



**South Oxfordshire
District Council**

Listening Learning Leading



**Vale
of White Horse**
District Council

Risk management strategy

2009 – 2012

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1 – Context

SCOPE

1. This is a combined risk management strategy for South Oxfordshire District Council and Vale of White Horse District Council.

WHAT IS RISK MANAGEMENT?

2. Risk can be defined as the possibility of something happening, or not happening, that would have an impact on an organisation's ability to meet its strategic or operational objectives. All organisations exist to achieve their objectives. The purpose of risk management is to manage the barriers to achieving these objectives.
3. Risk management can be defined as the process of identification, analysis, prioritisation, management and monitoring of risks, and any resulting actions, which would reduce the likelihood or impact of the risk occurring. Risk management is thus a strategic tool and is an essential part of the effective and efficient management and planning of the councils' operations.

LOCAL AND NATIONAL DRIVERS

4. There are a number of local and national factors that drive risk management.

Business improvement and performance management

5. Effective risk management enables the councils to identify, prioritise and manage barriers in the achievement of strategic objectives, corporate priorities, targets and service plan actions. It also supports the organisation in taking and managing significant risks to increase confidence and ability to successfully deliver innovative and challenging projects. Risk management helps to enhance performance at all levels of the performance management framework and to demonstrate commitment to continuous improvement.

Corporate governance framework

6. Risk management and assurance form part of the corporate governance for local authorities. It involves ensuring that risk management is embedded into the culture of the authority; with councillors and officers at all levels recognising that risk management is part of their role within the council. The Accounts and Audit Regulations 2003 require us to be responsible for ensuring that we have a sound system of internal control which facilitates the effective exercise of the councils' functions and which includes arrangements for the management of risk and measures to ensure that risk is appropriately managed. We have to demonstrate these arrangements in the Annual Governance Statement.

Comprehensive Area Assessment (CAA)

7. The Audit Commission's CAA framework introduced in 2009 looks at the public services delivered by the councils and their partners including the private and voluntary sectors. The councils' risk management arrangements will form part of the 'Use of

resources' self-assessment which the councils are required to submit to the Audit Commission. The use of resources assessment forms part of CAA and will also feed into other relevant performance assessment frameworks as appropriate. The use of resources assessment considers how well organisations are managing and using their resources to deliver value for money and better and sustainable outcomes for local people. It is structured into four themes. One of the themes called 'governing the business' includes an element on risk management. This requires councils to demonstrate that they manage risks, have a clear strategy and effective arrangements, including allocation of appropriate resources.

Civil Contingencies Act 2004

8. In addition, the Civil Contingencies Act 2004, places a duty on councils to assess the risk of an emergency occurring and to maintain plans for the purpose of ensuring that if an emergency occurs, the councils are able to perform their functions. Both councils are already meeting the requirements of this Act by each having (separate to the risk management strategy) an emergency plan and business continuity arrangements.

2 – Risk management outcomes

9. We have implemented a rationalised risk management approach based on good practices already in place at each council. The final stage of this process is that we have produced this combined risk management strategy for South Oxfordshire District Council ("South") and Vale of White Horse District Council ("Vale").

CORPORATE PRIORITIES

10. Effective risk management contributes towards both councils' ability to meet their corporate priorities by:
- identifying barriers to achievement and implementing actions to reduce the likelihood or consequences of potential risks occurring
 - a greater awareness and understanding of potential risks and their ability to be controlled will help the councils become less risk averse
 - improving service planning through a risk based decision making process, resulting in prioritised actions that focus on managing risks and directing resources to achieve maximum benefit and value for money.

RISK MANAGEMENT STRATEGY - DESIRED OUTCOMES

11. The intended outcomes resulting from implementation of this strategy are to enable both councils to:
- comply with government guidance and statutory instruments relating to risk management
 - have a strategic approach to risk management which is supported by councillors, management and staff
 - have a simple view of risks on a service basis with the knowledge and confidence that risks are being managed or reduced within each service area
 - have a clear risk management process and standards that managers support and understand
 - formally use the risk management process for all key decisions
 - integrate risk management into normal business practices
 - have the ability to demonstrate that risk management is embedded in business processes, including strategic planning, financial planning, policy making and review, performance management and project management.

3 – Approach

ROLES AND RESPONSIBILITIES

12. A senior officer takes responsibility for embedding risk management throughout each council. Heads of service, service managers, risk champions and staff all have specific responsibilities. These are detailed in appendix 1.
13. The risk management process is coordinated by the corporate risk officer. Each service has a risk champion, which is often the head of service, or a nominated officer who has a broad understanding of the service's operations and projects. The risk champion acts as the point of contact for risk management enquiries, coordinates the annual risk review process, regularly reviews risks and ensures risk mitigating actions are taken.
14. Councillor responsibility for corporate risk management is identified in the terms of reference of the Audit and Corporate Governance Committee (ACGC) (South) and Audit and Governance Committee (AGC) (Vale). The committees provide effective challenge of the risk management process and outcomes.

METHODOLOGY

15. The risk management process in place at both councils has been guided by the Zurich Municipal Management Services (ZMMS) STORM[®] methodology (Strategic and Organisational Risk Management). This is a structured, systematic methodology for identifying, analysing, prioritising, managing and monitoring risk at both strategic and operational levels. The five stages are summarised in appendix 2.
16. There is a separate more detailed guidance document specific to the risk management process that is available on the intranet.

RISK REGISTERS

17. Each council maintains a separate register of their strategic and operational business risks, which:
 - links risks to strategic objectives
 - assesses both the gross and net risks for likelihood and impact
 - assigns named individuals to lead on actions identified to mitigate (reduce the likelihood and/or consequences of) each risk.
18. Each service has its own operational risk register and the risk champion records the risks identified by their team. Heads of service endorse their specific risk registers when they are updated and the risk management process ensures that we review and update the operational risk registers on a quarterly basis.
19. Management team are responsible for the strategic risk register, which they review on a regular basis. The strategic risk register is presented to ACGC (South) and AGC (Vale) on a regular basis.

PARTNERSHIP WORKING

20. The councils' risk management process considers and manages risks in relation to significant partnerships. Management team regularly reviews the risks of joint working, collaborations and partnerships. This includes joint service delivery with the councils' main contractors and organisations in the public and private sector. Separate guidance on partnership risks is available via the intranet.

BUSINESS CONTINUITY

21. The Civil Contingencies Act 2004 places duties on the councils to assess the risk of an emergency occurring and to maintain plans for the purpose of ensuring that, if an emergency occurs, the councils are able to continue to perform their functions. In response to this requirement, Vale drafted a Business Continuity Strategy Statement in September 2007 and South agreed a Business Continuity Strategy in August 2006 that was approved by Cabinet. Both councils also have an Emergency Plan.

22. Following the management restructure, management team made the decision to rationalise the approach to business continuity between the two councils and create a process that was common to both. We have written a draft Joint Business Continuity Strategy to serve both councils and anticipate it will be approved by Executive (Vale) and Cabinet (South) towards the end of 2009/2010.

23. The current business continuity arrangements ensure that each council has a crisis management plan and a set of service business continuity plans in place. The purpose of these plans is to set out a process for continuing to provide public services in the event of a disruption to the councils' normal operations. The plans are designed to be implemented in the event of any significant disruption. The crisis management plan is owned by a strategic crisis team (SCT), made up of members of management team and other key officers, whose role is to provide overall direction in recovery of service activities, to make decisions on the councils' priorities and coordinate resource requirements across the organisation. Each service team has its own business recovery team with sufficient resilience to implement the business continuity plan in the event that one or more team members are unavailable. These plans are reviewed and tested on a regular basis.

24. We need to obtain assurance on the viability of our significant contractors' and partners' business continuity plans and because we outsource many of our services, business continuity arrangements with suppliers are to be included in the plans. At South, the pre-qualification questionnaire used for all major procurements asks for details of the supplier's business continuity arrangements and we assess this information as part of the tender evaluation. There is a standard contract term that requires key suppliers to have business continuity arrangements in place. South has also held a workshop and issued guidance to help its biggest contractors improve their business continuity arrangements. We will introduce the above process at Vale during 2009/2010.

TRAINING

25. All those involved in the organisation's risk management arrangements are given relevant training and guidance. The risk champions within each service will be suitably

trained to enable them to take responsibility for managing risk within their area and provide assurance to their head of service that risks are being managed effectively.

26. The Audit and Corporate Governance Committee at South has received risk management awareness training and are regularly briefed on the risk management process when they receive a report. We intend to provide suitable awareness training to Audit and Governance Committee at Vale in 2009/2010 and submit regular risk management update reports.

REVIEW AND REPORTING

27. The risk management approach and the supporting procedures are reviewed and updated at least annually.
28. Management team will approve each council's risk register on an annual basis and review the operational risk registers regularly, noting any risk mitigating actions that have not been implemented.
29. South ACGC and Vale AGC will review the strategic risk registers on a regular basis and receive regular reports on how strategic and operational risks are being managed. Both committees will review an annual report as part of the annual governance statement.
30. ACGC and AGC review the risk management approach and supporting procedures and comment on drafts of this risk management strategy before approval by South Cabinet and Vale Executive.
31. Committee reports to support strategic policy decisions, and initiation documents for all major projects, include the requirement and guidance for carrying out a risk assessment.

Appendix 1 – Roles and responsibilities

32. This appendix describes the roles and responsibilities that councillors and officers play in introducing, embedding and owning the risk management process:

CHIEF EXECUTIVE AND MANAGEMENT TEAM

33. The overall responsibility for effective governance and risk management in both councils lies with the chief executive, who, supported by management team, will

- recommend to South's Cabinet and Vale's Executive the risk management strategy and subsequent revisions
- provide strategic leadership, direction and oversight of the risk management process
- promote, demonstrate and embed risk management within the council as part of usual activities, including the sharing of best practice and experience between services
- actively identify, assess and monitor strategic risks on a regular basis
- ensure that appropriate training is provided to enable staff to carry out their duties as defined in the risk management strategy
- conduct reviews of the operational risk register
- the chief executive is required to agree and sign the annual statement of internal control (assurance statement).

34. Individual strategic directors are responsible for developing relevant action plans for the key risks identified within the strategic risk register and establishing relevant performance indicators to measure their performance through the performance management framework.

HEADS OF SERVICE

35. All heads of service are responsible for:

- actively identifying, assessing and monitoring operational risks on a regular basis
- ensuring that risk assessments are undertaken in their service areas, and that risks identified are prioritised and entered onto the risk register
- highlighting any emerging trends and unacceptable risks and providing actions plans for elimination or minimisation of such risks
- incorporating risk management actions into service plans
- ensuring risk assessments are reviewed at least annually or when a change of circumstances dictates
- ensure that there are policies, protocols and procedures in place that are communicated to and followed by staff to minimise risks

- ensure all staff, contractors (both on-site and off-site) and members of the public are informed of any risks that they may be exposed to and the action that has been taken to reduce or eliminate them
- ensuring adequate communication, training, assessment, monitoring and proactive action is taken with regard to risks
- ensuring that where incidents have occurred, they are reported, practices reviewed, and where appropriate, procedures and activities changed based on current best practice
- ensuring that the risk management process is part of all major projects and change management initiatives
- where appropriate in reports written for councillors, to include a risk assessment of the options presented for a decision
- monitoring and reviewing relevant performance indicators regularly to reduce or control the significant risks via the performance management framework.
- appoint a service risk champion and ensure that they have adequate skills, training, resources, information, knowledge and supervision to undertake their duties
- ensuring that all staff working within their service receive adequate training to enable them to work safely and discharge their responsibilities under the risk management strategy.

LINE MANAGERS

36. All line managers are responsible for:

- implementing this strategy at team level by ensuring adequate communication, training and the assessment and monitoring of risks
- undertaking risk assessments throughout their area of responsibility, and that risks identified are prioritised and entered onto the risk register
- highlighting any emerging trends and unacceptable risks and providing actions plans for elimination or minimisation of such risks
- ensuring that policies, protocols and procedures are communicated to staff and are followed
- ensuring that all incidents are reported in accordance with the council's incident reporting procedure
- ensure all staff, contractors (both on-site and off-site) and members of the public are informed of any risks that they may be exposed to and to the action that has been taken to reduce or eliminate them
- ensuring that there is an effective system for consultation and communicating health and safety information throughout their teams
- ensuring staff have suitable and sufficient training to undertake their work safely and competently.

OFFICERS

37. All officers are responsible for:

- considering risk as part of everyday activities and provide input to the risk management process
- reporting to their line managers all faults, hazards, unsafe practices, accidents, adverse incidents, dangerous occurrences and near misses, whether injury is sustained or not.

LEAD RISK CHAMPION – CORPORATE RISK OFFICER

38. The corporate risk officer is responsible for:

- leading and driving the implementation of a combined risk management approach at both councils
- acting as a single point of contact for risk management queries from all officers of the councils
- facilitating training of officers and councillors
- co-ordinating the completion of the combined risk register for each council
- ensuring adherence to the risk management process
- quarterly reviewing of service plan actions
- providing regular performance reports to management team and committees
- updating of procedure notes and guidance documents.

RISK CHAMPIONS

39. The duties of the risk champion include:

- acting as the first point of contact for risk management enquiries from their own service
- facilitate the dissemination of risk information to all levels within their service team
- regularly updating their manager on progress or otherwise being made in implementing risk management programmes
- liaising with the lead risk champion regarding progress with risk management developments
- providing basic advice to service team members, to allow them to be self sufficient in undertaking risk assessments
- where necessary initiate the risk assessment process, with the view to passing the responsibility during the course of the assessment onto the relevant manager(s)
- completing an annual risk review
- integrating risk actions into service plans
- ensuring risk actions are taken, and where not, raise with their head of service
- regularly review risk actions and projects for progress

- ensure colleagues are aware of risk-related issues within their area.

In order to undertake these duties the risk champions must be supported by the chief executive, directors, councillors and lead risk champion.

ROLE OF INTERNAL AUDIT

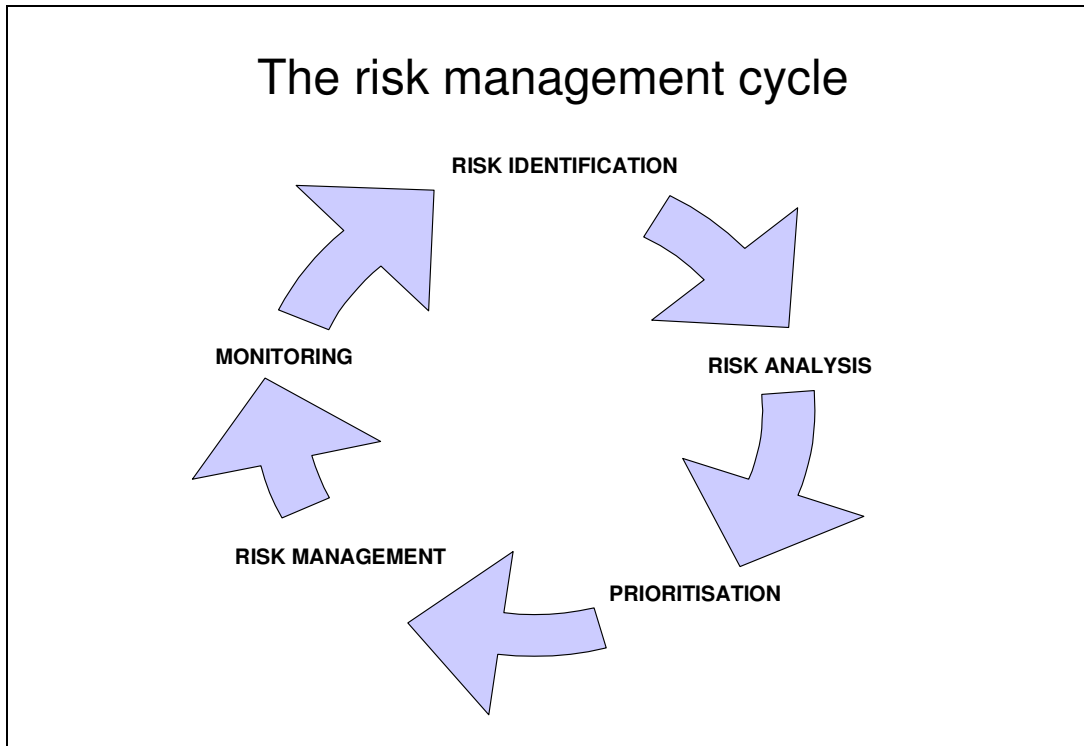
40. Internal audit's role is seen as challenging established processes, challenging risk identification and evaluation and providing assurance to officers and councillors on the effectiveness of controls. They will be responsible for undertaking an annual assessment of the council's risk management and internal control mechanisms as part of the review of corporate governance arrangements.

41. Internal audit will also need to feed the results of the corporate and service risk analysis into its annual audit programme.

Appendix 2 – Methodology

42. The five stages within the risk management process are the identification, analysis, prioritisation, management and monitoring of risks. Figure 1 outlines the risk management cycle and highlights the key stages of the risk management process.

FIGURE 1: THE RISK MANAGEMENT CYCLE



STAGE 1 – IDENTIFYING RISKS

43. There are 13 categories of risks that we consider when identifying risks and they should act as a prompt for those involved in the process. This ensures that a holistic approach to risk identification is taken and that the risk process does not just concentrate on operational, financial or legal risks.

- Political
- economic
- social
- technological
- legislative / regulatory
- environmental
- competitive
- customer / citizen
- managerial / professional
- financial
- legal
- partnership / contractual
- physical

STAGE 2 – ANALYSING THE RISKS

44. The purpose of analysing risks is to separate the major from the minor and also to consider the consequence of each risk. We analyse each risk by its 'vulnerability (the real or perceived situation that exposes the council to a risk), 'trigger' (an event or change in situation that has a negative result) and 'consequence' (the event that follows in the wake of the risk occurring), in order to build up a complete scenario of the risk.

STAGE 3 – PRIORITISING RISKS

Prioritisation

45. Each risk needs to be prioritised according to the potential likelihood of the risk occurring and its impact if it did occur. To measure the effectiveness our risk management activities, we undertake an evaluation of the risk before management action (gross risk) and an evaluation of the risk after management action (net risk). Initially we ascertain the gross risk rating, the gross risk being the risk that the council is exposed to without any risk control measure being in place. We then consider the risk control measures needed to reduce the likelihood and impact of the risk, ideally those risk control measures will already be in place and we undertake an assessment to confirm whether they are or not. To complete the prioritisation stage, we ascertain the net risk rating of the same risk by assessing the likelihood and impact of the risk taking into account the risk control measures already in place, using a risk matrix to determine the risk rating.

Risk appetite or tolerance

46. Risk appetite refers to the level of risk that the councils are prepared to tolerate. The councils' tolerance of risk is decided by management team for strategic risks, and this is used as the basis for risk tolerance thresholds in each service, though each head of service has discretion to set the tolerance threshold for that service. The need for a risk tolerance threshold arises because few organisations have sufficient capacity to manage every risk, and it must be decided which are the most important risks to focus resources on. All risks above the agreed appetite cannot be tolerated and must be managed down, transferred or avoided.

STAGE 4 – MANAGING RISKS

47. Most risks are capable of being managed – either by taking mitigating action to reduce the likelihood or impact or both. We control risks through service plans and the risk register. Management team and heads of service / risk champions routinely identify actions which would reduce or mitigate the likelihood and / or impact of risks. These action plans also identify the resources required to deliver the improvements, key dates and deadlines and critical success factors or key performance indicators.

48. Any risks that require management action in order to mitigate the risk to an appropriate level are subject to a deadline for implementation. This implementation date is included in both the service plan and the risk register to allow the action to be followed up with the appropriate officer. To ensure that risk actions are taken forward, all risk actions are added to service plans and where appropriate to the corporate plan.

Where additional resources are required to implement any risk mitigation actions, a growth bid is submitted as part of the annual budget setting process.

49. To ensure that risks are regularly managed effectively service/work plan actions will be followed up during the quarterly performance monitoring process. Management team is responsible for ensuring that they manage the key risks on the strategic risk register and heads of service are responsible for ensuring that they manage the key risks in their service risk register.

STAGE 5 – MONITORING RISK MANAGEMENT

50. On a cyclical basis throughout the year, heads of service make presentations to management team on the progress of their service plans. In this way, the combined strategic and operational risk register is regularly reviewed and risks re-prioritised where necessary. Amendments are made to risks to reflect the current situation, obsolete risks are deleted and new risks identified. This ensures that the risk registers and resulting risk mitigation measures are appropriate for the current service and corporate objectives. The risk registers are refreshed quarterly and also updated annually as part of the process of reviewing the corporate plan and developing service plans.
51. The combined risk register is reviewed on a regular basis and an assessment made as to whether management mitigation actions have been implemented. Heads of service are asked to provide evidence of mitigating actions implemented and risk register updated.
52. At least annually, heads of service are asked to confirm that they have reviewed the existing risks in the risk register to ensure they remain relevant and appropriately prioritised. This will be in addition to the identification to new risks during the service planning process.
53. It is part of South's Audit and Corporate Governance Committee and Vale's Audit and Governance Committee remit to review the risk management arrangements in place at both councils. The committees will receive risk management performance reports and review the strategic risk register on a regular basis. Both committees will also receive annual reports detailing the combined risk register and any changes in the tolerance levels.
54. Internal and external audits and inspections also monitor the effectiveness of the councils' risk management arrangements.