Northampton Borough Council

Risk Management Strategy and Policy

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Northampton Borough Council

Risk Management Policy Statement

Northampton Borough Council provides a wide range of services that are delivered to the community. The council sets strategic aims that help us focus on priorities and deliver our vision: **"Securing Northampton's Future"**.

Inherent in our corporate aims and outcomes are "risks" that create uncertainty. The Council recognises it has a duty to manage these risks in a structured way to help ensure delivery of its priorities and to provide value for money services.

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.

The Accounts and Audit Regulations 2015 (Responsibility for internal control) states that:

> A relevant authority must ensure that it has a sound system of internal control which— (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the authority is effective; and (c) **includes effective arrangements for the management of risk.**

This policy statement confirms our commitment to manage our business risks in a consistent cost effective manner. Risk Management at Northampton Borough Council is a management priority and this policy statement is endorsed by Council Members, the Chief Executive, the Section 151 Officer, the Corporate Governance & Support Officer Programme Board and the Management Board who hold accountability for the effective management of risk within The Council.

Our risk management objectives

We will;

• adopt a strategic approach to risk management to make better informed decisions which is vital to successful transformational change;

• set the 'tone from the top' on the level of risk we are prepared to accept on our different service delivery activities and priorities;

• acknowledge that even with good risk management and our best endeavours, things can go wrong. Where this happens we use the lessons learnt to try to prevent it from happening again;

• develop leadership capacity and skills in identifying, understanding and managing the risks facing the council;

• integrate Risk Management into how we run council business/services. Sound risk management processes help us to achieve our core purpose, priorities and outcomes;

• support a culture of well-measured risk taking throughout the council's business, including strategic, partnership, project, and operational. This includes setting risk ownership and accountabilities and responding to risk in a balanced way, considering the level of risk, reward, impact and cost of control measures;

• ensure that the council continues to meet all statutory and best practice requirements in relation to risk management; and

• ensure risk management continues to be a key and effective element of our Corporate Governance arrangements.

We will meet these objectives by:

- establishing and articulating our Risk Culture; setting out expectations of behaviour throughout the Council;

- maintaining a robust and consistent Risk Management approach that will:
    - identify and effectively manage strategic, operational and project risks; and
    - focus on those key risks that, because of their likelihood and impact, make them priorities;

- ensuring accountabilities, roles and responsibilities for managing risks are clearly defined and communicated;

- considering risk as an integral part of service improvement planning, key decision making processes, and project and partnership governance*;

- communicating risk information effectively through a clear reporting framework; and

- increasing understanding and expertise in Risk Management through targeted training and the sharing of good practice.

The Risk Management Framework will be reviewed periodically to take account of changing legislation, government initiatives, best practice and experience gained within the council.

*In conjunction with the Council's Partnership Protocol and Project Management processes.

Risk Management Approach

1. Introduction

The purpose of the risk management approach outlined in this document is to:

• Provide standard definitions and language to underpin the risk management process

• Ensure risks are identified and assessed consistently throughout the council through the clarification of key concepts

• Clarify roles and responsibilities for managing risk

• Implement an approach that meets current legislative requirements and follows best practice and relevant standards.

2. Definitions

"Risk is the effect of uncertainty on objectives, where effect is any deviation from the expected – positive or negative."
ISO 31000 Definition

Risk management is the "systematic application of principles, approach and processes to the identification, assessment and monitoring of risks." By managing our risk process effectively we will be in a better position to safeguard against potential threats and exploit potential opportunities to improve services and provide better value for money.

Risk management is applied at all levels of service delivery and include:

- Corporate Strategic Risks – risks that could have an effect on the successful achievement of our long term core purpose, priorities and outcomes. These are:

  1. risks that could potentially have a council-wide impact and/or
  2. risks that cannot be managed solely at a service area level because higher level support/intervention is needed.

- Operational Risks – risks at a service area level that could have an effect on the successful achievement of the service area outcomes / objectives. Potentially these risks could have a significant financial, reputational and/or service delivery impact on the service area as a whole.

- Programme/Project Risks – risks that could have an effect on the successful achievement of the programme or project's outcomes / objectives in terms of service delivery, benefits realisation and engagement with key stakeholders (service users, third parties, partners etc.).

- Partnership Risks – risks relating to the delivery or outcomes of a specific partnership. This could include shared risks in addition to those applicable to the council alone.

3. Approach

This section details the agreed arrangements that are needed to ensure the effective management of risk across the organisation. The council's approach to risk management is based on best practice and involves a number of key steps as outlined in Diagram 1.

Diagram 1: NBC's Risk Management approach

Communication, consultation and training

| Step 1 Objectives | Step 2 Identify risk/s | Step 3 Assess inherent risk | Step 4 Identify controls | Step 5 Assess residual risk | Step 6 Agree actions |

Step 7 Review and report

Effective communication and consultation is critical to the successful management of risk. These are not one off standalone events but important factors at every point of the process and it is vital that staff at all levels across the organisation are involved if risk management is to be truly embedded and a useful management tool.

Training is provided for staff at all levels, including senior officers and members.

Step 1: Objectives

Before we can identify our risks we need to establish the context by looking at what we are trying to achieve and what our proposed outcomes are. Depending on the area under review, the relevant objectives and outcomes will usually be detailed in existing documents, including the following:

• Corporate Plan (for core purpose, priorities and outcomes)

• Service Plans (for service area outcomes /objectives and actions)

• Project Brief/Project Initiation Document (for project aims and objectives)

• Partnership Agreements (for partnership aims and objectives)

Step 2: Identify Risks

There are a number of different types of risks that an organisation may face including financial loss, failure of service delivery, physical risks to people, and damage to the organisation's reputation.

To act as a prompt and to ensure completeness, a checklist of risk categories has been developed around the acronym PERFORMANCE:

Political	**O**pportunities/Outcomes	**N**ew Partnerships/Projects/Contracts
Economic	**R**eputation	**C**ustomers/Citizens
Regulatory	**M**anagement	**E**nvironment
Financial	**A**ssets	

Examples of risks from each category are detailed in the Risk Identification Checklist (Appendix 1).

Describing the risk is equally important to ensure that risks are fully understood, and to assist with the identification of actions, the cause and effect of each risk must also be detailed.

Once identified, all risks are recorded in a 'Risk Register'.

A risk owner must be allocated and recorded against each risk on the risk register. Such accountability helps to ensure 'ownership' of the risk is documented and recognised. A risk owner is defined as a person with the accountability and authority to effectively manage the risk.

At this stage there may well be a long list of possible risks. The next step will help to prioritise these in order of importance.

Step 3: Assess Gross (Inherent) Risk Level

To ensure resources are focused on the most significant risks, the council's approach to risk management is to assess the risks identified in terms of both the potential likelihood and impact so that actions can be prioritised.

The risk management process requires each risk to be assessed twice – gross (or inherent) and net (or residual) risk levels.

The first assessment (the 'gross' risk level) is taken on the basis that there is no action being taken to manage the identified risk and/or any existing actions are not operating effectively. In other words, the worst case scenario if the risk were to occur.

To ensure that a consistent scoring mechanism is in place across the Council, risks are assessed using the agreed criteria for likelihood and impact detailed in Appendix 2. When assessing the risk, the highest measure identified in each table is the score taken to plot the risk level on the risk matrix (Diagram 2).

Where Likelihood and Impact meet, this determines the risk level. For example, possible likelihood (3) and major impact (4) would result in a risk level of 12.

The matrix uses a "traffic light" approach to show high (red), medium (amber) and low (yellow/green) risks.

Diagram 2: NBC's Risk Matrix

		Likelihood				
		Remote 1	Unlikely 2	Possible 3	Probable 4	Highly Probable 5
5	Catastrophic	Low	Medium	Medium	High	High
4	Major	Low	Low	Medium	High	High
3	Moderate	Low	Low	Low	Medium	Medium
2	Minor	Low	Low	Low	Low	Medium
1	Insignificant	Low	Low	Low	Low	Low

(Impact axis labelled vertically on the left)

The council considers the gross risk to ensure that:

• informed decisions can be made about the consequences of stopping risk actions that are currently in place; and

• resources are not wasted over-controlling risks that are not likely to happen and would have little impact.

Step 4: Identify Existing Risk Actions (controls)

Existing actions, which are helping to minimise the likelihood and/or impact of the risk occurring, are identified for each risk. These actions are specifically those in place or completed and should not include planned or aspirational actions.

Step 5: Assess Net (residual) Risk Level

The second assessment (the 'net' risk level) re-evaluates the risk, taking into consideration the effectiveness of the identified existing actions. In other words, the reality if the risk were to occur in the immediate future.

Net risks are prioritised by applying the same criteria and matrix used for assessing the gross risk level (Step 3). It is the risk owner's responsibility to ensure that the agreed net risk level for each risk is an accurate reflection of the likelihood and impact measures detailed in Appendix 2.

The council considers the net risk to ensure that:

• identified risks are prioritised in terms of their significance as it is not practical or possible to manage every risk all of the time; and

• existing actions are relevant and effectively managing and/or reducing the likelihood or impact of the identified risks.

Step 6: Risk Response and Further Actions

Not all risks can be managed all of the time, so having assessed and prioritised the identified risks, cost effective action needs to be taken to manage those that pose the most significant threat

It is important to note that the council has a risk appetite, where it is prepared to accept the risk. This is illustrated by the black line on diagram 2 and means that any risk that has been assessed as a 'net red' risk must be a priority for immediate management action

Risk Appetite

Recognising that the Council should not manage all risks to the same extent, 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 implementation of a risk management framework is the need to define the 'risk appetite'. Risk appetite refers to the Council's attitude to taking risk and defines the amount of risk the Council considers acceptable in order to achieve its objectives.

The Council's risk appetite can be defined as set out in Table 1 below. Any residual risk scoring 15 or more is above the acceptable tolerance level and further work needs to be done to effectively manage this risk.

Diagram 3: Risk appetite as it relates to residual risk score

Overall Residual Risk Score	RISK APPETITE	
16-25	Unacceptable level of risk exposure which requires *immediate corrective action to be taken or escalation to next level*	**EXCEEDS OUR RISK APPETITE**
15	Unacceptable level of risk exposure which requires *constant active monitoring, and measures to be put in place to reduce exposure and/or escalation to next level*	
5-12	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*	

Step 7 – Review and Report

Risk management should be thought of as an ongoing process and as such risks need to be reviewed regularly to ensure that prompt and appropriate action is taken to reduce their likelihood and/or impact.

Northampton BC's approach is one where such reviews:

• are where possible part of existing performance monitoring timetables;

• focus on those risks that, because of their likelihood and impact, make them priorities.

Regular reporting, through the regular reporting process, enables senior managers and members to be more fully aware of the extent of the risks and progression being made to manage them. Appendix 4 details the agreed reviewing and reporting arrangements aimed at providing the most appropriate and up to date information.

Risk registers are currently created and maintained on standard spreadsheets but will eventually be held on Performance + the Councils performance measurement system. This enables the council to create a corporate risk profile, record and manage risks in a consistent way, monitor and review risks and produce meaningful management reports.

4. Roles and Responsibilities

To ensure risk management is effectively implemented, all NBC members and officers should have a level of understanding of the council's risk management approach and regard risk management as part of their responsibilities:

All Employees

a. Manage day to day risks and opportunities effectively and report risk management concerns to their line managers
b. Participate fully in risk workshops and action planning as appropriate
c. Attend training and awareness sessions as appropriate

All Members

a. Support and promote an effective risk management culture
b. Constructively review and scrutinise the risks involved in delivering the council's core purpose, priorities and outcomes.

Some individuals and groups have specific leadership roles or responsibilities and these are identified below:

Corporate Governance & Support Officer Programme Board

a. Risk manage the council in delivering its core purpose, priorities and outcomes
b. Approve the risk management framework
c. Consider and challenge the risks involved in making any 'key decisions'

Audit Committee

Provide independent assurance to the council on the overall adequacy of the risk management framework

Management Board

a. Champion an effective council-wide risk management culture
b. Ensure the Internal Audit work plan is focused on the key risks facing the council

Internal Audit

a. Provide assurance that risks are being effectively assessed and managed
b. During all relevant audits challenge the content of risk registers
c. Periodically undertake specific audits of the council's risk management process and provide an independent objective opinion on its operation and effectiveness.

Departmental Management Teams

Risk manage their service areas in delivering the council's core purpose, priorities and outcomes.

Heads of Service

a. Responsible for the effective leadership and management of risk in their service area to meet service area objectives/outcomes in line with the council's risk management framework.
b. With the appropriate risk owner, maintain the relevant service area risk registers ensuring all key risks are identified, managed and reviewed in line with the corporate risk management approach
c. Promptly escalate risks appropriately
d. Encourage staff to be open and honest in identifying risks and opportunities
e. Ensure risk management process is an explicit part of transformation programmes and all significant projects

Project Boards and Project Managers

a. Responsible for the effective leadership and management of risk in their area of responsibility in line with the council's risk management framework
b. identify, assess and appropriately document significant risks
c. clearly identify risk ownership
d. manage risks in line with corporately agreed timescales/policies
e. escalate risks appropriately.

Risk Owners

a. ensure that appropriate resources and importance are allocated to the process
b. confirm the existence and effectiveness of existing actions and ensuring that any further actions are implemented
c. provide assurance that the risks for which they are the risk owner are being effectively managed.

Chief Financial Officer

a. Design and facilitate the implementation of a risk management framework within NBC ensuring it meets the needs of the organisation
b. promote the adequate and proper consideration of risk management to senior managers and more widely within the council.

Governance and Risk Manager

b. Act as a centre of expertise, providing support and guidance as required
c. Collate risk information and prepare reports as necessary
d. Develop, support and promote the integration of the council's risk management framework and performance management system

5. Embedding Risk Management

For risk management to be effective and a meaningful management tool, it needs to be an integral part of key management processes and day-to-day working. As such risks and the monitoring of associated actions should be considered as part of a number of the council's significant business processes, including:

• Corporate Decision Making – significant risks, which are associated with policy or action to be taken when making key decisions, are included in appropriate committee reports.

• Service Improvement/Budget Planning – this annual process includes updating the individual service area risk registers to reflect current aims/outcomes.

• Project Management – all significant projects should formally consider the risks to delivering the project outcomes in accordance with the Council's project management process before and throughout the project. This includes risks that could have an effect on service delivery, benefits realisation and engagement with key stakeholders (service users, third parties, partners etc.).

• Partnership Working – partnerships should establish procedures to record and monitor risks and opportunities that may impact the council and/or the partnership's aims and objectives.

• Health and Safety – the Council has a specific risk assessment policy to be followed in relation to health and safety risks.

6. Culture

The Council will be open in its approach to managing risks and will seek to avoid a blame culture. Lessons from events that lead to loss or reputational damage will be shared as well as lessons from things that go well. Discussion on risk in any context will be conducted in an open and honest manner.

Appendix 1: Example Check List for Risk Identification

Political
- Change in Government policy
- Member support / approval
- Political personalities
- New political arrangements

Economic
- Demographics
- Economic downturn - prosperity of local businesses/local communities

Regulatory
- Legislation and internal policies/regulations including:
- Health & Safety at Work Act, Data Protection, Freedom of Information, Human Rights, Equalities Act 2010 and Public Sector Equality Duty 2011, Employment Law, TUPE, Environmental legislation etc.
- Grant funding conditions
- Legal challenges, legal powers, judicial reviews or public interest reports

Financial
- Budgetary pressures
- Loss of/reduction in income/funding, increase in energy costs
- Cost of living, interest rates, inflation etc.
- Financial management arrangements
- Investment decisions, Sustainable economic growth
- Affordability models and financial checks
- Inadequate insurance cover
- System/procedure weaknesses that could lead to fraud

Opportunities/Outcomes
- Add value or improve customer experience/satisfaction
- Reduce waste and inefficiency
- Raising educational attainment and improving the lives of children, young people and families
- Maximising independence for older people with disabilities
- Developing sustainable places and communities
- Protecting the community and making Northamptonshire a safer place to live

Reputation
- Negative publicity (local and national), increase in complaints

Management
- Loss of key staff, recruitment and retention issues
- Training issues
- Lack of/or inadequate management support
- Poor communication/consultation
- Capacity issues - availability, sickness absence etc.
- Emergency preparedness / Business continuity

Assets
- Property - land, buildings and equipment,
- Information – security, retention, timeliness, accuracy, intellectual property rights
- ICT – integrity, security, availability, e-government
- Environmental - landscape, countryside, historic environment, open space

New Partnerships/Projects/Contracts
- New initiatives, new ways of working, new policies and procedures
- New relationships – accountability issues / unclear roles and responsibilities
- Monitoring arrangements
- Managing change

Customers/Citizens
- Changing needs and expectations of customers - poor communication/consultation
- Poor quality / reduced service delivery - impact on vulnerable groups
- Crime and disorder, health inequalities, safeguarding issues

Environment
- Recycling, green issues, energy efficiency, land use and green belt issues, noise, contamination, pollution, increased waste or emissions,
- Impact of planning or transportation policies
- Climate change – hotter drier summers, milder wetter winters and more extreme events – heat waves, flooding, storms etc.

Appendix 2: Measures of Likelihood and Impact

Impact

	FACTOR	SCORE	EXPECTED IMPACT		
THREATS	CATASTROPHIC	5	♦ Adverse and persistent national media coverage ♦ Failure to fulfil statutory duties ♦ Adverse central government response, involving (threat of) removal of delegated powers	♦ Virtual inability to function ♦ Multiple fatalities	♦ Costing more than £5,000,000
	MAJOR	4	♦ Adverse publicity in professional/municipal press, affecting perception/standing in professional/local government community ♦ Adverse local publicity of a major and persistent nature	♦ Major loss of service, including several important areas of service and/or protracted period. ♦ Fatality	♦ Costing between £500,000 and £5,000,000
	MODERATE	3	♦ Significant local publicity of an adverse nature ♦ Statutory prosecution of a non-serious nature	♦ Complete loss of an important service area for a short period ♦ Major effect to services in one or more areas for a period of weeks ♦ Serious disabling injury / ill health	♦ Costing between £5,000 and £50,000

	FACTOR	SCORE	EXPECTED IMPACT		
	MINOR	2	♦ Adverse local publicity with limited effect on public opinion	♦ Major effect to an important service area for a short period ♦ Adverse effect to services in one or more areas for a period of weeks ♦ Minor injury / ill health	♦ Costing between £5,000 and £50,000
	INSIGNIFICANT	1	♦ Negative, but little coverage ♦ Complaint from individual/small group, of arguable merit	♦ Brief disruption of important service area ♦ Significant effect to non-crucial service area	♦ Costing less than £5,000

	FACTOR	SCORE	EXPECTED IMPACT		
OPPORTUNITIES	EXCEPTIONAL	5	♦ Positive national press ♦ National award or recognition/elevated status by national government	♦ Major improvement to services, generally or across a broad range	♦ Producing more than £500,000
	SIGNIFICANT	4	♦ Recognition of successful initiative ♦ Sustained positive recognition and support from local press	♦ Major improvement to service or significant improvement to critical service area	♦ Producing up to £500,000

Likelihood

FACTOR	SCORE	EXPECTED FREQUENCY	
Inevitable	5	♦ Regular occurrence	Weekly
Very likely	4	♦ Circumstances frequently encountered – daily/weekly/monthly	Monthly
Feasible	3	♦ Likely to happen at some point within the next 1-2 years ♦ Circumstances occasionally encountered (few times a year)	Annually
Unlikely	2	♦ Only likely to happen 3 or more years	3 yearly
Very unlikely	1	♦ Has happened rarely/never before	10 yearly

Appendix 3: Reviewing and Reporting Framework

Net Risk Level and Score Frequency of Risk Reviews (applies to all risk registers)

High 16-25. As a minimum, review monthly.

There are significant risks, which may have a serious impact on the council and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk. Any net red risks at service area level will be included, alongside corporate risks, in the performance and risk management reports to Corporate Governance & Support Board and Audit Committee.

Medium 5-15. As a minimum, review quarterly

Although usually accepted, these risks may require some additional mitigating to reduce likelihood if this can be done cost effectively. Reassess to ensure conditions remain the same and existing actions are operating effectively.

Low 1-4. As a minimum, review 6-monthly

These risks are being effectively managed and any further action to reduce the risk would be inefficient in terms of time and resources. Ensure conditions remain the same and existing actions are operating effectively.