



ISLE OF WIGHT COUNCIL

MANAGING RISK

STRATEGY AND POLICY AND PRACTICAL GUIDE TO RISK MANAGEMENT



SECTION 1: INTRODUCTION AND PURPOSE

Nothing is achieved without some element of risk. Good risk management will support and enhance the decision making, process, increase the likelihood of the Council meeting its objectives and enable it to respond quickly to new pressures and opportunities.

This Strategy and Policy Document and Practical Guide to Risk Management, reviews and revises the previous Risk Strategy and Policy Document March 2003 and Risk Management at the Isle of Wight Council revision May 2005 and provides the framework for the management of risk across the Isle of Wight Council and guidance to all employees and Councillors relating to their responsibilities in respect of risk management. It informs the supporting processes agreed by the Council to identify, assess, manage, review and report its strategic and service (operational) risks.

The aim of the Isle of Wight Council's approach to risk management is to contribute to the achievement of the Council's Vision by:

- Improving services;
- Minimising losses and waste of resources;
- Maximising opportunities;
- Protecting staff, citizens and clients;
- Protecting the Council's assets, reputation and operational capacity.

'If a council doesn't have effective risk management, then it doesn't have effective management'

Chance or Choice, Society of Local Authority Chief Executives

**Joe Duckworth
Chief Executive
Isle of Wight Council**

SECTION 2: RISK MANAGEMENT POLICY STATEMENT

Every aspect of the Council's work involves some risk: policy making, decision taking, action and implementation, regulation and spending. There is an increasing expectation that we need to manage these risks well, to cut waste and inefficiency, and reduce unanticipated problems that undermine trust.

Successful organisations are not afraid to take risks; unsuccessful organisations take risks without understanding them.

Making the most of opportunities to improve public services, involves some amount of risk taking.

This document demonstrates the Isle of Wight Council's commitment in taking responsibility to manage its risks and opportunities effectively using a structured and cost effective approach.

The Council's risk management strategy objectives are to:

- Embed risk management into the culture of the council to support appropriate and considered risk taking
- Integrate risk management into policy, planning and decision making
- Manage risk to an acceptable level
- Raise awareness and work with partners, providers and contractors to develop a common understanding of the Council's expectations on risk management

These objectives will be achieved by:

- Developing a systematic and consistent approach that will identify and effectively manage strategic and operational risks across the Council
- Establishing clear roles, responsibilities and reporting lines for risk management across the Council
- Incorporating the assessment of risk into all key decision making and planning processes of the Council
- Reinforcing the importance of effective risk management by providing opportunities for training and shared learning, increasing awareness, skills and expertise across the Council
- Protecting and enhancing service delivery and provide best value

Signed: 

Joe Duckworth
Chief Executive

Signed: 

Councillor Jilly Wood
Cabinet Member for Resources, and
Town/parish Empowerment and Member
Risk Champion

The Risk Management Strategy will be reviewed annually to take account of changing legislation, government initiatives, best practice and experience gained within the Council. Any amendments will be recommended for approval by Members.

SECTION 3: WHAT IS RISK MANAGEMENT?

Risk management is about understanding the things that could help or hinder us in trying to deliver our objectives.

The Council recognises that there are risks and opportunities involved in everything it does and that it has a duty to manage them in a balanced, structured and cost effective way. In doing this the Council is better placed to achieve its objectives and enhance the value of the services provided.

Approval and publication of this revised Risk Management Strategy and Policy Statement demonstrates this intention.

Risk to the Council's business can take a variety of forms; financial risk, risks to projects, the services that the Council delivers, its reputation, partnerships, employees and Councillors and risks from missed opportunities. These risks could affect the Council's performance, assets, stakeholders, customers or members of the public.

'Risk is the chance of something happening that will have an impact on business objectives. It is defined as the combination of the probability (likelihood) of an event and its consequences (impact). Risks can bring about both negative and positive impacts.'

Good risk management will also help us to explore and take opportunities as they are identified.

'Risk Management is the culture, processes and structures that are directed towards effective management of potential opportunities and threats to the organisation achieving its objectives.'

Why do we need to manage risks?

The Council has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts and Audit Regulations 2003.

'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 the body's functions and which includes arrangements for the management of risk.'

The Society of Local Authority Chief Executives (SOLACE) and CIPFA recognised the importance and relevance of risk management in the Modernising Agenda. Risk management is recognised as an important element of good corporate governance.

The CIPFA/SOLACE 'Framework on Corporate Governance' requires councils to establish and maintain a systematic strategy, methodology and processes for managing risk. They must also report publicly on the effectiveness of these arrangements.

But more importantly, effective risk management improves **PERFORMANCE**.

Risk Management can therefore contribute to the achievement of the Council's Vision by:

- Improving service performance
- Minimising losses and waste of resources
- Maximising opportunities
- Protecting staff, citizens and clients
- Protecting the Council's assets, reputation and operational capacity.

SECTION 4: ISLE OF WIGHT COUNCIL'S APPROACH TO MANAGING RISK

The Isle of Wight Council's approach to risk management has been developed to support the key requirements of good corporate governance. It is an important and critical discipline which helps to ensure that the Council achieves the aims and goals that it sets.

Risk Management is often seen as an extra 'add on' to the day job, but should really be seen as an integral part of everyone's job. It shouldn't be something that we do occasionally or periodically, but should rather be something we use on a continuous basis. This has always been true to some extent, but having a defined risk process brings formality to proceedings, helps us to approach the task in a structured way and if applied correctly, helps us to achieve a consistent approach across the whole organisation. This in turn allows us to make relative judgements about the significance of some risks compared to others and thus helps us to prioritise.

The Council's risk management process needs to deal with a number of issues in a comprehensive way, including how risk is:

- identified
- dealt with in decision making
- dealt with in projects and procurements
- measured and evaluated
- managed
- recorded
- reported
- reviewed

Therefore the risk management process will ensure that:

- Risk management supports and enhances our decision making process and
- Cabinet reports include information on the risks and opportunities in taking or not taking a recommended course of action.
- Staff, Councillors, members of the public, partners and outside organisations have access to information on our current risks and opportunities and how we are managing them. Our approach to managing risks will be open and transparent.
- There will be consistency in our approach to identifying, assessing and managing risks across the organisation. Our framework will ensure that the risks are reviewed regularly and that any changes in circumstances are recorded and acted upon.
- When managing and controlling our risks our actions will be proportionate – the cost and time of our efforts should be commensurate with the potential impact of the risk.
- There will be clear accountability for our risks.

This will include a public statement on risk management as part of our decision making process; and annual statement of internal control signed by the Chief Executive, approved by Cabinet and included in the Council's Annual Finance Statement; and our risks will be open to regular internal audit and inspection by external agencies.

- Appropriate risk taking and innovation will be encouraged and promoted through a 'no blame' culture.
- The Council will manage its risks to add value by aiming to achieve the balance between under-managing risks (unaware and no control) and over-managing them (obsessive involvement in the fine details).

Everyone who works for the Council and those who serve as elected members of the Council have a responsibility for managing risk which may affect the Council's ability to deliver its objectives. Some have very specific responsibilities to manage risk, in particular:

Senior management (the Chief Executive, Strategic Directors and Heads of Service) are all responsible for managing risk because it is simply part of every day management activity.

Managers below senior level will also be responsible for managing risk in their particular service area, especially if a risk has been assigned to them.

Risk champions – one for each service area, whose responsibilities include supporting their Director and Head of Service to manage risk.

The Cabinet is responsible for the strategic direction of the Council and also must be risk aware when making key decisions.

[See Appendix B for Roles and Responsibilities in Risk Management.]

This practical guide to managing risk is intended to be used by all members, employees and partners to help them manage risk. Although comprehensive it is not intended that it should cover every aspect of risk management, since that is the job of specialists at the Council's corporate centre. More information and advice can be obtained from the Risk and Insurance Team. Please see Appendix C for details.

Remember:

'If a council doesn't have effective risk management, then it doesn't have effective management'

SECTION 5: THE RISK MANAGEMENT FRAMEWORK

The purpose of the risk management framework is to define how risks and opportunities are consistently handled with the Isle of Wight Council.

The Council has a defined and agreed framework and process for identifying, assessing, managing, controlling, reviewing and reporting its risks, which is covered in the next section of this guide.

The fundamental principles:

There are a number of fundamental principles surrounding risk:

The Council is *pro-active* in both identifying and managing risk. It will not simply (as it might have done once) allow risk to materialise and thus impact on the Council's aims or on its ability to deliver services to the public.

The Council will deploy its *performance management* systems to actively manage risk. Some of its management focus will therefore be deliberately aimed at controlling risk to an acceptable level or otherwise removing it.

The organisational structure, its reporting mechanisms, and defined responsibilities of members, management and staff all have a part to play in managing risk.

Risk will be a consideration in *all* activities that the Council undertakes, including projects, decision making, procurement, partnership working, and risk management techniques will be applied consistently to all such situations.

Risk will be managed at the lowest appropriate level within the Council.

The above principles are ones which underpin the Council's approach to risk management.

Responsibilities:

The Risk Management Strategy and Policy defines the Roles and Responsibilities for the management of risk. The Director of Finance is the Senior Officer responsible for Risk Management and the Cabinet Member for Resources and Town/Parish Empowerment is the member risk champion.

All employees, officers and Councillors are expected to have a level of understanding of how risks and opportunities could affect the performance of the Council and should regard the management of those risks and opportunities as part of their everyday activities.

This activity could be the management of risks relating to Strategic Objectives which need to be taken into account when making judgements about medium and long term goals or operational (service) risks that managers and staff will encounter in the daily course of their work. Key individuals and groups will have a specific leadership role or responsibility for risk management.

Further detailed roles and responsibilities can be found at Appendix B.

SECTION 6: STEP-BY-STEP-GUIDE TO MANAGING RISK

This guide is designed to take you and your team through the process of assessing risk. Risk Management should be a part of your normal business processes and should become the basis upon which you focus service plans and actions.

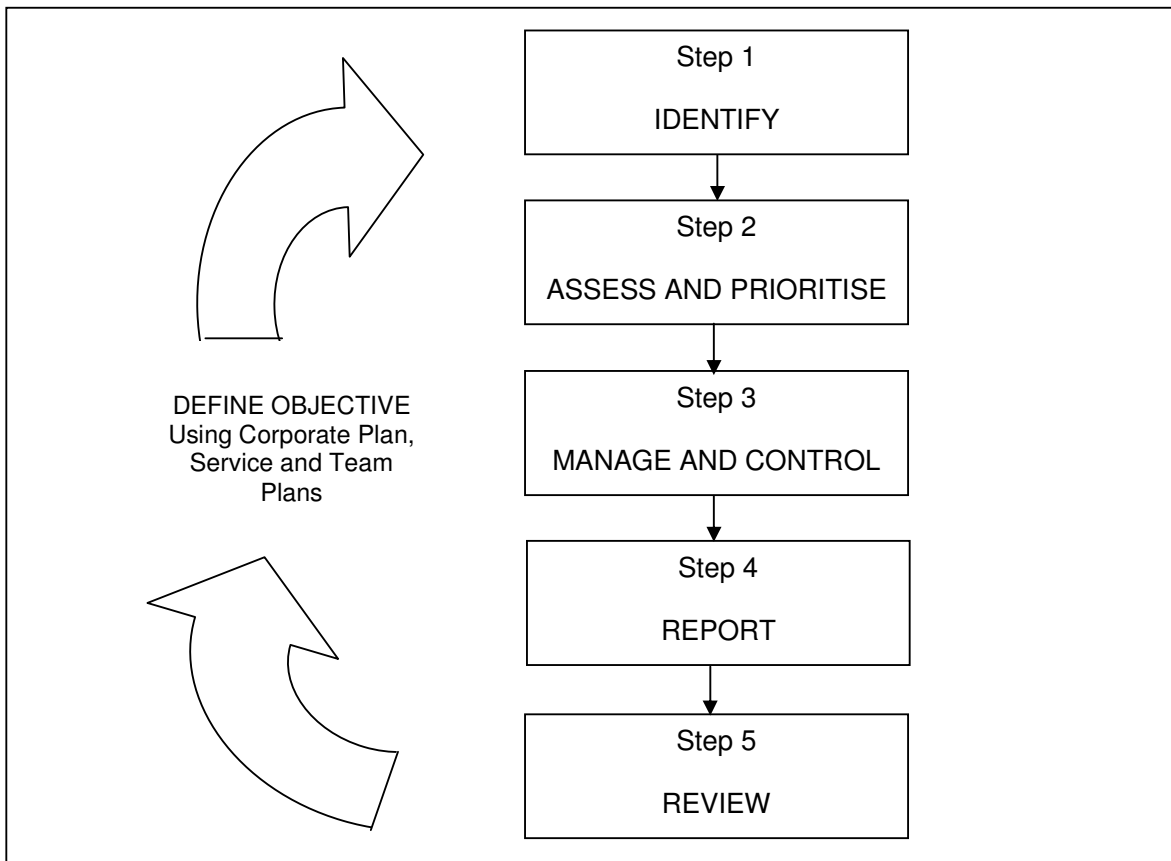
The framework is not just a scoring or measurement process, it requires judgements and informed decisions to be made. It is best done as a group exercise as a workshop or brainstorming event involving those who understand the key issues in delivering a service. Sometimes it helps to have someone from outside the team too, who can help facilitate the workshop and who can provide the necessary challenge to a sometimes 'blinkered' view of the issues.

In the case of a partnership, all partners should take part in a joint risk workshop and we should also ensure that the Isle of Wight Council has a risk register particularly from their perspective.

The five steps of risk management:

It might be useful to consider the following five steps in managing risk.

The focus should be on the outcome of the objectives, *aims and goals*, *not on the process itself*. *These five steps reflect the performance management framework and should provide the link.*



Step 1: Identifying risks - The means by which threats and opportunities are identified and turned into meaningful statements.

Sometimes risks are already well known because they have always been around. Others however are 'emerging' and are entirely new, or perhaps are becoming more likely/probable over time. The identification of risk also embraces the recording of risk.

There are three parts to a risk – an **Event** that has a **Consequence** that leads to an **Impact** on our objectives – and it can be measured by estimating the **Likelihood** of the event happening and the **Impact** it may have on our objectives if it does.

Drivers of Risk:

The Council faces risks from both internal and external factors. Understanding this helps us to assess the level of influence we may have over the risk.

It also helps to think of risk being characterised into two basic categories, **Strategic** and **Operational**. At strategic level, the focus is on identifying the key risks to successful achievements of the organisation's objectives. These are the risks (or opportunities) that are most likely to affect the performance and delivery of business services. At operational level the focus is on those risks (or opportunities) primarily concerned with continuity of service delivery.

Strategic and operational risks are not mutually exclusive and a risk may escalate from an operational risk to a strategic risk.

Both strategic and operational risks can be driven by either external or internal factors, or a combination of both.

It will help to use prompts to identify the areas of risk. Common areas are:

- **Strategic:** Doing the wrong things as an organisation; missing opportunities
- **Finance:** Losing monetary resources or incurring unacceptable liabilities
- **Reputation:** The Council's image, loss of public confidence
- **Partnerships:** The risks/opportunities the Council is exposed to as part of this partnership
- **Legal/Regulatory:** Claims against the Council, non-compliance
- **Operational:** Doing the right things in the wrong way (service delivery failure, targets missed). Missing business opportunities.
- **Information:** Loss or inaccuracy of data, systems or reported information
- **Customer/Citizens:** Understanding their needs; delivery of services
- **Environmental:** Things outside of our control; Environmental impact
- **People:** Risks associated with employees, management and councillors

Identifying Risk:

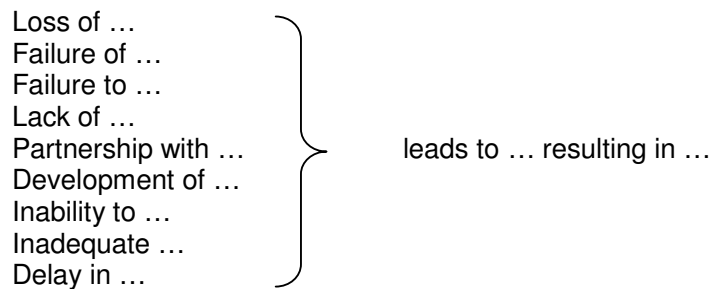
Very often issues will be raised in the brainstorming session, and you will need to get to the root cause, ie what is the risk that the issue poses? An issue is a concern that cannot be

avoided or maybe ongoing, whereas a risk may not actually materialise. **Risks can become issues, but issues cannot become risks.**

Expressing the risks as a statement is often harder than it first seems. It may require rethinking some basic assumptions about a situation and re-evaluating the elements that are most important. For example “lack of staff” is an issue and is not in itself a complete description. Try to externalise the issue and develop it into a risk that expresses how the issue will impact upon achievement of the Council’s strategic objectives.

Try to include those three parts to your risk: **Event – Consequence – Impact. This will ensure that focus, therefore the action, is placed on the event.**

Often, risks need to be described and can take the form of the following statements or expressions:



All of which are threats to the Council, service or team achieving their objectives.

For example, the Fire and Rescue Service identified the difficulty recruiting retained firefighters as an issue. This was developed around event, consequence, impact to:

“Failure to respond with fully crewed appliances (event)
could lead to either unacceptable delays in arrival or reduced crew (the consequence)
resulting undue loss of life (the impact).”

It is important to remember though that not all risks are threats. Some are opportunities which the Council needs to take advantage of or simply make happen. This is what is sometimes described as not being ‘risk averse’ - since by taking informed risks, the Council can make significant advances in what it is trying to achieve. The key word in that sentence was *informed*.

When risks have been identified, they need to be recorded. The Council’s risk management information system called JCAD Risk provides the facility for doing this. The system is essentially a database which has all the recording and reporting facilities normally associated with databases. The system allows you to describe the risk and to add other useful information like its owner (the person responsible for managing the risk) and also how the risk links to the Council’s objectives. This is important to establish the ‘golden thread’ from objective to delivery.

Step 2: Assessing risk - Estimating the levels of likelihood and impact of the risks and opportunities, and assessing which risks pose the greatest threat and what would be the benefits of exploiting or taking an opportunity.

We do not have the resources to manage every risk all the time so we need to consider which risks are most likely to happen (likelihood) and what the impact would be if it occurred.

Apart from describing risk as in step one above, the traditional way of measuring risk is to assess its impact and probability. Its impact means thinking about the effect of the risk if it should become a reality – what would the consequences be? How serious might the result be? Is it potentially life threatening or will it cause significant disruption? Or is it something that will simply cause a minor nuisance?

The second perspective is probability or likelihood. How likely is the actual risk materialising? Is it almost certain? Or is it very remote?

Measuring risk by reference to impact and probability gives us the opportunity to decide how important a risk is to manage. Major risks which are likely to occur need to be managed and prepared for, minor risks that are unlikely to happen, do not.

The next step is to assess those risks in terms of the likelihood that they will occur and the impact if they do. This will give us an **Inherent risk** score that we use to help us identify the most serious risks or top risks to the Council **before any controls have been applied**. Using that information we are able to make decisions about the significance of those risks to the Council and how, or whether, we should treat that risk.

Calculate the **current** risk score by plotting the risk onto the scoring matrix. This will indicate the score with any controls in place now.

Sometimes too, there is no ability to manage the likelihood of a risk occurring, but we can influence (ie plan and prepare for) the aftermath. Planning to respond to major natural disasters is a good example.

There are definitions of impact and probability which will help you decide how to 'score' risks in this way. Please refer to the Risk and Opportunity Matrices at Appendix A.

Accepting/tolerating risk can be an option. In this case the relevant officer will need to agree the risk status after taking advice from Risk Management and Insurance Manager and/or Programme Lead for Compliance.

Step 3: Managing and controlling - Developing and putting in place actions and control measures to treat or manage the risk, or maximising opportunities. Making the decision to accept risk where the benefits of doing so outweigh the detrimental effect.

Having identified a risk and having assessed its impact and probability, the next step in the process is to develop actions to manage or control the risk. These are referred to as ‘control measures’. Controls are intended to help in mitigating either the impact or likelihood of the risk. For example, if a risk has been identified as being the risk injury using dangerous equipment it may be that in order to control the risk, training in handling dangerous equipment is given.

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 – transfer, treat, terminate and tolerate – known as the Four Ts.

Response	Description
Transfer	Some risks can be <i>transferred</i> to an insurer, eg legal liability, property and vehicles etc. Some service delivery risks can be transferred to a partner or contractor by way of a formal contract or written agreement. However, some risks cannot be transferred, eg reputational risks.
Treat	Some risks will need additional <i>treatment</i> to reduce their likelihood or impact. This response is most likely where the likelihood or impact is such that a risk has been identified as a high/red risk.
Terminate	In some instances, a risk could be so serious that there is no other option but to <i>terminate</i> the activity that is generating the risk.
Tolerate	This response will be appropriate where you judge that the control measures in place are sufficient to reduce the likelihood and impact of a risk to a <i>tolerable</i> level and there is no added value in doing more.

In more complex issues where, for example, the risk of inadequate ICT resilience is identified, the controls needed are both more sophisticated and numerous, and will be part of a whole array of measures that need to be taken. These might include for example investing in the ICT infrastructure to build resilience, environmental controls to improve the conditions in which ICT resides, and also robust and secure back up and restoration procedures.

Risks can then be assessed for their controlled score representing the score which we believe can be achieved when the proposed control measures are in place. Some risks may never be entirely eliminated but there may be a level at which the Council is prepared to tolerate the risk. The expectation is that managers will continue to develop and implement control measures until the risk has been managed to its controlled score.

Consideration should be given to the resource required and a reasoned judgement on the benefits against tolerating the risk. JCAD RISK captures the cost of the resources required to put in place the control measure.

Step 4: Reviewing - Any changes in risks or the risk environment, monitoring whether the actions and control measures are appropriate and effective and still relevant; and that changing circumstances have not altered risk priorities.

Risks that have been identified, assessed and for which control measures have been developed need to be reviewed to monitor whether actions taken to control the risk have been successful. Over time, one would expect that subsequent assessments show the risk score to be reducing and managed to the 'controlled' score. The risk register (ie the JCAD database) provides the facility for reviewing risks in this way, providing an opportunity to input the latest score. The system also provides other useful information available on screen or by hard copy report. Other information could include for example, a report showing the status of control measures – have they been simply recommended or actually implemented?

Other aspects of the risk need to be kept under review like has the risk become more likely now or with the passing of time is it less likely? Could its impact be more significant than before?

Reviewing risk should be seen as a routine business discipline, not as something that has to be done because the rules say so. In the main, management is responsible for managing risk and is supported in this by assigned risk champions. Reviewing risk must be seen as part of the day job by both these groups in particular.

Step 5: Reporting risks which have a significant effect on the organisation.

One important part of the risk management process is that risks and the activity used to manage them, are reported within the Council. This helps to ensure that the usual performance management processes can operate in relation to risk management. In most cases, risks which arise in service areas are ones which can be managed within the service concerned. There will be other risks however which will have either corporate or strategic importance and therefore need to be considered at a corporate (whole organisation) level. There may be more than one reason for doing this. One reason might be, for example, that the same risk applies to several Council departments and that can make it a much more significant risk for the Council with far more serious consequences than it does for one single department. Secondly, some of the solutions (ie control measures) may be far more cost-effective if dealt with corporately instead of each department 'doing its own thing'. A good example might be when say, disaster recovery arrangements require a second site (a 'warm' site) being provided in the event of an ICT failure: it would be far more cost-effective to provide one such site to which all recovery operations could be transferred, instead of each individual department making its own bespoke arrangements. These sort of solutions can only be achieved if there is a mechanism for collating information across the Council and sharing reports of risk at a corporate level.

The forums at which risk will be considered include the Risk Champions Group, the Directors Group, the Corporate Management Board, Service Boards, the Audit and Performance Committee, the Cabinet and Full Council.

MANAGEMENT INFORMATION IN RELATION TO RISK USING JCAD RISK REGISTERS

Information about risks is usually held in some form of a 'risk register'. Often this takes the form of an electronic database which allows both the recording of individual risks and information about them, and also provides the facility to produce reports which can be used to manage risk both individually and collectively.

The Isle of Wight Council uses a database called JCAD RISK to record, manage and report risk information.

The database records:

- Title of the risk (risk statement)
- Risk 'owner' (the person responsible for managing the risk)
- The objective, aim and goal within the Corporate Plan to which the risk links
- Its scores including its inherent, current and controlled score
- Control measures (those actions that will help in managing the risk) and links to existing action plans, the percentage complete and control measure so far
- The 'owners' of control measure
- Review dates for both the risk and the control measures
- Any performance indicators including key indicators
- Cost of resources required to put the control measure in place

The database allows the Council to maintain and review a register of its corporate and service risks linking them to strategic business objectives and assigning ownership for each risk. The Risk Management and Insurance Manager has responsibility for the systems administration of JCAD RISK. The Risk Management and Insurance Team have full interactive access to all areas of the database and manage the access rights for users.

The system is available to users including Directors, Heads of Service, Team Managers and control owners within the service areas of the Council as a way of ensuring that service departments have access to the recording and reporting facilities of the system. In particular Risk Champions who are assigned to *all* service areas and who provide support to Directors and Heads of Service in the management of risk are able to access the system. Directors and Heads of Service also have access to the system, allowing them to maintain an overview of risk in their directorates and services. JCAD RISK is available via the Intranet and when open on the desktop will advise you when review dates are due. This method provides an online updating facility at all times by owners of the risks and control measure owners.

The Compliance Manager, the Internal Audit team, our external auditors, and the Performance Improvement Team are able to view the full database.

Members are able to access JCAD RISK in "read only" mode.

JCAD RISK has powerful reporting facilities which allow information about risk to be extracted and shared, including:

- A classification of risk, ie whether it is corporate or operational
- Whether it is Political, Economic, Strategic, Technological, Legislative or Environmental
- The status of control measures and their implementation
- Prompts a review date for both control measures and the risk itself
- Provides for assessment of resources required to the cost of any control measures, ie cost benefit analysis
- A flexible reporting mechanism so that risks can be reported by named owner, service, directorate, objective, aim or goal, or by corporate or operational (service) risk
- Linkages to service, team and personal development plans

JCAD Risk can provide a variety of simple or detailed reports by any of the fields held within the database. These reports can be available to all users of the system as determined by the Director.

Please see over page for illustrations of JCAD RISK risk page and control measure page.

SCREENS FROM JCAD RISK – RISK, CONTROLS, REPORT

Risks - RI0009 ACTIVE

Risk/Hazard | Control Measures | Diary/Letters | History | Audit

This risk was last reviewed on 26/07/2006 by Chris Bentley.

Risk details

Department: RI Risk Man. & Insurance Corporate Plan: Being A High-performing, Cost Effective Council

Aim: Ensure that all services are cost effective and offer maximum value for money.

Goal:

Nature of Risk: SF Financial

Category: C Corporate Type: SF Financial

Details: Failure to protect the Council's assets & interests:
External insurance policies in place for main risks.
Funds held to cover deductible, uninsured risk & internal insurance.
Potential for risk due to changing needs of Council ie partnering, cost of insurance, contracting services not being addressed.
Some areas giving concern due to inadequate resources ie. Highways Inspections, Trees, Stress.
Recharging of Insurance Premiums at present to number of employees in service rather than as per CIPFA guidance on basis of risk management / underwriting

Assigned To: CS Chris Bentley Status: 20 Partial CM 07/07/2006

Review Every: 3 months Review Date: 15/09/2006

Probability: Uncontrolled risk assessment: L Likely Current risk assessment: U Unlikely Controlled risk assessment: U Unlikely

Impact: MAJ Major Current risk assessment: H High Controlled risk assessment: MED Medium

Risk Profile: High (12) Medium (6) Low (4)

Risks - RI0009 ACTIVE

Risk/Hazard | Control Measures | Diary/Letters | History | Audit

Business Unit	Nature of Risk	Control Measure
Risk Man. & Insur...	Financial	External Insurance Provider
Risk Man. & Insur...	Financial	Member of South East Insurance Officer's Group (SEIOG)
Risk Man. & Insur...	Financial	Retain the services of Broker/Risk Consultants - Marsh UK
Risk Man. & Insur...	Financial	Review policies on at least an annual basis
Risk Man. & Insur...	Financial	Communication with all services on emerging risk, policies at present held.
Risk Man. & Insur...	Financial	Reports on claims data to target areas with available resources
Risk Man. & Insur...	Financial	Promotion of the policies & services provided by the Insurance & Risk Section
Risk Man. & Insur...	Financial	Working with Accountancy Team to look at methods of recharging the organisation to fit more closely with the CIPFA guidelines
Risk Man. & Insur...	Financial	Report on Insurance Fund to Executive - Autumn 2004

Control Measure Details

Control Measure: Promotion of the policies & services provided by the Insurance & Risk Section

Details: Resources:

Assigned To: CS Chris Bentley Status: 3 In Progress 15/12/2003

Target Date: 15/03/2007 Estimated Cost: % Complete: 20 Cost to Date: Priority: Normal Review Every: 0 months Review Date:

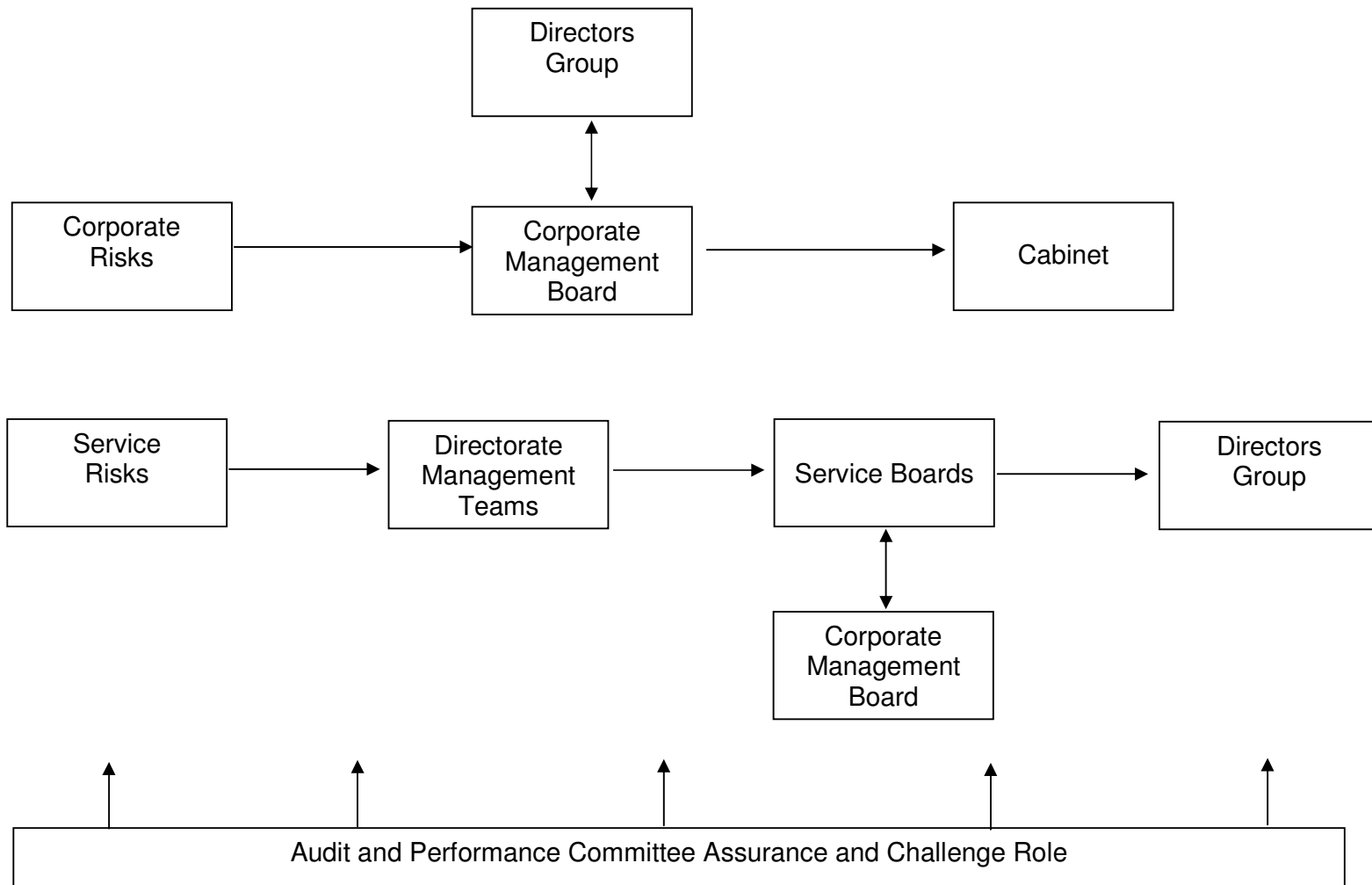
The above screen prints show, firstly the risk identified together with the risk scoring and secondly the control measures to mitigate the risk. Additional details of the highlighted control measure are shown in the bottom panel.

QUICK GUIDE TO RISK MANAGEMENT

- Having identified a risk (or an opportunity) through a workshop, team meeting, service planning or individual reporting, assess the level of the likelihood of the event occurring and the impact should it occur to obtain the score. Use the Risk Prioritisation Matrix referring to the tables as required. See Strategy and Policy Document.
- Identify and agree the risk owner.
- Enter the risk or opportunity into the Risk Register database. (Your risk champion will assist you with this process or if you are able to access the Risk Register Intranet Browser System input directly into the database.) Please note that the corporate objective, aim and goal should be noted against the risk. **Any risks which score in the red sector should be advised to the Risk Management and Insurance Manager.**
- Identify existing controls and/or action plans, or develop these if none exist. Use the database to note target dates, review dates and to determine costs.
- Identify how the risk will be managed and what will be the critical success factors. (Refer to the Corporate Plan, Service Plans, Team Plans, Personal Development Reviews and any BVPI's and performance indicators noted on CorVu.)
- Assess the level (score) of Inherent risk (gross) without any current controls in place, the current risk level, with any control measures currently in place and the controlled risk, an estimate of how low, with additional control measures, the risk can be reduced to.
- The continuing management of the risk lies with the risk owner. The potential effect on the corporate objectives should be examined by the relevant level of management ie, Chief Executive, Directors or Head of Service.
- As part of the management of performance, reports and data taken from the Risk Register database should be used at all levels of team meetings, reports to Director's Group, Corporate Management Board , Cabinet or Service Boards.
- The Risk Management and Insurance Team will provide moderation and challenge to both Corporate and Service risks held on the risk register.
- The Risk Management Champions Group, which meets quarterly, will examine risks on the risk register and provide a cross service *indication view* of the effects of the risk on the Council and stakeholders.

Service Boards will examine the effects of risks as part of performance and on the achievement of objectives. Director's Group, the Corporate Management Board and the Cabinet will receive exception reports as required so that any intervention required at a senior level will be addressed.

RISK MANAGEMENT REPORTING AND MANAGEMENT PROCESS



APPENDIX A

USING THE RISK AND OPPORTUNITY MATRICES

The following risk matrix and criteria should be used to assess the 'value' of the risk. Use the likelihood scale of 1 to 4 (remote to very likely) and the impact scale 1 to 4 (low to major) to plot the risk score. For example a likelihood of 1 and an impact of 4 will result in a score of 10.

This allows for a potentially managed but a major (catastrophic effect) risk, likelihood 1 by impact 4, to remain actively managed under a watching brief as an amber score.

The chart 'scores' are numbered to reflect the ability to reduce or control the likelihood of a risk by putting into place control measures, where most major impact risks are more difficult or indeed cannot be reduced at all. Under the previous matrix a 1 by 4 risk would have been shown as a green risk. In this case there would be the possibility, with resources placed to manage the red risks as a priority, that a green risk would not be as effectively managed.

The Opportunity Matrix scale to score system allows clear opportunities with maximum outcomes in the shortest time scale to be plotted as a tool to assist decision making and to reinforce meeting clear objectives as laid out in the Corporate Plan.

Risk Prioritisation Matrix

Likelihood/Probability	4 V Likely	7	11	14	16
	3 Likely	4	8	12	15
	2 Unlikely	2	5	9	13
	1 Remote	1	3	6	10
	Scale	1 Low	2 Medium	3 High	4 Major

Impact/Severity

15 – 16	Red	V. High risk
12 - 14	Red	High risk
7 – 11	Amber	Medium risk
1 - 6	Green	Low risk

Likelihood/Probability Criteria

FACTOR	SCALE	THREATS - DESCRIPTION	INDICATORS
Very likely	4	More than 75% chance of occurrence	Regular occurrence Circumstances frequently encountered - daily/weekly/monthly
Likely	3	40% - 75% chance of occurrence	Likely to happen at some point within the next 1-2 years Circumstances occasionally encountered (few times a year)
Unlikely	2	10% - 40% chance of occurrence	Only likely to happen 3 or more years
Remote	1	Less than 10% chance of occurrence	Has happened rarely/never before

Impact/Severity Criteria

Factor	Scale	Effect on Service	Embarrassment/reputation	Personal Safety	Personal privacy infringement	Failure to provide statutory duties/meet legal obligations	Financial	Effect on Project Objectives/Schedule Deadlines
Major	4	Major loss of service, including several important areas of service and /or protracted period. Service Disruption 5+ Days	Adverse and persistent national media coverage Adverse central government response, involving (threat of) removal of delegated powers Officer(s) and/or Members forced to resign	Death of an individual or several people	All personal details compromised/ revealed	Litigation/claims/fines from Departmental £250k + Corporate £500k +	Costing over £500,000 Up to 75% of Budget	Complete failure of project/ extreme delay – 3 months or more
High	3	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 Service Disruption 3-5 Days	Adverse publicity in professional/municipal press, affecting perception/standing in professional/local government community Adverse local publicity of a major and persistent nature	Major injury to an individual or several people	Many individual details compromised/ revealed	Litigation/claims/fines from Departmental £50k to £125k Corporate £100k to £250k	Costing between £50,000 and £500,000 Up to 50% of Budget	Significant impact on project or most of expected benefits fail/ major delay – 2-3 months
Medium	2	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 Service Disruption 2-3 Days	Adverse local publicity /local public opinion aware Statutory prosecution of a non-serious nature	Severe injury to an individual or several people	Some individual details compromised/ revealed	Litigation/claims/fines from Departmental £25k to £50k Corporate £50k to £100k	Costing between £5,000 and £50,000 Up to 25% of Budget	Adverse effect on project/ significant slippage – 3 weeks–2 months
Low	1	Brief disruption of important service area Significant effect to non-crucial service area Service Disruption 1Day	Contained within section/Unit or Directorate Complaint from individual/small group, of arguable merit	Minor injury or discomfort to an individual or several people	Isolated individual detail compromised/ revealed	Litigation/claims/fines from Departmental £12k to £25k Corporate £25k to £50k	Costing less than £5,000 Up to 10% of Budget	Minimal impact to project/ slight delay less than 2 weeks

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Opportunity Management Matrix

Likelihood/Probability	4	7	11	14	16
	3	4	8	12	15
	2	2	5	9	13
	1	1	3	6	10
	Scale	1	2	3	4

Impact/Severity

Opportunity Criteria

FACTOR	SCALE	OPPORTUNITIES - DESCRIPTION	INDICATORS
Very likely	4	Favourable outcome is likely to be achieved in one year or better than 75% chance of occurrence.	Clear opportunity which can be relied on with reasonable certainty, to be achieved in the short term based on current management processes.
Likely	3	Reasonable prospects of favourable results in one year 40% to 75% chance of occurrence.	Opportunities that may be achievable but which require careful management. Opportunities that arise over and above the plan.
Unlikely	2	Some chance of favourable outcome in the medium term or less than 40% chance of occurrence.	Possible opportunity which has yet to be fully investigated by management. Opportunity for which the likelihood is low on the basis of management resources currently being applied.
Remote	1	Less than 10% chance of occurrence	Has happened rarely/never before

APPENDIX B

ROLES AND RESPONSIBILITIES

All Members

- Need to understand the significant risks that the Council faces and be aware of how these risks are managed.
- Support and promote risk management.
- Consider the risks involved in making key decisions.

Cabinet

- Endorse the annual Risk Management Policy and Strategy approved by the Cabinet Member for Resources and Town/Parish Council Empowerment.
- Hold the Director's Group accountable for the effective management of risk.
- As part of key decision making consider risk from the both negative (threat) and positive (opportunity) perspective.
- To receive quarterly reports on risk management and performance manages in particular risks to strategic objectives where intervention is required at the most senior level.

Risk Champion - Cabinet Member for Resource and Town/Parish Council Empowerment.

- Needs to be aware of risk assessments within key decision making reports.
- Provides a link between the Cabinet, other Members with regard to awareness of risk and cross cutting issues.
- To 'champion' risk management as a supporting culture and process to improved performance and a cost effective council.
- Approves the annual review of the Risk Management Strategy and Policy.

Audit and Performance Committee

- To receive reports and provide assurance that the arrangements for the management of risk are effective.
- To be aware of and challenge, as required, significant risks on the Corporate or Service Risk Registers particularly where performance is affected.
- To seek assurance for the annual Statement on Internal Control.

Scrutiny Committee

- Scrutinise the risks involved in making any key decisions.
- Identify significant risks to be scrutinised in more detail as part of their annual work programme, as appropriate.
- Recommend any immediate action to be taken to ensure effective management of such risks.

Chief Executive and Director's Group

The Chief Executive and Director's Group are pivotal in the promotion and embedding of risk management by managing culture change within the Council. They are responsible for managing strategic risks, as well as service (operational) risks in their individual areas of responsibility. The key tasks are:

- To ensure that the Council manages risk effectively through the development and implementation of the Strategy and Policy, supporting processes and recommending for approval any subsequent changes.
- Support and promote risk management throughout the Council.
- To consider key risks referred by the Corporate Management Board that need strategic or corporate management.
- Actively identify, analyse and profile strategic and cross cutting risks.
- Determine and prioritise action on strategic and cross cutting risks, delegating responsibility for control where appropriate.
- Assess the wider implications of service (operational) risk assessments and controls.
- Monitor progress of risk management activities as part of the performance management framework.
- Ensure that, where appropriate 'key decision' reports include a section to demonstrate that arrangements are in place to manage risks either as a threat or arising from opportunities.
- Endorse the 'risk appetite' of the Council by defining the definition of risk for high (red) medium (amber) and low (green) risk.

Corporate Management Board

- To consider the Council's key risks on a monthly basis for the purpose of in-year performance management.

Director of Finance

As the Director with responsibility for Risk Management and Insurance, Internal Audit and Finance the Director of Finance is the Officer Risk champion and leads on all risk management issues. The key tasks are:

- To champion and oversee the implementation of the Risk Management Strategy and Policy.
- Champion the risk management processes as good management practice and a valuable management tool.
- Ensure that risk management is suitably recognised in the planning process and in the setting and monitoring of budgets.
- To report to Members on Risk Management.

Programme Lead for Compliance

- Chair the Risk Management Champions Group
- Provide the link between risk management and financial management.
- Support the Director of Finance in the development and implementation of the Council's Risk Management Strategy.

Risk Management and Insurance Manager

- Develop and maintain the Corporate Risk Strategy and Policy.
- Promote, support and oversee its implementation.
- Monitor and review the effectiveness of the policy.
- Identify and communicate risk management issues to services.
- Arrange for reports on risk management to be available for Directors Group and Cabinet.
- Assist Directorates/ Services in undertaking risk management activity via training, workshops and direct support.
- Provide input into assurance by reports to the Audit and Performance Committee.
- Ensure by CPD, training, seminars and membership of appropriate bodies that the council has available best practice practices.
- Provide expertise, actively support and be involved in the risk management process.
- Provide guidance and advice on risk management and facilitate risk management training where appropriate.
- Support risk identification and assessment workshops and assist with co-ordination handling of risks across Directorate boundaries.
- Provide assurance that risks are effectively assessed and managed by testing judgements about key risks control.
- Manage and administer the risk register database program.
- Co-ordinate risk reporting to Directors Group, Service Boards, and take an active role in the provision of data for Risk Champions Group.

Service Boards

- To undertake in-year performance management of service-based, operational risks.
- To identify where service risks represent cross-cutting issues which need to be managed at a corporate level by reference to Corporate Management Board or Directors Group.

Directorate Management Teams

The primary role of Directorate Management Teams is to manage operational risk by:

- Identifying when risks within each service area may in fact be either a directorate-wide risk or a corporate risk.

- Promoting awareness within their Directorate.
- Being actively involved in the identification, analysis and profiling of risks.
- Ensuring that the risk management process is incorporated into the service planning processes, is fed into corporate objectives and is an explicit part of major projects and change management initiatives.

Heads of Service and Service Managers

- Implement the Risk Management Policy and Strategy.
- To ensure that projects are risk assessed and that a project risk register is maintained.
- Identify risks to objectives as part of the Service Planning Process with links to resource allocation.
- With the support from the Risk Champion maintain, review and update the Service Risk Register.
- To utilise the Partnership Guidance appropriately so that risks are identified.
- Share relevant information with own staff/managers and colleagues in other service areas.

Chief Internal Auditor

To provide assurance regarding the effectiveness of:

- The corporate arrangements for risk management.
- The Directorate risk management arrangements.
- The Internal control framework across all the Council.

Risk Champions

- Directly supports the allocated service managers in the management of risk processes.
- Are knowledgeable in both the application of the Risk Management Strategy and Policy, the related processes and the recording and reporting methods.
- Form, with the Programme Lead for Compliance and the Risk Management and Insurance Manager the Risk Champions Group.
- Specifically examine service (operational) risks and moderate the risk management processes.

Risk Champions Group

The Risk Champions Group consists of the Programme Lead for Compliance (Chair), the Risk Management and Insurance Manager and service risk champions. Together their key tasks are:

- Meet quarterly to look at the development and implementation of risk management within the Council.

- Share their experiences and good practice of the risk management process and identified risks.
- Provides a forum to discuss emerging risks and to be aware of potential cross cutting issues.
- Offer advice and challenge to Risk Owners who are responsible for managing, particularly, service (operational) risks.
- Supports the Programme Lead for Compliance Improvement in assuring the SIC process.

All Staff

- Manage risk effectively in their job and report opportunities and risks to their service managers.
- Participate in risk identification and assessment and action planning where appropriate.
- Adhere to Council policies and procedures.
- Attend training and development sessions as appropriate.

APPENDIX C

WHO CAN HELP YOU

Director of Finance - Paul Wilkinson	823606	paul.wilkinson@iow.gov.uk
Programme Lead for Compliance - Bob Streets	823622	bob.streets@iow.gov.uk
Risk Management and Insurance Manager - Chris Bentley	823624	chris.bentley@iow.gov.uk
Risk Management and Insurance Officer - Iain Lawrie	823691	ian.lawrie@iow.gov.uk
Chief Internal Auditor - Ged Richardson	823683	ged.richardson@iow.gov.uk
Programme Lead - Financial Management: Stuart Fraser	823657	stuart.fraser@iow.gov.uk

For Projects: Please refer to

For Partnerships: Please refer to the guide – “Managing Partnerships – A Guide to Good Practice” available on the Council’s website at

GLOSSARY OF TERMS

Assessing risks	The approach and process used to prioritise and determine the likelihood of risks occurring and their potential impact on the achievement of our objectives.
Consequence	The outcome of an event.
Contingency	An action or arrangement that can be put into place to minimise the impact of a risk if it should occur.
Control (control measures)	Any action, procedure or operation undertaken to either contain a risk to an acceptable level, or to reduce the likelihood .
Corporate Governance	The method by which local authorities direct and control their functions and relate to their communities (as per CIPFA SOLACE)
Identifying risks	The process by which events which that could affect the achievement of the Council's objectives , are analysed and described and listed
Impact	The effect that a risk would have if it happens
Inherent risk	The level of risk existing before any controls and / or treatment measures have been applied to manage it
Issue	An event or concern that has occurred or is taking place and should be addressed (as opposed to a risk which has not yet, or might not, occurred)
Likelihood	The probability that an identified risk event will occur
Managing and controlling risks	Developing and putting in place actions and control measures to treat or manage the risk
Mitigation (Plan)	A strategy that decreases risk by lowering the likelihood of a risk event occurring or reducing the impact of the risk should it occur.
Objective	Something worked toward or striven for, a goal.
Operational risk or service risk	Risks associated with the day-to-day issues that an organisation might face as it delivers its services.
Project risks	Risks associated with a specific activity, which has defined goals, objectives, requirements, a life cycle, a beginning and an end.
Periodic review	A review that occurs at specified regular time intervals.

Residual risk or controlled risk	The level of risk remaining after managing it through treatment and/or control measures
Risk	The chance of something happening that will have an effect on our objectives . This could be an opportunity as well as a threat.
Risk appetite	The level of residual risk that the Council is prepared to accept, tolerate or be exposed to at any point in time
Risk Owner	The person who has overall responsibility for ensuring that the strategy for addressing the risk is appropriate and who has the authority to ensure that the right actions are being taken
Risk Management/ Risk Management Framework	Means having in place a corporate and systematic process that efficiently identifies, assesses, manages and communicates the impact of risks in a cost-effective way and having staff with the appropriate skills to identify and assess the potential for potential threats and opportunities to arise.
Risk prioritisation matrix	The number of levels of likelihood and impact chosen against which to measure the risk and identify methods of management of the risk.
Risk Register	A register for capturing information about each risk , eg brief description, its likelihood , its impact , how we are controlling it and who is managing that risk.
Risk profile	The summary of identified risks and assessment of their seriousness.
Risk strategy	The overall organisational approach to risk management.
Strategic risks	Risks concerned with where the organisation wants to go, how it plans to get there and how it can ensure survival.

APPENDIX E

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