



RISK MANAGEMENT STRATEGY

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**CABINET
SEPTEMBER 2011**

1.0 EXECUTIVE SUMMARY

1.1. Introduction

1.1.1. Wirral Council is committed to delivering its vision of “**making Wirral a bigger and stronger society**”. The Council believes that effective risk management will help ensure that it maximises its opportunities and minimises the impact of the risks it faces and that by managing risk effectively, the authority will be in a stronger position to deliver its vision and strategic and operational objectives. This is Wirral Council’s revised Risk Management Strategy. It explains the Council’s approach to risk management and the arrangements that we will operate to ensure that we identify and manage our risks effectively.

1.2. Objectives

1.2.1. For this Council the objectives of its Risk Management strategy are:

- To support informed risk-taking in order to improve services;
- To place risk management at the heart of decision making within the organisation;
- To implement cost-effective measures to minimise harm, losses and disruption to services;
- To ensure that risks which could prevent the achievement of the Council’s Corporate goals and priorities are identified and controlled;
- To demonstrate to stakeholders and regulators compliance with good corporate governance; and to
- To continuously improve the management of risk by all those connected with the delivery of the Council’s services.
- To create a risk aware culture within the organisation

1.3. Scope

1.3.1 For the purpose of this strategy, a risk is the chance of something happening that will have an impact on the Council’s objectives and the continuity of service provision. As that impact may be positive or negative, risks will be considered as opportunities and not simply as threats. The strategy seeks to address all forms of risk, not simply those relating to health and safety, financial or insurable risks.

1.3.2 Furthermore, risks do not simply reside in any one level within the organisation and the Council’s approach to risk management will therefore consider all strategic, operational and project risks.

1.4 Definitions

1.4.1 Risk: The chance of something happening that will have an impact on objectives.

1.4.2 Risk Management: The process by which risks are identified, evaluated and controlled and which is directed towards the effective management of potential opportunities and threats to the Council achieving its objectives.

2.0 ROLES AND RESPONSIBILITIES

The effective management of risk is the responsibility of all officers and Members. However, we will be clear about 'who' does 'what' to avoid potentially significant risks going unmanaged. To assist with the implementation of the strategy, Members will appoint an individual to 'champion' the risk management process. Similarly Executive Team will select a lead Chief Officer for promoting risk management. The following tables set out these responsibilities in greater detail.

Cabinet

Role:	To oversee the effective management of risk by officers of the Council.
Responsibilities:	<ul style="list-style-type: none"> • To hold the Executive Team (ET) responsible for the effective management of risk within the Council. • To approve the risk management policy, strategy and processes determined by officers. • To work with Chief Officers to identify the key corporate risks. • To monitor the management of key corporate risks. • To require officers to provide clear statements on risks and opportunities in Committee reports.

Audit & Risk Management Committee

Role:	To provide independent scrutiny of the adequacy of the risk management framework.
Responsibilities:	<ul style="list-style-type: none"> • To scrutinise the effectiveness of the overall strategy and compliance by officers. • To review the Council's approach to risk management and changes or improvements to processes. • To consider and approve the Annual Governance Statement.

Executive Team (1st tier officers)

Role:	To ensure that the Council manages risk effectively.
Responsibilities:	<ul style="list-style-type: none">• To agree the risk management framework, policy, strategy and processes.• To identify and analyse the key corporate risks.• To agree responsibility for control of these risks as appropriate and review the implementation of risk control action plans.• To oversee the communication and implementation of the Policy and Strategy by Members, managers and employees and its incorporation into the Council's business processes.• To report to external stakeholders on the Council's framework, policy, strategy and processes.

Risk & Insurance Officer

Role:	To drive the effective management of risk within the Council
Responsibilities:	<ul style="list-style-type: none">• To develop and update the risk management strategy, processes and standards in accordance with best practice.• To provide advice and support to Members and officers at all levels regarding the identification, analysis and profiling of risks.• To promote and support the implementation of the strategy.• To facilitate and provide training as appropriate to Members and officers.• To support and co-ordinate the risk element of the work of the Executive Team.• To support the development of a risk aware culture throughout the Council.

Corporate Health, Safety & Resilience Team

Role:	To provide specific advice and support to the organisation on Occupational Health & Safety, Emergency Planning and Business Continuity.
Responsibilities:	<ul style="list-style-type: none">• Support the development and implementation of the corporate strategy.• Assisting departments in the compilation of operational control measures relevant to the functions stated in Role.

Internal Audit

Role:	To provide assurance to members and officers on the risk management mechanisms and effectiveness in practice
Responsibilities:	<ul style="list-style-type: none">• To carry out a continuous independent review of the Risk Management Strategy and processes and report thereon.• To provide Chief Officers and Members with an annual overall assessment of the effectiveness of risk management practice (through the Annual Governance Statement).• To evaluate and report on attitudes to and management of risk.• To provide an annual audit plan that is based on a reasonable evaluation of risk.• Assist departments with risk identification and operational controls.• Assist the Risk & Insurance Officer through the sharing of good practice.

Departmental Management Teams (1st and 2nd tier officers)

Role:	To effectively manage risk in their department.
Responsibilities:	<ul style="list-style-type: none">• To identify and report risks of potential corporate significance to the Executive Team.• To participate in action plans to address the key corporate risks.• To review and report to Executive Team progress in implementing such actions.• To continuously identify, analyse and maintain a register of key departmental, operational and project risks.• To report regularly to members on the management of such risks.• To prioritise departmental actions to improve key risks and review their implementation.• To satisfy themselves as to the adequacy of the risk management arrangements of their department's service partners.• To delegate responsibility for risk control as appropriate within the department.• To empower staff to report risks.

Service Managers (3rd tier officers)

Role:	To effectively manage risk in their service area.
Responsibilities:	<ul style="list-style-type: none">• To implement the Corporate Risk Management Strategy.• To continuously identify, analyse and profile key operational and project risks affecting their service.• To report these risks to the Departmental Management Team.• To create and maintain a register of these risks.• To satisfy themselves as to the adequacy of the risk management arrangements of their service partners.• To share/exchange relevant information with colleagues in other service areas.• To prioritise risk improvement plans and implement agreed actions.• To review the implementation of actions to address key service risks and report progress to the Departmental Management Team.

Individual Employees

Role:	To contribute to the effective management of risk in their service
Responsibilities:	<ul style="list-style-type: none">• To identify risks in their everyday work processes and working environment.• To report risks to the Service Manager.• To have an awareness of the principal risks to their service.• To implement and maintain risk control mechanisms as part of the responsibility for achieving agreed objectives.• To demonstrate an awareness of risk and risk management.• To participate in any risk management training or guidance.

Service Delivery Partners

Role:	To assist the Council to manage risk effectively
Responsibilities:	To ensure that the partner organisation is committed to managing risk and that their accountabilities are clearly documented in a Service Level Agreement or contract.

3.0 RISK CATEGORIES

<p>STRATEGIC</p> <p><i>Risks that relate to doing the wrong things</i></p>	<p>OPERATIONAL</p> <p><i>Risks associated with the nature of each service or activity</i></p>
<ul style="list-style-type: none"> • Insufficient forward planning or horizon scanning (e.g. demographic changes) • Incorrect strategic priorities • Community planning oversight or errors • Policy decisions based on incomplete or faulty information • Failure to exploit opportunities • Inappropriate capital investment decisions 	<ul style="list-style-type: none"> • Poor partnership working • Failure to continuously improve / innovate • Inadequate service continuity planning • Over-reliance on contractors / suppliers • Breakdown of work system • Poor project planning and management
<p>INFORMATION / TECHNOLOGICAL</p> <p><i>Risks that relate to the loss of or inaccuracy of data and the use of / reliance on technology</i></p>	<p>REPUTATION</p> <p><i>Risks that relate to the organisation's image</i></p>
<ul style="list-style-type: none"> • Systems and management data not up to date • Ineffective prediction of trends and poor forecasting • Breaches of security of network and data • Obsolescence of technology • Lack of network resilience 	<ul style="list-style-type: none"> • Unfulfilled promises to the electorate • Ineffective PR / Media strategy • Association with unsuitable organisations • Poor standards of service • Failures in corporate social responsibility
<p>FINANCIAL</p> <p><i>Risks that relate to losing monetary resources or systems of financial planning and control</i></p>	<p>PEOPLE</p> <p><i>Risks associated with employees and the management structure</i></p>
<ul style="list-style-type: none"> • Occurrence of fraud • Unreliable accounting records • Failure to prioritise, allocate appropriate budgets and monitor / report • Failed resource bids • Sustainability of time limited funding 	<ul style="list-style-type: none"> • Over-reliance on key officers • Inefficient/ineffective management processes • Failure to recruit/retain qualified staff • Lack of investment in training • Poor absence management
<p>REGULATORY / LEGAL / STATUTORY</p> <p><i>Risks related to the legal and regulatory environment</i></p>	<p>PHYSICAL</p> <p><i>Related to fire, security, accident prevention and health & safety</i></p>
<ul style="list-style-type: none"> • Compliance failures (e.g. procurement, LA 21) • Inadequate response to/failure to prepare for/ implement legislative change • Intervention by Regulatory Bodies and Inspectorates • Failure to meet targets agreed with / imposed by Central Government (e.g. Equality & Diversity standard) • Breaches of contract, failures in duty of care, 	<ul style="list-style-type: none"> • Loss of intangible assets • Failures in health & safety management • Loss of physical assets

4.0 THE RISK MANAGEMENT PROCESS

4.1. Risk Identification

4.1.1 Corporate

The Executive Team will undertake an annual exercise to identify the key risks to achievement of the Council's corporate goals in the forthcoming planning period (the Corporate Risks).

At least quarterly Executive Team will receive reports from individual Chief Officers concerning the significant new risks for their departments. The Team will discuss their potential corporate significance and consider them for inclusion in the corporate risk register.

4.1.2 Departmental

Individual departmental management teams will conduct an annual review of the key risks to achieving their departmental objectives in the forthcoming planning period. In doing so they will review the risks identified by each division, project and partnership for which they are responsible to identify -

- risks which are common to more than one area (and which cumulatively could be of great significance)
- risks which emanate from a particular area, but which could have a significant impact departmentally and/or corporately

During the course of the year, each management team will also identify new risks of departmental significance. Using its management / performance meetings, it will consider risks brought its attention by individual Heads of Service, project and partnership managers for their potential departmental impact.

4.1.3 Service / Team

Every service area will review on an annual basis the risks to achievement of its particular objectives in the forthcoming planning period. This will be undertaken by the Head of Service, managers and, where appropriate, representatives of service partners.

During the course of the year, each service area will also identify new risks using its management / performance meetings.

4.1.4 Project

Every project will be considered to be the responsibility of a particular department. Prior to the initiation of any project, the project manager (or project sponsor) must confirm what project methodology and governance arrangements will apply. This will form part of the Outline Business Case.

Individual project management arrangements will define the points or intervals at which formal exercises will be undertaken to identify risks to the delivery of the planned project outcomes and how these will be conducted.

4.1.5 Partnerships

For the purposes of this strategy, a 'partnership' is a joint working arrangement - which is not governed by the Partnership Acts - and where the partners:

- are otherwise independent bodies;
- agree to cooperate to achieve common goals and outcomes for the community;
- share accountability, risks, and resources;
- create an organisational structure with agreed processes and programmes

Wirral Council Partnership Governance Framework and Toolkit

Every partnership will be considered to be the responsibility of a particular department. Prior to entering into any partnership agreement, an assessment must be undertaken both of the risks which participation in the partnership presents to the Council and key risks to delivery of the objectives of the partnership itself. This should form part of the initial business case.

The governance arrangements will define the points or intervals during the lifetime of the partnership when exercises will be undertaken to identify the risks to the successful delivery of the partnership objectives and how these will be conducted.

- 4.1.6 Each risk will be allocated a risk 'owner', that is, an individual who is in a position to manage the risk and ensure it is controlled effectively.

4.2. Risk Analysis

- 4.2.1 Each risk identified will initially be examined for its **inherent** level of risk. That is, assuming the absence of any controls. Its significance will be judged in relation to its likelihood and impact.

- 4.2.2 The risk will then be re-evaluated for its **residual** level of risk using the same factors, but taking into account controls and mitigation already in place which affect the likelihood and impact.

- 4.2.3 A 5-point scale (impact x probability) model (Section 8.4) will be used to evaluate risks. Both gross and net risk scores will be in the range of 1 to 25

- 4.2.4 Each risk will be plotted against a Risk Scoring Model. The model defines overall levels of risk of High, Medium and Low. It will show graphically which risks require the most urgent management attention and will also include a line of tolerance. Any risk above that line will be escalated to the next level of management.

4.3. Risk Control

- 4.3.1 Actions will be developed to 'manage down' those risks above the Council's tolerance threshold. The options available will be one or more of the following:

Tolerate. Where our ability to take effective action is limited or where the cost of mitigating the risk outweighs the potential benefit.

Treat. Take action to control the risk to an acceptable level by means of containment actions (before the risk materialises) or contingent actions (once the risk has happened)

Transfer. Pass some aspects of the risk to another party. This can take the form of a conventional insurance transaction or paying a third party to take on risk in another way (for example through out-sourcing services). We acknowledge that business and reputation risk cannot be transferred and that contracting can raise other risks to be managed.

Terminate (Avoid). Where it is feasible we will, by doing things differently, remove certain risks.

- 4.3.2 Most risks can be managed by 'treating' them. Relatively few risks have to be transferred.
- 4.3.3 Proposals to address risks must identify the resources required to deliver the improvements, the individual responsible for their implementation and the key dates(s) involved. They will be incorporated into service and project plans and recorded in the risk register.

4.4. Monitoring and Review

- 4.4.1 Regular reviews will be undertaken to identify new risks and any existing risks that no longer apply. Progress in managing existing risks will be also monitored to ensure that intended actions are achieved.
- 4.4.2 Once a risk has been identified, analysed, prioritised and further control actions agreed, it will be recorded in the relevant risk register. The total risk score will be used to measure performance in managing that risk and will be reviewed by the risk owner. High scoring risks will be subject to more frequent review.

Corporate risks: Reviews will be undertaken by the Executive Team no less than once a quarter.

Departmental risks: Management Teams will carry out reviews of their key departmental risks no less than once a quarter.

Service Risks: Heads of Service will review the key risks to their services no less than once a quarter.

Project Risks: Project Managers will review the risks to individual projects at intervals specified by the project management arrangements.

Partnership Risks: Partnership managers will review the risks arising from partnership working at intervals specified by the partnership governance arrangements.

4.4.3 The relevant risk register will be updated following each review.

4.4.4 The Corporate Risk & Insurance Team will seek opportunities to benchmark with peer authorities, will continually monitor developing best practice in managing risk and suggest improvements to existing processes. It will undertake a formal review of the strategy every year, drawing upon the findings of any external inspections. The revised strategy will be reported to Members and publicised to all Council employees.

4.5. Reporting

4.5.1 Regular reports will be provided to Members and Senior Managers to provide an understanding of the risks faced the organisation and to provide assurance on the management of individual risks and the effectiveness of the strategy as a whole.

4.5.2 Within the **Corporate Performance and Financial Review** the Chief Executive will confirm:

- The principal short-term risks to the delivery of each of the Council's corporate objectives and the main control actions;
- Progress against individual actions required to manage the long term Corporate risks;
- Any new risk issues of potential corporate significance.

4.5.4 Within each **Departmental Plan** Chief Officers will include:

- the key risks faced by the department in the forthcoming planning period, including their risk scores;
- the additional control actions which it intends to implement to address these;
- a statement summarising the arrangements for managing risk within the department.

4.5.5 Progress in managing the risks associated with individual projects will be reported to the relevant project board and at such frequencies determined by with the agreed project governance arrangements.

4.5.6 All reports to Cabinet which require a decision to be taken by Members will include a Relevant Risks section which confirms the main risks and opportunities and the principal controls.

4.5.8 Within the Annual Governance Statement the Director of Finance will report to the Audit & Risk Management Committee the effectiveness of risk management arrangements and areas for improvement.

The Director of Finance will also provide an annual report to Audit & Risk Management Committee on the performance indicators for the strategy and any changes to risk management procedures and processes.

5.0 EVALUATING PROGRESS

5.1.1 The Council has a number of measures that will be used to monitor the effectiveness of managing risks

5.2.1. As regards the success of the overall risk management strategy, the following qualitative measurements will be used:

- Outcome of Internal Audit report the Risk Management Framework (Annual)
- Opinion of Chief Internal Auditor in the Annual Governance Statement (Annual)

5.3.1. The Corporate Risk & Insurance Team (through the Director of Finance) will provide an annual report to Audit & Risk Management Committee reporting these indicators and summarising any changes in risk management practice.

6.0 EMBEDDING

6.1.1 The authority will seek to bring about the cultural changes necessary to improve the effective management of risk through:-

- Revising key documents, such as the Constitution and the Statement of Accounts;
- Ensuring that risk management principles are incorporated into all significant plans and strategies, such as the Corporate Plan, Medium Term Financial Plan, Capital programme/strategy and the Best Value Performance Plan;
- Implementing a corporate strategy for service continuity management;
- Creating and revising guidance on managing risk in areas such as procurement and the management of projects and partnerships;
- Including risk management as a standard agenda item for meetings of Executive Team, Departmental Management Teams and Project Boards;
- Including risk management focussed objectives in Key Issues Exchanges for managers;
- Ensuring that explicit information on the risks and opportunities associated with the decisions to be taken by Members are included in committee reports;
- Providing training to those who have responsibilities for managing risk.

7.0 OUTPUTS AND BENEFITS

7.1 Outputs

7.1.1 Risk management is an integral aspect of good management, which should deliver a number of valuable and tangible benefits to the Council and individual managers and assist in the delivery of services in the most effective and efficient manner. It is recognised, however, that some of the benefits will accrue incrementally and only be fully realised after the Council has achieved full implementation and analysed the impact.

7.1.2. Outputs from the risk management process will provide valuable additional information that should assist the Council in attaining effective corporate governance.

7.1.3. Outputs

- Risk Registers – These will provide consistent information on each risk, its significance and the key controls relating to it. A standard risk register template is shown at Appendix 8.2
- Performance Measures – Analysis of qualitative and quantitative measures will enable the Council and stakeholders to understand the effectiveness of the strategy.
- Risk Reports – regular reports on the Council's risks will enable officers and members to have a fuller awareness of those risks and any changes.

7.2. Benefits

7.2.1. The anticipated benefits of the formalised Risk Management process are: -

- A better understanding of risks and exposures faced by the Council.
- Ownership by managers of risks and the systems of control.
- The ability to better understand how the Council's risk profile is changing.
- Improved integration of risk management into systems, projects and contracting and partnership arrangements.
- Efficient and effective integration of recovery and contingency plans within the Council.
- The implementation of a more comprehensive and cost effective control environment.
- Improved communication on risk issues.
- More effective corporate governance arrangements.
- The development of a risk aware culture

8.0 APPENDICES

8.1 RISK MANAGEMENT STRATEGY

MANAGEMENT OF RISK AND OPPORTUNITY

ACTION PLAN

Stage	Target Date
Seek mandate and commitment from Members	October 2011
Establish the project implementation team, develop project plan and governance structure	November 2011
Conduct risk appetite exercise with Cabinet and Executive Team	January 2012
Gap analysis of current framework and processes and maturity evaluation against BS31100	January 2012
Develop a revised risk management framework	January 2012 to April 2012
Benchmark the risk functionality of the Programme Control System against specialist risk systems. Seek authority to procure proprietary risk management information system if necessary	March 2012
Devise improved processes for the identification, evaluation, treatment and review of risk	April 2012
Seek Cabinet approval for revised framework and processes.	June 2012
Develop training programmes for Executive Team, Officers and Members	September 2012
Begin the delivery of training for Officers and Members	October 2012
Introduce revised approach into the corporate governance framework	2012/2013
Introduce revised processes to influence the development of the Corporate Plan	Winter 2012
Introduce revised processes to influence the development of departmental plans	Winter 2012
Align revised risk management and performance management processes	2012/2013
Introduce revised risk management processes into the corporate approach to project management	2012/2013
Evaluate performance of new framework and processes and produce initial annual report to Members.	June 2013

8.3: Impact and Likelihood Scores

Impact

Description	Score	Impact – Financial (Council, department or service area)	Impact - Reputation	Impact – Service Delivery	Impact – Health & Safety (Employees or public)	Impact – Service Objectives
Very Low	1	<2% of annual budget	Letter(s) of complaint.	Minor, very short term (under 24 hours) disruption to a single team or section.	Minor injuries or illnesses, but not resulting in 'lost time'	Minor effect on achievement of a sectional aim
Low	2	<5% but >2% of annual budget	Single adverse report in local media	Some short-term (under 48 hours) disruption to a single team or section, manageable by altered operational routine	Minor injuries or illnesses that require first aid and result in lost time.	Serious effect on achievement of a sectional aim
Medium	3	<10% but >5% of annual budget	Significant adverse publicity in local media	Longer term disruption (up to 7 days) to a number of operational areas within a single location and possible flow on to other locations. <u>Or</u> short-term disruption to a service-critical team or section.	Injuries or illnesses that result in an 'over 3 day' injury, major injury or hospitalisation	Achievement of a sectional aim seriously compromised and / or significant effect on a Departmental aim.
High	4	<15% but >10% of annual budget	Significant adverse publicity in national media. Dissatisfaction with Chief Officer &/or Member	All operational areas of a single location compromised. Other locations may be affected. <u>Or</u> longer-term (up to 7 days) disruption to one or more service critical teams or sections.	Single case of injury or illness that could be fatal, life threatening or cause long-term disability	Achievement of one or more departmental aims compromised and / or significant effect on achievement of Corporate objective
Very High	5	>15% of annual budget	Sustained adverse publicity in national media. Chief Officer &/or Member removal or resignation	Multiple locations compromised. Council unable to execute numerous service-critical functions.	Multiple cases that could be fatal, life threatening or cause long-term disability	Achievement of one or more Corporate objectives seriously compromised

Likelihood

Description	Score	Narrative	Quantitative (chance of occurrence within 3 years)
Very low	1	Extremely unlikely or virtually impossible	0-5%
Low	2	Unlikely, but not impossible	6-20%
Medium	3	Fairly likely to occur	21-50%
High	4	More likely to occur than not	51-80%
Very High	5	Very likely to occur	>80%

8.4: Risk Scoring Model



	Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Very High (5)	5 Very low impact but very high likelihood	10 Low impact but very high likelihood	15 Medium impact but very high likelihood	20 High impact and very high likelihood	25 Very high impact and very high likelihood
High (4)	4 Very low impact but high likelihood	8 Low impact but high likelihood	12 Medium impact but high likelihood	16 High impact and high likelihood	20 Very high impact and high likelihood
Medium (3)	3 Very low impact and medium likelihood	6 Low impact and medium likelihood	9 Medium impact and medium likelihood	12 High impact but medium likelihood	15 Very high impact and medium likelihood
Low (2)	2 Very low impact and low likelihood	4 Low impact and low likelihood	6 Medium impact and low likelihood	8 High impact but low likelihood	10 Very high impact but low likelihood
Very Low (1)	1 Very low impact and very low likelihood	2 Low impact and very low likelihood	3 Medium impact and very low likelihood	4 High impact but very low likelihood	5 Very high impact but very low likelihood

8.5: Priority and Action Table

Risk Colour	Risk Level	Descriptor	Action Required
Green	Low	Minor risks that are well controlled and/or which have a modest impact.	Additional control actions are unlikely to be needed. But the risk needs to be kept under periodic review.
Amber	Medium	Important risks that may potentially affect the achievement of departmental or corporate objectives and/or the delivery of key services	Consider additional control actions in the medium term. For risks with a high or very high impact, a contingency plan may be necessary
Red	High	Critical risks which are likely to significantly affect the achievement of departmental or corporate objectives and/or the delivery of key services.	Immediate action should be taken to address the risk