could include:

         • Acceptance
         • Transfer (Insurance)
         • Reduction of either likelihood/impact or both
         • Avoidance
         • Contingency

6.4   The mitigation owner also needs to be identified, this being the person responsible
for putting the mitigation strategy into action.

6.5   Members will periodically review the strategic risk register and corresponding
mitigation strategies to determine that the correct course of action is being followed,
within specified timescales.

<u>Risk Register</u>

6.5   As a result of the risk management cycle we will produce two categories of risk registers, one for Strategic and one for Operational risk. Through the Risk Management process the risk register will act as a formal record of identified risks and the associated mitigation strategies.

6.6   The Strategic register will be the overall responsibility of the Chief Executive with individual risks being the responsibility of the appointed risk owner. In addition the Operational risk register will be the responsibility of the respective Head of Service/1st Line Report.

6.7   The register will detail:

- A unique identification number
- The risk description
- Consequences
- An a assessment of the Council's exposure (Likelihood, Impact & Combined Score)
- Mitigation Strategy
- Mitigation Owner
- Action by date
- Risk Owner
- Ambition/Priority Link

Monitoring the Risk Registers

6.8   **Strategic** – Risks will be monitored on a quarterly basis by PMB. This process will be facilitated by Corporate Administration who will update any changes to the register.

6.9   **Operational** – Risks should be monitored by Head of Service/1st Reports on a quarterly basis. As a minimum these registers will be revised at least once a year as part of the Service Planning process.

6.10   Appendix C shows an extract of the Strategic Risk Register.

7   Roles and Responsibilities

7.1   The Council recognises the importance of all staff being aware of the risk management strategy/process (a copy of the strategy will be available on the intranet). Risk Management is a key aspect of corporate governance and it is, therefore the responsibility of the Executive to agree the risk management strategy. However, responsibility for the ongoing development of Corporate Risk Management at member level will lie with the Audit Committee.

7.2   Officers are responsible for identifying risks, effecting mitigation strategies and monitoring the risk registers. Although the Chief Executive will be responsible for risk management corporately, it is the responsibility of Heads of Service and 1st Reports to actively identify and manage risks within their areas of responsibility.

7.3   In order to realise the benefits outlined above (in paragraph 3) the Council has identified the need to provide ongoing training to Officers and Members in relation to the Risk Management process.

APPENDIX B - OUTLINE METHODOLOGY TO MANAGING RISK

How we manage risk

Likelihood

		Rare (1)	Unlikely (2)	Possible (3)	Likely (4)	Almost Certain (5)
I M P A C T	Catastrophic (5)	5 ⬆	10 ⬆⬆	15 ⬆⬆	20 ⬆⬆⬆	25 ⬆⬆⬆
	Major (4)	4 =	8 ⬆	12 ⬆⬆	16 ⬆⬆⬆	20 ⬆⬆⬆
	Moderate (3)	3 =	6 ⬆	9 ⬆	12 ⬆⬆	15 ⬆⬆
	Minor (2)	2 =	4 =	6 ⬆	8 ⬆	10 ⬆⬆
	Insignificant (1)	1 =	2 =	3 =	4 =	5 ⬆

Level of Risk	Indicated by	How the risk should be managed
Very High Risk	Red ⬆⬆⬆	Requires Active Management
High Risk	Amber ⬆⬆	Requires robust contingency plans & early warning mechanisms
Medium Risk	Yellow ⬆	Requires good housekeeping & some mitigation to reduce likelihood
Low Risk	Blue =	Requires periodic review to ensure conditions remain unchanged

The diagram above measures the organisations exposure to risk which is defined as being the relationship between the likelihood of a risk occurring and its impact. The model provides the basis for prioritising risks.

All risks require active management but the form and frequency of action depends on the severity of the risk.

APPENDIX C – STRATEGIC RISK REGISTER EXTRACT

STRATEGIC RISK REGISTER		Strategic Risk Definition - Risks affecting the medium to long term Ambitions and Priorities of the Council										
		Operational Risk Definition - Risks encountered in the course of the day to day running of services										
ID NUMBER	DESCRIPTION	CONSEQUENCES	LIKELIHOOD	IMPACT	TOTAL	VH/H /M/L	MITIGATION STRATEGY	MITIGATION OWNER	ACTION BY DATE	RISK OWNER	AMBITION/ PRIORITY LINK
S1	**Decent Homes** Failure to achieve the Decent Homes standard by 2010	* Government sanctions - take over the service. * Financial implications. * Adverse affect on customers * Tenants homes below government standard	3	4	12	H	* Complete stock condition survey * Comprehensive Project Management * Asset Management strategy and Procurement strategy * Appoint Asset Manager * Plan programmes * Successful procurement of DH3 * Longer term contract agreed	All Head of Housing technical Services	Mar. 2010 Oct. 2005 Nov. 2005 Dec. 2005 Mar. 2006	Head of Housing Technical Services	3 A & B
S2	**Implementing E-Government** Failure to meet IEG Target - BVPI 157	Damage to reputation and Adverse publicity Impact on CPA status Impact on future potential funding Degraded services Customers not able to deal with SBC online	1	3	3	L	National agenda has now been delivered.Likelihood of adverse impacts occuring correspondingly reduced to 1 Remaining programme will address the local agenda and consolidation of work already achieved	Head of E-GOV & Business Systems	Ongoing	Head of IT & E-Government & Business Systems	4 A, B & C
S3	**Capital Programme Delays** Failure to deliver annual capital programme	Reduced Member confidence Failure to achieve Council's ambitions	5	4	20	VH	* Effective Corporate Capital Review Group	Head of Finance	Mar. 2006	All Heads of Service	1A - 4C
S4	Moved to Operational O27										
S5	**Equalities** Failure to implement equality impact assessments Council does not promote greater awareness with the community of equality and diversity issues	Open to legal challenge. Failure to achieve Council's ambitions Lower CPA rating	3	3	9	M	* Detailed management and continuous monitoring of project	Shahzar Choudhry	Mar. 2006	Head of Community Development	1C
S6	**Budget Gap** Council does not align its income and its expenditure prior to its balances being exhausted	Significant cuts in services Staff reductions	3	5	15	H	* 2004/05 outturn position established significant overall underspend, improved balances position. Revised approach to carry forwards approved by SMB. Forecast updated and report to Executive July 2005 * July 2005 Executive sets out proposed medium term actions and detailed approach for 2006/07 Budget Setting Process, actions underway: * Savings Exercise * Forward Plan * Income Review * March Full Council to Approve 2006/07 incorporating savings exercises & significantly improved RSG Settlement position. Forecast still on target for balanced Budget over the Medium Term. * Achievement of Gershon Efficiency Savings * Continue Base Budget Reviews,	Head Of Finance Head Of Finance Head of Finance All Heads of Service Head Of Finance	Complete Mar. 2009 Mar 2006 Mar-06 Ongoing Ongoing	Head of Finance	1A - 4C

ID	Risk	Consequence	L	I	Score	Rating	Action	Responsible	Status	Owner	Ref
S7	**Lack of customer access to Services**		2	4	8	M	* Detailed management and continuous monitoring of service	Customer Services Manager	Ongoing	Customer Services	4A & 4C
	Lack of IT infrastructure	Significant increase in staff costs					Satyam Consultants for CRM development				
	Failure to develop CRM to satisfactory level	High escalation rates					Housing Improvement Plan				
	Failure to realize impact of Almo	High training costs					Transforming Services Programme				
	Failure to transfer more services to CSC	Value for money					Service Level Agreements				
	Failure to deliver effective service post transfer	Poor service delivery					CSC self-service area				
	Low customer take-up of on-line services	BV157					Upgrade workforce scheduler				
	Not enough resource to meet service levels	KPI service failure					Performance Management				
	Lack of skill base for staff	Poor customer perception					Working together Action Plan				
	Public expectations/service standards not met										
	Lack of back office commitment to provide front-line staff with information, training and support necessary to provide an appropriate service to the customer.										
S8	**Town Centre**	Failure to consolidate the role of Stevenage town centre as a major shopping and leisure centre serving a large catchment area	3	3	9	M	* Detailed management and continuous monitoring of scheme	Head of Planning	Ongoing	Head of Planning	1D, 2A, 2B
	Scheme does not commence										
S9	**Stevenage West**	Council does not contribute towards meeting the growth needs of the Eastern region	2	3	6	M	* Detailed management and continuous monitoring of scheme	Head of Planning	Ongoing	Head of Planning	3 A & B
	Development does not proceed										
S10	**Local Strategic Partnership**	The Council fails in its Community Leadership role	3	3	9	M	* Detailed management and continuous monitoring of partnership	Head of Community Development	Ongoing	Head of Community Development	1, 1A
	LSP does not deliver its vision										
S11	**CPA Next Round**	Reduced CPA score	3	4	12	H	* Corporate policy to lead on advice and preparation for the organisation in liaison with SMB and the Audit Commission	Corporate Policy & Communications Manager	Completed	All Heads of Service	1A - 4C
	Council is not sufficiently prepared for Direction of Travel and service assessments leading up to potential re-assessment of CPA in 2007. Use of resources must achieve a level 3 score at least						* Agree a proosal for way forward including a gap analysis against our improvement plan with SMB	As Above	Completed		
	Council does not deliver on CPA improvement plan and demonstrate tangible outcomes for the community						* Project Team to work on UOR self assessment for submission to Audit Commission	ACE (Fianance)	Completed		
							* Continuous monitoring of improvement plan	Corporate Policy &Communications Manager	Ongoing		
							. review improvement plan in light of recent assessments	Corporate Policy &Communications Manager			

S12	**ALMO** - MRP Formula not accurate	* Ultimately ALMO will not be able to continue.	3	4	12	H	* Lobby ODPM re MRP Formula * ODPM have issued a Consultation Paper which would solve the problem - looks positive!	All Head of Housing Technical Services &	*Completed * Ongoing	Head of Housing Technical Services and	Ambitions 3 & 4, Priorities 1D & 3B
	Funding not adequate	* Financial implications re money already spent.					* Prepare a strong bid and have effective project management arrangements in place	Head of Housing	Completed	Head of Housing	AS ABOVE
	Failure to achieve 2 star service by required date	* Council will be unable to access additional borrowing required to ensure all Council-owned stock meets the Decent Homes standard by 2010.					* Mock Inspections completed for the whole service.		Feb-06		4A & B & C
							* Results of mock inspection will feed into the Improvement Plan going to February Executive.				
S13	**Operational Risk Registers** SDUs do not adequately record risks on the Operational Risk Register and/or do not have robust mitigation strategies.	* Unidentified risks could adversly affect the Councils ambitions and priorities. * Ineffective mitigation strategies could result in risks materialising	3	4	12		* Quarterly check of a sample of risks to identify adequacy of those identifies and the associated mitigation strategies * Further 1:1 risk management training as required.	All Heads of Service/First Reports & Senior Corporate Admin. Officer (Project Manager).	Quarterly wef May 06	All Heads of Service/First Reports	4C
S14	**Business Continuity** Services do have adquate Buisness Continuity Plans in place in the event of a business contuinity incident/failure.	* The Council does not meet its business continuity responsibilities under the CCA * Impact on CPA status * Statutory services are not delivered * Disruption to essential services leading to lack of customer care and adverse public and media perception of the Council	3	5 ⇧	15	H	* Business continuity plans are in the process of being written for each essential service * Disaster recovery solution is currently being investigated by IT. Note: Until this work is complete, SDUs need to ensure that they are happy with their current arrangements for business continuity	All Heads of Service/First Reports & Senior Corporate Admin. Officer (Project Manager).	* 01/05/2006 * Ongoing	All Heads of Service/First Reports	4C
S15	**ALMO ACCOMMODATION** Failure to provide ALMO with suitable accommodation by 1st October 2006	ALMO will not be able to function in it's intended orgainsational struture	3	4	12	H	Accommodation works: Ensure close control and monitoring of contract works to D H and Q3 works and report to PMB/SMB any deviations from the programmed completion dates.	Head of Propety and Design Services	Ongoing	SMB	3 & 4
							Office Moves and Workstation Allocation: Ensure all Heads/First Reports are encouraged to make the new workstation allocations work, with some compromises if necessary.	SMB	Ongoing	SMB	