



FLINTSHIRE COUNTY COUNCIL

RISK MANAGEMENT STRATEGY

VERSION 3.0

MANAGING RISK CORPORATELY

REVISED SEPTEMBER 2013

Table of Contents

<u>Section</u>		<u>Page</u>
1.0	Introduction	3
2.0	Risk as part of the Governance Framework	3
3.0	Why manage risks - the Benefits	4
4.0	How risk fits – Business Planning	5
5.0	Types of Risk	6
6.0	The Risk Process	9
7.0	Accountability for Risk	11
8.0	Internal Audit	13
9.0	Improvement Fund	13
10.00	Framework	14
Appendices		
A	Risk Template	14
B	Risk Criteria	15
C	Risk identification	16

1.0 **INTRODUCTION**

1.1 By definition, Risk Management is:

'The process of identifying risks, evaluating their potential consequences (IMPACT) and determining the most effective methods of controlling them or responding to them. The aim is to reduce the frequency (LIKELIHOOD) of risk events occurring (wherever this is possible) and minimise the severity of their consequences (IMPACT) if they occur.'

Risks can threaten the assets, the earnings, the reputation and the personnel of the Council and can impact on the Council's ability to deliver its priorities and objectives.

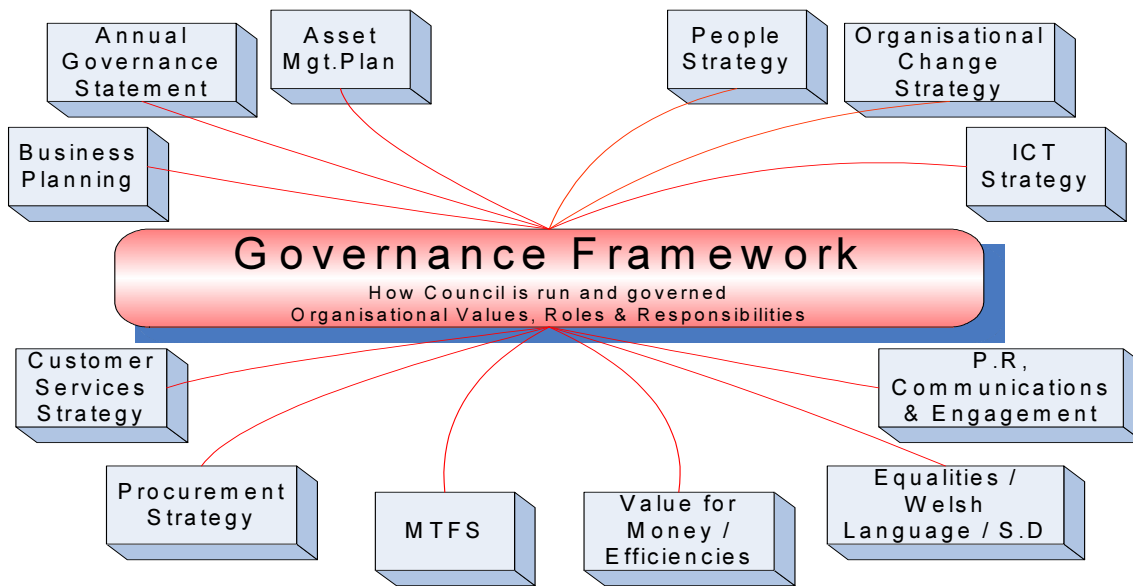
1.2 Not all risk can be eliminated but it is vital that risks are recognized and recorded and that their potential to cause loss is fully understood, some risks are external to us, e.g. The impact of other partners' actions or Governing bodies. Based on this information, action can be taken to direct appropriate levels of resource at controlling the risk or minimising the effect of potential loss.

1.3 Many people see risk management as an inherently negative process. Risk management should be seen as a process that allows us to take risk but in a calculated and controlled manner.

2.0 **RISK AS PART OF THE GOVERNANCE FRAMEWORK**

2.1 Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. It is founded on the principles of openness and inclusiveness, integrity and accountability together with the overarching concept of leadership. It is an interrelated system that brings together the underlying set of legislative requirements, governance principles and management processes.

2.2 Risk Management is an integral part of the Council's Governance Framework and Internal Control and aids informed and transparent decisions by ensuring that risk management is embedded into the culture of the Council, with Members and managers at all levels recognising that risk management is integral to service and governance.



2.3 Risk management is part of the Council's system of internal control assisting in the management and achievement of its business objectives and priorities.

3.0 **WHY MANAGE RISKS – THE BENEFITS**

3.1 Effective Risk Management will deliver a number of benefits to individual services and to the Council as a whole. These can vary in their nature and extent from service to service. However, they are important to the Council's reputation and to its ability to deliver continuous improvement.

3.2 Benefits of managing risk effectively are both tangible and intangible:

- Improved customer service.
- Prioritisation of resources
- Effective performance and achievement of objectives.
- Enhanced reputation and public confidence.
- Improved corporate governance and control systems.
- Improved business planning.
- Improved strategic management.
- Improved operational management.
- Improved financial management.

- Increased support and justification for the decision making process

3.3 The Risk Management Strategy assists in linking risk management, service planning (including business continuity planning), performance management, prioritisation and resource allocation.

4.0 HOW RISK FITS – AS PART OF BUSINESS PLANNING

4.1 The Council's Improvement Plan identifies in-year priorities for focus and delivery. These priorities are referenced within annual plans e.g. (Directorate, Service, Team and individual) which are reviewed and refreshed periodically throughout the year; at least quarterly to inform on-going budget planning.

4.2 The priorities within the Improvement Plan are clearly described as are the strategic risks associated with each priority. The detail relating to each risk is described in a separate document (see Appendix A).

4.3 The Council's business planning arrangements including both planning and monitoring provides the vehicle to:

- Incorporate governance and accountability arrangements within services and functions.
- Demonstrate the relationship with other Directorate, service/function and Partnership priorities.

4.4 Predominately the focus is what needs to be achieved in-year, however plans increasingly have longer term considerations when considering financial impacts, sustainable services, business continuity and longer term performance and improvement commitments.

4.5 The core components of business planning are:

- **Customers** – Who are they and what are their expectations?
- **Priorities & Planning** – What are the priorities for the service and how will they be delivered?
- **Risk** – What are the risks to service delivery and how will these be mitigated?
- **Performance** – How has the service performed in the last year? Where should improvements be concentrated?
- **Resources and Efficiencies** – What resources are available to the service and how are these best deployed to deliver the service objectives/priorities? What efficiencies can the organisation/service deploy?

- **Regulatory Findings** – What have regulators/inspections revealed about the service and how are improvement findings to be remedied?
- **Business Continuity** – Which elements of the service are critical and must be continued in the event of an emergency?

5.0 **TYPES OF RISK**

5.1 Risks can be classified into various types but it is important to recognise that, for all categories, the direct financial losses may have less impact than the indirect costs consequences such as the impact on the Council's ability to deliver its priorities and objectives, the disruption of normal working and adverse staff morale. The examples below are not exhaustive.

The risk types are identified as:

- Strategic Risk
- Operational/Service Risk
- Business Continuity
- Project Risk
- Partnership Risk

5.2 **Strategic Risk**

Strategic Risks are those that have the potential to impact the ambitions and priorities of the Council.

The council has identified, assessed and evaluated its strategic risks and these are incorporated within the Improvement priorities for the Council. Although terms which have been used in the past are not now specifically referred to they still remain important in assisting the Council to define and detail the priorities for change and improvement.

Community Leadership – critical local issues which cannot be solely delivered by the Council (e.g. Economic Regeneration, the Relationship with Local Health Board and the impact on Primary and Public Health)

Council Delivery - public service issues which are largely within the control and responsibility of the Council (e.g. housing, school buildings, and waste management)

Council Governance – issues of organisational governance and management (e.g. finance, human resources, information and communications technology)

5.3 As part of the Improvement Plan monitoring arrangements all strategic risks are reviewed at least quarterly to reflect changing circumstances, taking into account:

- Progress Mitigation
- RAG Status (gross, net and target)
- Emerging new risks
- External threats and opportunities
- Changing circumstances

5.4 A sample of a strategic risk template related to the Improvement Plan is attached as Appendix A.

5.5 **Operational/Service Risk**

5.6 These are risks that affect the successful delivery of individual service objectives that are not described as 'in-year' priorities for the Council. They are in effect 'business as usual' priorities and can include for example; malfunctioning equipment, hazards to service users, the general public or employees, damage to property etc. Operational risk also includes insurance claims and higher insurance premiums.

5.7 Operational risks are to be identified in Service Plans and monitored by Head of Service/Service manager. The Operational Risk template remains unchanged as it has been noted as an industry standard model of good practice.

5.8 Not all risks are insurable and for some the premiums may not be cost-effective. Even where insurance is available, money may not be an adequate recompense. The emphasis should always be on eliminating or minimising risk, before costly steps to transfer risk to another party (insurance) are considered.

5.9 Risk is not restricted to potential threats but can be connected with opportunities. Good Risk Management can facilitate proactive, rather than merely defensive, responses. These can be on a strategic or operational basis.

5.10 It should be noted that some risk is unavoidable and it is not within the ability of the organisation to completely mitigate it – for example a risk arising from the actions of other agencies or weather events. In such cases the organisation needs to make contingency plans for business continuity.

5.11 **Business Continuity**

5.12 The Civil Contingencies Act requires Category 1 responders, to maintain plans to ensure that they can continue to perform their functions in the event of an emergency. Flintshire County Council is a category 1 responder.

- 5.13 Business Continuity Management (BCM) is a planned process aimed at managing the many varied operational risks inherent in the day to day activities involved in the delivery of service.
- 5.14 The Council has identified 23 Mission Critical services and plans are in place to ensure these services can still be delivered in the event of an emergency.
- 5.15 A Corporate Business Continuity Plan provides an overall framework within which the Mission Critical Plans operate. These Mission Critical plans have been developed to complement the overall risk arrangements, help maintain critical services during and after any major emergency and promote recovery. Overall strategic responsibility for ensuring that services are maintained is the responsibility of the Council's Corporate Management Team.
- 5.16 Continuity risks that are identified in risk assessments should be, if appropriate, incorporated into relevant Business Continuity Plans and should be managed within the risk management process.
- 5.17 The Business Continuity programme includes periodic testing and revision of the Corporate Business Continuity Plan and/or the Mission Critical plans on an annual basis. When any of the plans are invoked; for example during severe weather, debriefs to determine lessons learned and plan revisions are held as good practice.
- 5.18 **Project Risk**
- 5.19 Some amount of risk taking is inevitable if a project is to achieve its objectives. The aim is to manage that exposure by taking action to keep exposure to an acceptable level in a cost effective way.
- 5.20 All projects are subject to constant change in the business and wider environment. The risk environment is constantly changing too. The project's priorities and relative importance of risks will shift and change. Assumptions about risk are to be regularly revisited and reconsidered, for example at each milestone/phase.
- 5.20 The Council has adopted a standard project management approach. This approach incorporates the identification and monitoring of risk.

The Project Manager is responsible for ensuring that risks are identified, recorded and regularly reviewed and should modify plans to include agreed actions to avoid or reduce the impact of risk. Risk is reported to the Project Board who in turn present this information to CMT, Programme Board (by exception) or Cabinet as appropriate.

5.21 **Partnership Risk**

- 5.22 The Council has many different types of partnership arrangements to which risk management needs to be applied but the two main ones are:

- Strategic partnerships
- Collaborative partnerships

- 5.23 Our **strategic partnerships** related to the Local Service Board e.g. Health, Social Care and Wellbeing Partnership and Children and Young People's Partnerships review their risks on a regular basis and the 'strategic template' referred to above has been adjusted slightly to reflect partnership working. A Governance Framework for Strategic Partnerships has been developed which incorporates a risk review which is reported at least annually to the Local Service Board.
- 5.24 Partnership boards or alternative governance structures ensure that effective risk assessment is undertaken in all key decision making processes, and where necessary, the partnership implements risk management plans to alleviate these identified risks, setting clear deadlines and allocating responsible individuals for particular tasks.
- 5.25 Other partnerships result from **collaborative activity**. Flintshire is committed to working in collaboration on a number of projects and service areas not only with local authorities but across all public sector organisations.

There are a number of significant collaboration projects underway in the region, for example:

- residual waste
- food waste
- school improvement
- transport
- social services commissioning
- planning (minerals and waste)
- ICT infrastructure

A report to the Audit Committee in June 2013 detailed the governance arrangements for these collaborative projects and it is important that where the Council is leading on projects that a consistent approach to risk management is undertaken.

6.0 THE RISK PROCESS

- 6.1 Likelihood and Impact are the two considerations which are used to identify 'level' of risk. A 3x3 matrix is used to plot the likelihood score against the impact score to provide a 'level' of risk. The matrix has nine bandings ranging from high (red), medium (amber) low (green). The Likelihood and Impact Matrix is shown overleaf.
- 6.2 Where likelihood and impact cross determines the risk level. For example a risk assessed as high likelihood and high impact equates to a high (red) risk denoting that this is the highest ranked risk that the Council can have. A risk assessed as medium likelihood and low impact equates to a green (low) risk etc.

- 6.3 To identify changes in risk status between reporting periods “arrows” are used. Increased or increasing risks are denoted by an upward facing arrow. Increasing risks are identified when mitigating actions have not been completed to timescale and/or the predictive amber/green RAG status has not been achieved by the notified date or a change in risk circumstance has occurred since the last reporting date.
- 6.4 Conversely decreasing risks are denoted by a downward facing arrow. Decreasing risks are identified when mitigating actions have been completed in advance or to timescale and/or the predictive amber/green RAG status has been achieved ahead of schedule or on time or an external circumstance has occurred which has decreased the risk.
- 6.5 No change in the overall RAG status is denoted by a horizontal arrow. No change risks are identified when mitigating actions are being progressed but no change has been effected to the overall risk.
- 6.6 Not all risks can be mitigated to a low (green) level and may be tolerated at a medium (amber) level. The predictive or target status on the template will indicate this with an explanation.
- 6.7 Criteria for assessing likelihood and impact are included to help promote consistent risk evaluation across the Council (Appendix B).
- 6.8 A checklist for identification is also included which gives categories of possible risks along with examples, it should however be noted that this list is not exhaustive and should be used to promote discussion and to aid risk identification. (Appendix C).
- 6.9 Most risks cannot be eliminated altogether and risk management involves making judgements about what level of risk is acceptable. There are four categories of response to risks – treat, tolerate, transfer, terminate – known as the Four T’s.

Likelihood and Impact Matrix

I M P A C T	High	Amber	Red	Red
	Medium	Green	Amber	Red
	Low	Green	Green	Amber
		Low	Medium	High
		LIKELIHOOD		

Change in risk status



Increasing Risk - mitigating actions have not been completed to timescale and/or the predictive amber/green RAG status has not been achieved by the notified date, or an increased risk as a result of a change in risk circumstance.



No Change – mitigating actions are being progressed but no change has been effected to the overall risk.



Decreasing Risk - mitigating actions have been completed in advance or to timescale and/or the predictive amber/green RAG status has been achieved, or a decreased risk as a result of a change in risk circumstance.

7.0 **ACCOUNTABILITY FOR RISK**

7.1 The basic requirements of a Risk Management structure are:

- Corporate Management Team leading the process.
- Ownership at every level and by every employee.
- Defined allocation of responsibilities and strong reporting lines.
- Risk identification evaluation and assessment.
- Mechanism for prioritisation.
- Active involvement of elected members.
- A monitoring role.

7.2 **Corporate Management Team** is responsible for:

- Setting strategic risk management initiatives/projects
- Discussing the appropriate level of risk for the Council
- Challenging the outcomes of risk management
- Monitoring and reviewing the Strategic Assessment of Risk and Challenges (SARC)
- Assurance of Business Continuity Planning

- Assessing significant levels of Project risks

7.3 Role of Elected Members

Audit Committee is responsible for:

- Reviewing the effectiveness of the Council's Risk Management processes and systems.

Scrutiny Committees are responsible for:

- Challenging the detail of individual risks related to priorities or service/functions.

7.4 It is the responsibility of Heads of Service and Directorate Performance Leads to ensure that Risk Management is implemented effectively in their areas.

Specific responsibilities are:

- Implementation of Risk Management Strategy and related policies.
- Ensuring that continuous risk identification and assessment takes place and that action plans are developed, implemented and subjected to regular monitoring and review.
- Ensuring that all risks are updated in line with the Council's business planning arrangements.

7.5 Service Managers are responsible for:

- Assisting Heads of Service to inform and complete relevant risks.
- Sharing relevant information with colleagues in other service areas.
- Providing feedback on their experience of strategy implementation and perceptions of strategy effectiveness to the departmental management team.

7.6 All staff have a responsibility to:

- Maintain an awareness of risk factors in their workplace
- Comply with Council policies and procedures
- Notify their line manager of identified risk and suggested solutions
- Report all incidents to their manager

8.0 INTERNAL AUDIT

8.1 It is the responsibility of Internal Audit to:

- Develop an annual risk based plan.
- Assess the effectiveness of Risk Management/Business Continuity within the Council with a view to delivering reasonable assurance as to the adequacy of the design of the internal control system and its application in practice.

9.0 IMPROVEMENT FUND

9.1 The Council maintains a Risk Management Improvement Fund (RMIF) which provides a source of finance to fund Risk Management initiatives which are deemed to be of benefit to the Council. The RMIF is held centrally by the Head of Finance as part of the Council's Internal Insurance Fund.

9.2 In addition to being subject to the 50% matched funding principle all RMIF funding should satisfy the following criteria (funding for up to 100% will be considered in exceptional circumstances):

- The initiative should raise the awareness of Risk Management

and/or

- The initiative should help to reduce the level and cost of insurance claims against the Council and protect the Council's Internal Insurance Fund.

9.3 The general principle of RMIF funding is that it will only be made available for the cost of "one off" initiatives and is not intended to be used to fund routine maintenance or supplement budget shortfalls.

STRATEGIC RISK TEMPLATE EXAMPLE

IMPROVEMENT PRIORITY: SKILLS AND LEARNING

IMPROVEMENT SUB PRIORITY: MODERNISED AND HIGH PERFORMING EDUCATION

RISK - Ensuring that schools work together effectively to share and develop best practice

Gross Score (as if there are no measures in place to control the risk)			Current Actions / Arrangements in place to control the risk	Net Score (as it is now)			Future Actions and / or Arrangement to control the risk	Manager Responsible	Risk Trend	Target Score (when all actions are completed / satisfactory arrangements in place)		
Likelihood	Impact	Gross Score		Likelihood	Impact	Gross Score				Likelihood	Impact	Gross Score
(L)	(I)	(LxI)		(L)	(I)	(LxI)			(L)	(I)	(LxI)	
A	R	R	Headteacher Federations for both Primary and Secondary phases established. History of effective collaborative work organised by officers from the Flintshire School Improvement Service, e.g. Foundation Phase, Secondary Forums, Consortium groups. Steering Group for Collaborative Working has been formed, including school representation from Primary and Secondary phases.	A	A	A	Steering Group for Collaborative Working has begun building on existing forums for sharing of good practice at Primary, Secondary and across phases. Revised groups will meet from the Autumn Term onwards. With the move towards more school autonomy and responsibility for school effectiveness, schools are being encouraged to take more responsibility for collaborative working.	Inclusion – Jeanette Rock Primary – Claire Homard Secondary – Kevin Grandfield ICT – Andy Wood Governance – Kim Brookes	↔	G	G	G

RISK CRITERIA

Criteria for assessing likelihood

Likelihood

Description	Example Detail
High / Red	Is happening currently/constantly or is expected to happen in the current/next year. Low or no degree of control.
Medium / Amber	Has recently happened or is expected to happen in the next 2-5 years with moderate degree of control.
Low / Green	Is not expected to happen for 5 years or more. High degree of control.

Criteria for assessing Impact

Description	Examples
High / Red	<ul style="list-style-type: none"> - Complete/critical service failure - Formal WG intervention/exercise of their powers - Negative <i>national</i> publicity - Serious impact on staff across more than one Directorate - Legal action almost certain and difficult to defend - Serious financial impact to budget, not manageable within existing funds - Critical financial impact on reserves - Non-compliance with law resulting in imprisonment - Negative external regulatory reports impacting on Corporate Governance - Multiple fatalities - Limited or no confidence in Senior Management/Leadership
Medium / Amber	<ul style="list-style-type: none"> - Serious impact on staff across in one Directorate - Significant service failure/under performance - Negative <i>local</i> publicity - Expected impact on staff, but manageable within Directorate contingency arrangements - Legal action expected - Expected financial impact to budget, manageable within Directorate - Non-compliance with law resulting in fines - Negative external regulatory reports - Extensive, permanent/long term injury or long term sick
Low / Green	<ul style="list-style-type: none"> - Some risk to normal service delivery but manageable within contingency arrangements - Legal action possible but unlikely and defensible - Possible financial impact to budget, manageable within service - Non-compliance with regulations / standards or local procedures resulting in disciplinary action - First Aid or medical treatment required - Previous risk mitigated by completed action plan

Appendix C
Checklist for Risk Identification

		Examples
P	Political	<ul style="list-style-type: none"> - Member support - Local/General election changes - Community Leadership - Democratic Governance/Management - National Policy change
E	Environmental	<ul style="list-style-type: none"> - Recycling / Green issues - Energy efficiency, Pollution, Carbon emissions - Climate Change; flooding and adaptation - Land use - Waste Strategy
R	Regulatory / Legislative	<ul style="list-style-type: none"> - Non-compliance with legislation - Data Protection/Freedom of Information Acts/ Human rights, - TUPE regulations - Health & Safety - Legal challenges - Corporate Governance
	Financial	<ul style="list-style-type: none"> - Financial performance and management - Efficiencies - Financial procedural rules - Ability to meet financial commitments, including internal budgetary pressures - Insurance cover/claims - Procurement - Contract standing orders
O	Objectives	<ul style="list-style-type: none"> - Council priorities for change and improvement (SARC)
R	Reputational	<ul style="list-style-type: none"> - Negative publicity - Legal challenges - Project failure - External regulatory reports
M	Management	<ul style="list-style-type: none"> - Strategic – Corporate and resource management - Operational – Management skills to include Performance, Risk, Finance HR etc - Collaborative working/partnerships - Emergency Planning
A	Assets	<ul style="list-style-type: none"> - Land, property, equipment, technology, information, employees
N	Not covered elsewhere	<ul style="list-style-type: none"> - Risks that do not fit into any other defined category
C	Customer and Communities	<ul style="list-style-type: none"> - Impact on customer - Consultation/engagement/communication - Customer Feedback - Current and changing needs and expectations of customers and citizens - Demographics; Migration and immigration - Community cohesion - Community Strategy - Business Continuity Management (including disaster recovery arrangements)
E	Equalities	<ul style="list-style-type: none"> - Welsh Language - Social Justice - Disability Discrimination Act - Race Relations - Age and Gender - Equality Impact assessments
S	Sustainability	<ul style="list-style-type: none"> - Maintaining and improving Flintshire as a place to live, work and visit now and in the future.