Northampton Borough Council

Draft Risk Management Strategy

Version: V5 WIP
Approved By:
File name:
Document Owner: Risk Manager

Contents

Northampton Borough Council

Risk Management Policy Statement

Whilst an element of risk is an integral part of everyday life, the level of exposure to risk is controllable. Northampton Borough Council will take all reasonable steps to remove or reduce sources of significant risk to its employees, assets and stakeholders.

Risk management is a positive tool that is incorporated into the management process to help achieve strategic and directorate objectives. The Council is committed to adopting a corporate, systematic and structured approach to the control of risk.

It is the responsibility of each individual employee to review their methods and conditions of work to ensure that significant sources of risk are removed, or controlled at an acceptable level. To assist in this, the Risk Manager will perform a facilitating role, providing information, support and expertise.

Wherever possible the Council will support any initiatives that significantly reduce the level of risk.

To give effect to this Policy Statement the Council will issue a Risk Management Strategy, the core elements include:

- Risk Management Objectives
- Risk Management Defined
- Benefits of a sound risk management function
- Risk Management Methodology
- Approach to Business Continuity
- Roles and responsibilities
- Monitoring and reporting
- Training and support

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Director of Finance and Support   Chair of Audit Committee

Date: Date:

1. Introduction

Northampton Borough Council recognises there is uncertainty in everything it does and the uncertainties present both risks and opportunities. This strategy describes how the authority will manage these uncertainties by identifying, evaluating and controlling risk, increasing the authority's success in achieving its priorities and objectives. A copy of the Council's Priorities is included in Appendix A.

The Council has a legal responsibility to manage risk and this Strategy supports the Council in meeting its responsibilities. Some of the key legal duties are detailed below:

The Accounts and Audit Regulations 2006 state under the Responsibility for Financial Management that:

"The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk."

A guide to the Corporate Manslaughter and Corporate Homicide Act 2007, produced by the Ministry of Justice, states the following:

*"**What will the courts look at under the new offence?** - Factors that might be considered will range from questions about the systems of work used by employees, their level of training and adequacy of equipment, [ ] …to questions about the organisation's strategic approach to health and safety and its arrangements for risk assessing, monitoring and auditing its processes."*

Under the Civil Contingencies Act (CCA) 2004 the Council has specific responsibilities relating to Business Continuity. All Local Authorities are classified as a Category 1 responder. As a Category 1 responder the Council is required "to maintain plans to ensure that they can continue to perform their functions in the event of an emergency, so far as is reasonably practicable."

The act goes on to explain that as a Category 1 responder the Council needs to be able to deliver the critical aspects of its own business functions to enable it to help others in an emergency situation, keeping the impact on the public to a minimum.

The Civil Contingencies Act also places a responsibility on Local Authorities to provide advice and assistance to businesses and voluntary organisations about business continuity management.

The Audit Committee is the lead Councillor body responsible for overseeing risk management across the authority and this strategy is one tool that can be used by the Audit Committee to understand the Council's adopted approach to risk management, the processes that sit behind the procedures and where the responsibilities for risk management lie within the organisation.

The Council's Risk Management Policy states that "Risk management is a positive tool that is incorporated into the management process to help achieve corporate and directorate objectives. The Council is committed to adopting a corporate, systematic and structured approach to the control of risk".

This strategy defines the approach Northampton Borough Council will take in managing risk as an intrinsic business function. The core elements of the strategy are:

- Risk Management Objectives
- Risk Management Defined
- Benefits of a sound risk management function
- Risk Management Methodology
- Business Continuity
- Roles and responsibilities
- Monitoring and reporting
- Training and support

1.1 Scope

This Strategy is a corporate document, affecting all service areas. The management of risk is not a service specific function but cuts across all of the Council's business areas.

The Strategy is supported by an action plan (see appendix B) that details the activities scheduled to implement the objectives of the Strategy over the next 12 months and the Risk and Business Continuity Management Handbook aimed at assisting Managers in identifying and managing their risks.

Recognising that the Council is striving to continually improve risk and business continuity management across the authority and that risk and business continuity management are evolving functions, the Council's Risk Management Strategy is a living document that will adapt to a dynamic environment. This strategy will be reviewed bi-annually or in response to new legislation or national standards. The Cabinet will approve any significant changes.

This Strategy has been recommended to Cabinet by the Audit Committee on xx and approved by the Cabinet on xxx.

1.2 The key objectives of this strategy are:

1. To facilitate the achievement of Council priorities and objectives by:
   a) Embedding an effective process of identification and management of strategic, service level and key operational and project risks.
   b) Embedding risk management in day-to-day management processes.
   c) Maintaining and reviewing a centrally co-ordinated register of strategic and service level risks.
   d) Defining roles and responsibilities for risk and business continuity management within the Council.
   e) Engendering commitment to risk and business continuity management throughout the Council.

2. To assess and manage risks associated with partnership ventures.
3. To ensure the Council fulfils its business continuity obligations under the Civil Contingencies Act 2004.
4. To create a corporate approach to business continuity.
5. To provide a schedule of routine testing and review of Business Continuity Plans.
6. To provide a corporate programme of risk and business continuity training and support.
7. To define the Council's risk appetite and implement an escalation process.
8. To increase the accessibility and visibility of the Council's Risk and Business Continuity Management processes and procedures.

1.3 These objectives will be met by:

Please see the Risk Management Strategy Action Plan, Appendix B, for a detailed breakdown of the Council's planned risk and business continuity management activities.

2. Risk Management Approach

2.1 Risk Management Defined

The Office of Government Commerce (OGC) defines risk as:

"An uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives. A risk is measured by a combination of the probability of a perceived threat or opportunity occurring and the magnitude of its impact on objectives."

The OGC goes on to define risk management as "the systematic application of principles, approach and processes to the tasks of identifying and assessing risks, and then planning and implementing risk responses. This provides a disciplined environment for proactive decision-making".

2.2 The benefits of risk management

There are a number of benefits to the Council in continuing to develop and embed a sound risk management function. The key benefits include:

- Supporting the Council in achieving its priorities and objectives at all levels within the organisation.
- Providing an early warning system to alert Officers and Members to potential opportunities and threats.
- Reduction in interruptions to service delivery.
- Continuity of critical Council activities.
- Enabling the Council to act proactively, avoiding reactive management wherever possible.
- Targeting resources at areas and issues of greatest risk where the Council's objectives are most under threat.
- Better-informed decision-making throughout the Council.
- Protecting and enhancing the reputation of Northampton Borough Council.
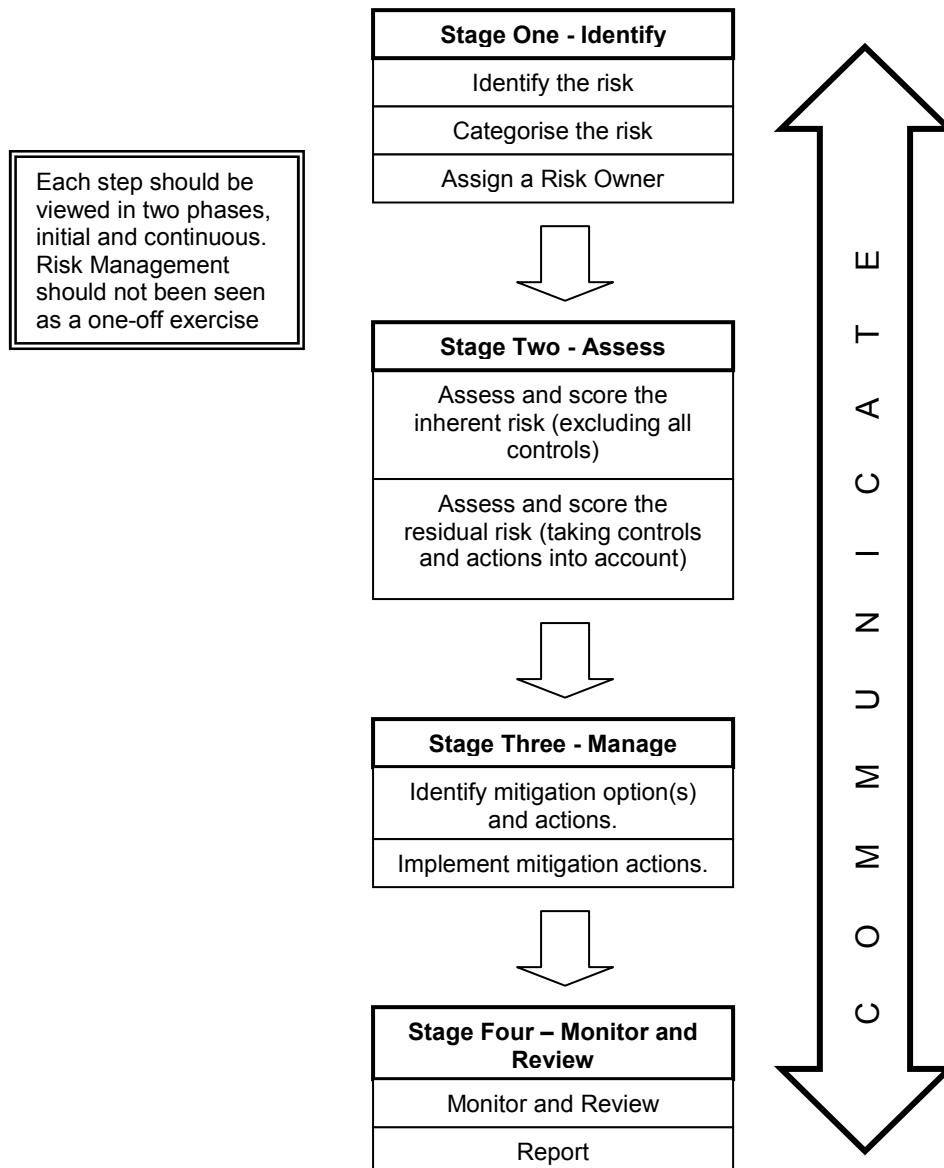- Providing a vehicle for external assurance.

2.3 Risk Management Hierarchy

To assist in aligning risks to the Council's objectives and in defining specific roles and responsibilities, the Council has adopted a hierarchical approach to managing risk.
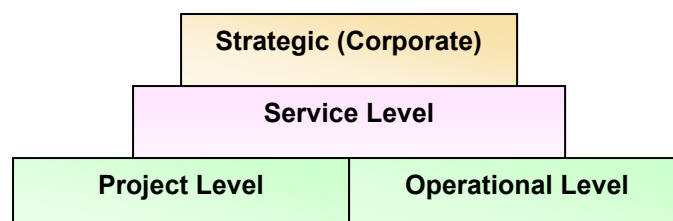
2.4 Risk Management Methodology

There are four generic stages to the management of risk. The Council's approach to each of these stages is set out in detail in the Risk and Business Continuity Management Handbook.

Stage One - Identify
Identify the risk
Categorise the risk
Assign a Risk Owner

Each step should be viewed in two phases, initial and continuous. Risk Management should not been seen as a one-off exercise

Stage Two - Assess
Assess and score the inherent risk (excluding all controls)
Assess and score the residual risk (taking controls and actions into account)

Stage Three - Manage
Identify mitigation option(s) and actions.
Implement mitigation actions.

Stage Four – Monitor and Review
Monitor and Review
Report

COMMUNICATE

The Council's Risk Management process is supported by a specialist software package that simplifies the recording, reviewing and reporting on the Council's risks. Training on the risk management software is available to Risk Owners and Risk Coordinators.

2.5 Risk Appetite

Recognising that the Council cannot manage all risks, scoring helps to prioritise each risk enabling the Council to understand where time and resources should be focussed.

One of the key stages for the successful implementation of a risk management framework is the need to define the Council's 'risk appetite'. A definition of 'risk appetite' is the level of residual risk the Council is willing to accept in order to achieve its corporate objectives.

The risk appetite can be defined as a boundary (see tables 1 and 2 below), above which we will not accept the level of residual risk. Any residual risk scoring above the line exceeds the acceptable tolerance level and further work needs to be done to effectively manage this risk.

Table 1: Risk appetite boundary (marked with bold line)

Impact		Rare	Unlikely	Possible	Likely	Almost certain
	Catastrophic	5	10	15	20	25
	Major	4	8	12	16	20
	Moderate	3	6	9	12	15
	Minor	2	4	6	8	10
	Insignificant	1	2	3	4	5
		Probability				

Table 2: Risk appetite as it relates to residual risk score
Needs updating following Management Board Strategic Risk workshop

Overall Residual Risk Score	RISK APPETITE	
20-25	Unacceptable level of risk exposure which requires *immediate corrective action to be taken or referral to next level*	**EXCEEDS OUR RISK APPETITE**
12-16	Unacceptable level of risk exposure which requires *constant active monitoring, and measures to be put in place to reduce exposure and/or referral to next level*	
5-10	Acceptable level of risk exposure subject to *regular active monitoring measures*	**WITHIN OUR RISK APPETITE**
3-4	Acceptable level of risk exposure subject to *regular passive monitoring measures*	
1-2	Acceptable level of risk exposure subject to *periodic passive monitoring measures*	

The Council aims to fully integrate its approach to risk management across all services and activities. Using existing systems of internal control, there are a number of routine management processes that support, and are supported by, the Council's risk management approach. The key processes are detailed in Table 3 below:

Table 3 Existing Systems of Internal Control

Service Planning	Corporate plan, service plans, service improvement plans, team plans.
Financial planning and management	Medium term plans, Annual Budgets, Grant Applications, Capital Appraisals, Value For Money framework.
	Cabinet Reporting, Overview and Scrutiny Reports.
Performance Management	Corporate Performance Reviews.
Annual Appraisals and personal development	Training, Mentoring, Appraisals, One-to-one sessions.
Partnership Plans	Community Strategy, Local Area Agreement.
Audit	Recovery plans, Audit programme planning, Audit Committee, Internal and External Audit functions.
Strategic plans	Equalities Scheme, Customer Services, HR – Enabling Success Through People, ICT Strategy, Economic & Regeneration Strategy.
Project Management	Project Initiation Documents, Project Risk Registers.

3. Business Continuity Management

One response available to Managers to reduce the impact a risk may have if it occurs is the preparation of business continuity plans. This is of particular importance to Local Authorities who have an obligation to maintain critical services in the event of a major disruption.

3.1 Introduction to Business Continuity Management

Business Continuity Management (BCM) is the process that supports the Council in delivering its critical services and functions in the event of an unexpected emergency or disruption. The purpose of BCM is to provide the Council with a framework of procedures and plans that will assist in the recovery of its key functions as quickly as possible and practicable. This ensures the Council can respond to an emergency proactively, with a well planned and tested response rather than a reactive ad-hoc response.

BCM forces Managers to consider how they would deliver their service in light of the most disruptive emergency, enabling them to recover their critical functions and services within the agreed timescales.

3.2 Business Continuity Approach

A Council-wide Business Impact Assessment has been undertaken to identify critical functions, however subsequent changes to service areas and activities will require each service area to reconsider their critical functions before developing Business Continuity Plans. A copy of the output from the initial Business Impact Assessment is included in appendix D.

The Risk and Business Continuity Management Handbook details the approach the Council has adopted to business continuity management. In essence there are six key steps:

Identify Critical Functions - The first step in the process is to identify which functions are critical to the Council i.e. those that need to be up and running within a short period of time immediately following an incident. This stage helps to identify which services/activities need to have a Business Continuity Plan developed.

For consistency the following timings are to be used to define the level of critical function.

- 0 – 24 hours - Critical Function 1 (CF1)
- 1 – 3 days - Critical Function 2 (CF2)
- 3 – 7 days - Critical Function 3 (CF3)
- > 1 week – not a Critical Function (NCF)

Resources - Consider the type and level of resources required to maintain the critical activities within the timescales specified above i.e. premises, people, technology, communications, suppliers, information, transportation.

Risk and impact - To help us understand where we should focus our risk management activities, it is important for us to understand the type of risks that could occur, how probable they are and what the impact and disruption could be on your services. This will be undertaken as part of the routine risk management activities.

Strategy for managing the risk – This step will be undertaken as part of the routine risk management activities.

Development of Business Continuity Plans – A Business Continuity Plan should be developed for each Critical Function, setting out how the strategy above will be delivered. A decision will need to be taken on whether a plan is developed by Service area or Critical Function. Start with the most critical services first i.e. those defined as a CF1 or CF2. An outline of the key headings to be included in all Business Continuity Plans, along with a Business Continuity Plan Template, is included in the Risk and Business Continuity Management Handbook.

Testing and exercising – A Business Continuity Plan cannot be considered reliable until it has been exercised and tested. Valuable lessons will be learnt during an exercise drill that can be recorded as lessons learnt and changes incorporated within the plan. Exercises can be discussion or desktop based or a live exercise.

4. Roles and Responsibilities

Successful risk management is the responsibility of all employees and Members of the Council and it is vital that everybody understands the role they play in managing the Council's risks.

The Council's Audit Committee is the lead Member body and the Director of Finance and Support the lead Officer responsible for risk management within the authority.

Specific roles and accountabilities are detailed in table 4 below. Those with specific responsibilities will be briefed on their roles to gain commitment to and approval of the responsibilities. As natural staff and Member turnover occurs, the Risk Manager will ensure individuals new in post are fully briefed on their responsibilities for risk management.

Table 4 Roles and Responsibilities

Who	Responsibilities
Audit Committee	➢ The Audit Committee is the lead Councillor body responsible for overseeing risk management across the Council. ➢ To nominate a Risk Management Lead Member to report to Audit Committee. ➢ To ensure that the Council operates effective risk management systems. ➢ To report to full Council annually on the effectiveness of the Council's Risk Management framework. ➢ To hold the Management Board accountable for effective risk management across the Council.
Management Board	➢ To review and update the Strategic Risk Register and ensure that mitigating actions are completed. ➢ To champion the effective application of risk management processes and principles across the Council's business systems. ➢ To lead risk management by example. ➢ To review high Strategic and Service level risks monthly. ➢ To invite Heads of Service for an in-depth risk review on a cyclical basis.
Director of Finance and Support	➢ Lead officer responsible for embedding risk management across the Council. ➢ To meet with the Risk Manager quarterly to report on progress and issues relating to the risk management framework.

Cabinet Members	➢ Quarterly review of high risks within their portfolio.
Councillors	➢ To use risk management as a tool to support decision-making. ➢ To raise risk issues and concerns.
Chief Executive and Directors	➢ To review risk registers within their Directorate. ➢ To ensure effective risk management within their Directorate. ➢ To escalate risks for inclusion on the Strategic Risk Register. ➢ To instigate and manage actions to mitigate risks.
Heads of Service	➢ To review and create risk registers within their service area. ➢ To ensure effective risk management within their service area. ➢ To Instigate and manage actions to mitigate risks. ➢ To escalate risks where appropriate.
Project Managers	➢ To identify and manage project level risks. ➢ To escalate risks for inclusion on Service level risk registers ➢ Report high risks to Project Board.
Employees	➢ To escalate information regarding opportunities or threats within their working environment to senior management. ➢ To take steps in everyday work activities to reduce risk. ➢ Report incidents or near misses to senior management. ➢ To create and maintain operational level risk registers as required.
Risk Manager	➢ Report to the Director of Finance and Support on a quarterly basis, on the effectiveness of risk management systems. ➢ Promote risk management throughout the Council ➢ To provide guidance and advice on the Council's risk management approach. ➢ To co-ordinate risk management across the Council. ➢ Arrange and facilitate risk workshops and training exercises. ➢ Maintain and manage a central risk register.

5. Monitoring and Reporting Risk

The table below summarises the frequency, responsibility and purpose of routine monitoring functions and activities.

Table 5 Monitoring and Reporting Functions

Task	Purpose	Who	Frequency
Review and update risk register.	Identify new risks, archive old risks, monitor actions, early warning.	All Risk Owners.	Monthly as a minimum
Strategic Risk Workshop.	Identify new risks. Refresh previous register. Challenge. Lessons learned.	Management Board	Annually
Service Level Risk Workshop	Identify new risks. Refresh previous register. Challenge. Lessons learned.	Heads of Service	Annually
Review of high-level Strategic and Directorate risks	Challenge, input and for information.	Management Board	Monthly
Service Level risk review/Corporate Performance Review	Challenge and input	Heads of Service to Chief Executive or Director	Monthly
Risk Management Framework and Strategy Action Plan Review	Challenge, unblock issues, support	Risk Manager to Director of Finance and Support.	Quarterly
Risk Management Framework and Strategy Action Plan Review	Challenge, unblock issues, support	Audit Committee	Twice a year.

6. Risk Management and Business Continuity Training and Support

As detailed in the Strategy Action Plan, Appendix B, a comprehensive schedule of training activities will be developed. The schedule will cover the training needs of the following groups:

> ➢ Council Members as part of the Member Development Programme
> ➢ Audit Committee
> ➢ Management Board
> ➢ Heads of Service
> ➢ Risk Owners
> ➢ Risk Coordinators

Risk management workshops will be held to produce and review each Risk Register. These will build on previous training exercises and give staff sufficient expertise to produce and maintain their own registers. Ad hoc support will be available from the Risk Manager, and externally, as necessary.

7. Glossary of terms

Business Continuity Plan	A documented set of procedures and information intended to deliver continuity of critical functions in the event of a disruption.
Business Impact Assessment	Identifies and documents the key services and activities; the critical functions required to deliver these; the impact that a disruption of these activities would have on the Council and it's customers and the resources required to resume the activities.
Category 1 Responder	A person or body listed in Part 1 of Schedule 1 to the Civil Contingencies Act. Those in Category 1, are those organisations at the core of the response to most emergencies (e.g. emergency services, local authorities, NHS bodies). Category 1 responders are subject to the full set of civil protection duties.
Civil Contingencies Act	The Civil Contingencies Act 2004 establishes a single framework for civil protection in the United Kingdom. Part 1 of the Act establishes a clear set of roles and responsibilities for local responders. Part 2 modernises the emergency powers framework in the United Kingdom.
Critical Function	The functions which must be kept going or rapidly reinstated, at least in part, in the event of any disruption
Impact	Impact is the result of a particular threat or opportunity actually occurring.
Inherent Risk	The exposure arising from a specific risk before any action has been taken to manage it.
Issue	A relevant event that has happened, was not planned and requires management action.
Probability	The evaluated likelihood of a particular threat or opportunity actually happening.
Residual Risk	The risk remaining after the risk response has been applied.
Risk	An uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives.
Risk Appetite	An organisation's unique attitude to risk taking.
Risk Cause	A description of the source of the risk.
Risk Event	A description of the area of uncertainty in terms of the threat or opportunity.
Risk Identification	Determination of what could pose a risk.

Risk Management	Systematic application of principles, approach and processes to the tasks of identifying and assessing risks.
Risk Owner	An individual responsible for the management and control of all aspects of individual risks.
Risk Register	A record of all identified risks.
Risk Response	Actions that may be taken to bring the situation to a level where the exposure to risk is acceptable to the organisation.
Strategic risk	Risk concerned with where the organisation wants to go, how it plans to get there, and how it can ensure survival.
Threat	An uncertain event that could have a negative impact on objectives or benefits.

8. References

A Guide to Business Continuity Management in Gloucestershire County Council, 2006.

A Guide to the Corporate Manslaughter and Corporate Homicide Act 2007, Ministry of Justice.

Business Continuity Management Good Practice Guidelines 2008, The Business Continuity Institute.

Cambridge City Council Risk Management Strategy 2007.

How prepared are you? Business Continuity Management Toolkit version 1– HM Government.

Milton Keynes Council Risk Management Process – A Guide 2008.

Management of Risk: Guidance for Practitioners, Office of Government Commerce.

Managing Successful Projects with PRINCE2, Office of Government Commerce.

Northampton County Council Risk Management Protocol May 2008.

Solihull Metropolitan Borough Council Risk Management Strategy March 2008

The Accounts and Audit Regulations 2006.

The Orange Book, Management of Risk – Principles and Concepts.

Appendix A – Council Priorities and Objectives

Our five priorities and underpinning commitments:

- We will help our communities become safer, greener and cleaner

- We will improve housing and health to enhance the well-being of our communities

- We will be a well-managed organisation that puts our customers at the heart of what we do

- We will promote economic development and growth in Northampton

- We will strengthen our commitment to partnership working and engaging with our communities to deliver better outcomes

Further information about the Council's priorities and an Action Plan for the delivery these priorities can be found in The Corporate Plan 2008 – 2011.

Appendix B – Action Plan

Action	Link to Objective	Start Date	Target Completion Date	Responsible Officer
Appoint permanent Risk and Business Continuity Manager or alternative appointment to deliver Risk Management Strategy Action Plan.	1A, 1B	December 2008	February 2009	Head of Finance
Review all Strategic, Directorate and Service Level Risk Registers.	1A	November 2008	January 2009	Management Board, Directors, Heads of Service
Create and advertise annual programme of risk workshops.	1A	March 2009	May 2009	Risk Manager
Facilitate a move to Performance Plus for risk reporting and monitoring.	1C	December 2008	April 2009	Risk Manager in conjunction with Performance Plus Project Manager
Contact all Officers and Members who have specific Risk or Business Continuity responsibilities to explain roles and responsibilities.	1D,1E	January 2009	February 2009	Risk Manager
Create a programme of risk and business continuity management training and support.	1B,6	February 2009	February 2009	Risk Manager
Create an intranet page for Risk and Business Continuity Management.	8	January 2009	March 2009	Risk Manager in conjunction with IT Team.
Create a risk escalation process.	7	October 2008	October 2008	Risk Manager
Create Business Continuity web page on NBC's internet site for the business community.	3	April 2009	May 2009	Risk Manager in conjunction with IT Team.

Contact all 'leads' for NBC partnerships to review existing registers and offer risk workshops where required.	2	January 2009	February 2009	Risk Manager
Create Business Continuity Plans for all Critical Functions within the Council.	3, 4	December 2008	April 2009	Relevant Heads of Service.
Create a schedule of routine testing and review of Business Continuity Plans.	5	November 2009	December 2009	Risk Manager
Test all Business Continuity Plans.	3, 5	May 2009	November 2009	Relevant Heads of Service.
Update Corporate Business Continuity Plan	4	December 2008	March 2009	Risk Manager

Appendix C – Example Risk Register

The Council's risk register corresponds to the entry fields in the risk management software.

ID	Category	Risk Owner	Risk Cause *(as a result of)*	Risk Event *(there is a risk that)*	Risk Impact *(which may result in)*	Inherent Risk Scores *(assume no controls)*			Mitigation Actions and Controls	Residual Risk Scores		
						Impact (1-5)	Probability (1-5)	Score I x P		Impact (1-5)	Probability (1-5)	Score I x P

Appendix D – Output from Business Impact Assessment

Add following Management Board approval