MEETING TITLE AND DATE: Cabinet 4 March 2009 Council 1 April 2009	Agenda – Part: 1	Item No: 7
	Subject: Revised Risk Management Strategy	
	Wards: All	
REPORT OF: Director of Finance and Corporate Resources	Cabinet Member consulted: Cllr Ertan Hurer	

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1.   EXECUTIVE SUMMARY

1.1   This report contains the draft of an updated Risk Management Strategy reflecting current thinking and best practice. In particular it:

- clarifies roles and responsibilities;
- develops and facilitates further embedding across the Council;
- sets out a pathway for stronger risk management assisting the Council in meeting its objectives;
- places greater emphasis on a prudent identification of opportunities so as to enhance performance in the areas of economy, efficiency, and effectiveness.

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2.   RECOMMENDATIONS

2.1   That Cabinet agrees the revised Risk Management Strategy for submission to Council in April 2009.

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3.   BACKGROUND

3.1   The aim of the attached Risk Management Strategy is to further enhance the effectiveness of risk management across the Council. It follows best practice to help the Council achieve its aims and objectives – to be Risk

Aware not Risk Averse – and was approved by the Audit Committee on 14th January 2009.

3.2 As with all policies there is a need to ensure that they are followed through and implemented in a properly managed and evidenced manner following approval. The next step in respect of the Risk Management Strategy will therefore be the development of a work plan for 2009/10 and a communications strategy that will underpin its implementation.

3.3 The key advances within this Strategy are around:

- the raising of the profile of risk management at Member level;
- greater involvement of Service management teams in risk management ;
- more regulated approach to the management of the Corporate Risk Register;
- the development of an holistic approach to risk management and achievement of the Council's objectives.

3.4 As a start on delivery of the communication of the strategy and its embedding within the Council, a range of senior staff briefings have been arranged utilising the risk management services of Zurich Municipal. One of the areas to be covered will be the approach to highlighting and reporting on risks within committee reports.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1 Not having a Risk Strategy would be contrary to current best practice and to corporate governance requirements.

4.2 Keeping the existing Risk Strategy would not reflect current thinking as best practice.

4.3 As part of the production of the revised Risk Strategy, draft versions were supplied to both the Council's Corporate Management Board and also Grant Thornton the Council's external auditors. Comments received have been taken into account in the attached version.

5. REASONS FOR RECOMMENDATIONS

5.1 Cabinet are asked to agree the revised Risk Management Strategy for submission to Council to reflect current best practice and enhance and further embed risk management across the Council.

6. COMMENTS OF THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES AND OTHER DEPARTMENTS

6.1 **Financial Implications**

There are no financial implications arising directly from the implementation of the Strategy.

6.2　**Risk Management Implications**

Adoption of the attached Strategy will help the Council to mitigate the following risks:

- objectives not met;
- adverse external inspection;
- potential financial loss;
- non-delivery of the Council's Annual Governance Statement;
- opportunities not identified and delivered.

6.3　**Legal Implications**

The Corporate Risk Management Strategy has been updated in response to national guidance and codes of best practice.

7.　**PERFORMANCE MANAGEMENT IMPLICATIONS**

There are no additional specific performance management implications.

8.　**COMMUNITY IMPLICATIONS**

The proper maintenance of the Council's corporate risk management strategy brings an assurance to the community as to the integrity, value and robustness of the Council's corporate governance arrangements.

9.　**PUTTING ENFIELD FIRST**

The purpose of the Risk Management Strategy is for the Council to try to achieve its aims and objectives as contained in "Putting Enfield First".

Background Papers

Previous risk management strategy
CIPFA guidance "A Sign Post to Success"
Risk Management Standards (ALARM)

ENFIELD
Council

LONDON BOROUGH OF ENFIELD

PUTTING ENFIELD FIRST
RISK MANAGEMENT STRATEGY
2009-2010

FOREWORD

Welcome to the Council's revised Risk Management Strategy. It aims is to further enhance the effectiveness of risk management across the Council.

We are all required, in our public and private lives, to manage risks on a daily basis. When we consider our collective responsibility on behalf of the Council, this requires a formal, structured approach, a positive culture, and appropriate standards for the way we behave.

The responsibility for managing risk is not restricted to any one person or group of specialists. It is the duty of every member of staff and elected Members.

Effective risk management allows us to:

- Be Risk Aware, Not Risk Averse;
- Have increased confidence in achieving the Council's priorities and desired outcomes;
- Manage threats so that the impact on effective and efficient service delivery is minimised;
- Take informed decisions about seizing opportunities for the Council;
- Ensure that there is a balance between risks and rewards;
- Improve the Council's partnership working arrangements and corporate governance.

Effective risk management will help ensure that the Council seizes opportunities and minimises the consequences of the risks it faces in delivering priorities and improved outcomes.

Cllr Ertan Hurer – Cabinet Member   Cllr Jonas Hall
for Finance and Resources   Chairman of Audit Committee

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Foreword

RISK MANAGEMENT STRATEGY

RISK MANAGEMENT STRATEGY

1. INTRODUCTION

1.1. "Risk is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies". (Source = Audit Commission, "Worth the Risk"). An opportunity can be defined as the opposite of a risk i.e. that an event or action will enhance an organisation's ability to achieve its objectives and to successfully execute its strategies.

1.2. Risk management is both a statutory requirement and an indispensible element of good management. As such, its implementation is crucial to the Council and essential to its ability to discharge its various functions to Stakeholders.

1.3. This Strategy also provides a comprehensive framework designed to support Members and officers in ensuring that the Council is able to discharge its risk management opportunities. It therefore outlines the objectives and benefits of managing risk, and describes the responsibilities for risk management. **(NOTE: Risks and Opportunities need to be considered at the same time. Therefore when this strategy refers to "risk", opportunities should also be considered).**

1.4. Risk management is a key part of corporate governance, which is essentially the way an organisation manages its business. It is essential that risk management is embedded into corporate processes including:

- Strategic planning;
- Financial planning;
- Service delivery;
- Policy making and review;
- Project management;
- Performance management;
- Change management / transformation;
- Business continuity planning.

1.5. In order to ensure that the strategy remains current and responds to changing environments it is reviewed / updated annually and approved by the Risk Management Working Group.

2. MISSION STATEMENT

The overall objective of this strategy is to set best practice for the Council to actively manage its risks and opportunities.

3. AIMS AND OBJECTIVES

3.1. The aim of this Strategy is to improve the Council's ability to deliver its strategic priorities by managing our threats and opportunities, and creating an environment that adds value to ongoing operational activities. It supports the vision "To make Enfield one of the best places to live, work, study and do business", and also Enfield's six key aims. In particular, this strategy will help focus on Aim 5 where the "Leaner" programme will fundamentally change the way we work and Aim 6 where Place Shaping will draw together activities across all the Aims to build prosperous, sustainable communities.

3.2. The objectives of this Strategy are to:

- Further integrate risk / opportunity management into the culture of the Council and into the Council's strategic planning and decision making processes;
- Ensure the framework for identifying, evaluating, controlling, reviewing and communicating risks is implemented and understood across the Council;
- Communicate to stakeholders the Council's approach to risk and opportunity management;
- Ensure that Members, CMB, and external regulators can obtain the necessary assurance that the Council is mitigating the risks of not achieving its objectives and complying with good corporate governance practice;
- Ensure consistency throughout the Council in the management of risk.

4. BENEFITS OF RISK MANAGEMENT

4.1. Benefits of risk management include the following:

- Enhanced service planning and service delivery - prioritised issues;
- Focused financial performance and resource management - the cost-effectiveness of actions;
- Enhanced reputation through the delivery of community outcomes and meeting external standards.
- Assisting managers in their strategic thinking and enhanced service delivery leads to an enhanced reputation.
- Effective Human Resources management.
- Targeted Business Continuity Management (BCM). (Risk management links in with business continuity management by seeking assurance that BCM plans are in place and are up to date).
- Improved corporate governance and compliance issues.
- Consideration of Opportunities. Effective risk management assists in the identification and assessment of opportunities to improve service delivery both via the SWOT analysis and within the risk assessment itself (such as in the action plans).

Note: Management must always carry out **due diligence** when considering possible enhancements to service delivery and these would clearly be subject to the Council's financial regulations and to corporate governance procedures including report writing.

5. SCOPE OF RISK MANAGEMENT

5.1. Risk management is a key part of the good management of the Council and not simply a compliance exercise.

5.2. To be effective, attention is paid to the Council's risks from the top to the bottom of the organisation. (Source: Solace, "Chance or Choice"). This is because whilst senior managers have a "bird's eye" overview of the Council they cannot have the detailed knowledge and appreciation of individual service areas that other staff will have.

5.3. All known risks are considered and not simply a sub-set such as financial risks. Similarly, it is not only the impact of an incident in financial terms that needs to be evaluated but also the potential damage that such an incident could inflict upon the reputation of the organisation and the adverse effect on service delivery. Simply put, it is anything that could prevent the Council from achieving its aims and objectives.

5.4. Opportunities relating to the service / department / Council are also assessed by management. These need to feed into the overall Council vision "To make Enfield one of the best places to live, work, study, and do business". They also link in to the Council's six key aims, in particular Aim 5 "Provide high quality and efficient services" and Aim 6 "Build prosperous, sustainable communities".

5.5. Risk assessments, undertaken as part of the strategy, will cover all aspects of services including known risk, existing controls and their significance.

6. IMPLEMENTING RISK MANAGEMENT (LIKELIHOOD, IMPACT, AND INHERENT / RESIDUAL RISK)

6.1. There are a number of clearly defined steps that managers need to undertake when considering risks and to ensure that a consistent approach is undertaken. At the London Borough of Enfield risks are usually categorised in seven ways:

- Strategic risk – those risks affecting the medium (say next twelve months) to long term goals and objectives;
- Operational risk – those risks that managers and staff will encounter in the daily course of their work;
- People risk – risks associated with employees and management;
- Financial risk – covering budgets and costs. Losing monetary resources or incurring unacceptable liabilities;
- Reputation risk – relating to the image of a service / department or to the whole Council;
- Information risk – relating to loss or inaccuracy of data, systems, or reported information;
- Regulatory risk – relating to the regulatory environment.

6.2. In addition, opportunities need to be considered. These will frequently be ways of dealing with identified risks and therefore often appear in risk management action plans.

6.3. For every decision there is an associated risk that delivery will not take place. This risk is broken down into two components: **Likelihood** and **Impact.** To be effective there must be a culture of risk awareness throughout the Council to engage all members and officers in the process of risk identification and of risk mitigation.

6.4. **Likelihood** represents the statistical chance of an event taking place. Such events are classified at Enfield in a number of statistical ways summarised into these five broad stratified headings: Rare, Unlikely, Moderate, Likely, and Almost Certain.

6.5. **Impact** represents the expected disruption to the Council. Such events are classified in a number of statistical ways, summarised into these five broad stratified headings: Negligible, Minor, Moderate, Major, and Catastrophic.

6.6. The above defines **gross** or **inherent** risk i.e. it takes no account of the controls the Council has in place or can put in place to manage the identified risk.

6.7. To offset this, Council managers apply controls to reduce the gross risk and to obtain the **net** or **residual** risk. The controls come in many forms but the means of prioritising them are as follows: Terminating a risky activity,

Transference of Risk (possibly by insurance), Treating the Risk (such as taking certain action that may reduce the likelihood and/or impact of a future event taking place) and Tolerating the Risk. Tolerating a risk is where a risk cannot be reduced to a tolerable level but is essential to the delivery of an operational objective.

6.8. Another way of expressing this is through the "4 T's" whereby risks can be:

- Treated (such as by appropriate remedial actions);
- Tolerated (where they fall below the "risk appetite");
- Transferred (such as for the 20% or so of risks that can be insured);
- Terminated (where it may be possible not to embark on an activity deemed to be very high risk).

7. IMPLEMENTING RISK MANAGEMENT – THE RISK MANAGEMENT APPROACH AND RISK APPETITE

7.1. <u>Identification</u>. Across the Council a number of techniques are used for risk identification of which the most common are individual interviews and workshops. The "horizon scanning" technique is also used in accordance with HM Treasury "Management of Risk – Principles and Concepts" to identify new risks and opportunities that the Council is likely to face.

7.2. <u>Analysis</u>. We measure or analyse this in two ways:
- By the likelihood or frequency of the risk occurring;
- By the severity or impact on the Council of the risk event occurring.

7.3. **Risk Mapping** is utilised to plot risks according to the above analysis on a 5 x 5 matrix so that High (Red), Medium (Amber), and Low (Green) categories can be seen at a glance. These are defined as follows:
- High (Red) scoring risks have scores of 16 and over;
- Medium (Amber) scoring risks have scores from 9 to 15 inclusive;
- Low (Green) scoring risks have scores from 1 to 8 inclusive.

7.4. *The Council's Risk Appetite (i.e. the amount of risk it is willing to accept without further treatment / mitigation) is such that all medium and high scoring risks require management action.*

7.5. Control of risks is effected therefore by management action plans for medium and high scoring risks to determine the best course of action i.e. should the risk be avoided, eliminated, reduced, transferred, or accepted.

7.6. Action plans **must** also identify the individual to deliver the improvements, with key dates and deadlines.

LIKELI-HOOD	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
	IMPACT				

8. MONITORING AND REPORTING

8.1. Progress in managing risks will be monitored and reported as part of a continuous cycle so that losses are minimised and intended actions are achieved.

8.2. Directors and key staff will review their risks at least quarterly at their DMTs so that the whole management team are aware of the key risks faced by the service / department and the mitigations in place to control them.

8.3.   CMB will review the Corporate Risk Register on a quarterly basis.

8.4. The Terms of Reference of the Audit Committee include the words, "To monitor the effective development and operation of risk management and corporate governance in the Council". This duty is exercised through:

- Six monthly review of the Corporate Risk Register;
- On a rolling programme, review of Departmental Risk Registers.

9. RISK MANAGEMENT WORKING GROUP AND CORPORATE RISK REGISTER

9.1. Review of the Council's Corporate Risk Register (CRR) is one of the key objectives of the Council's Risk Management Working Group.

9.2. The CRR contains those risks that the Group considers could have a significant impact upon the Council. A risk is included on the CRR if it would have a significant adverse effect on the achievement of corporate aims and objectives, or to the delivery of the Medium Term Financial Strategy and Financial Plan.

9.3. Management of risks is in reality a function of management at all levels under the auspices of CMB. The role of the Group is to professionally advise and facilitate in this process with the assistance of the Risk Manager and to ensure that the Corporate Risk Register is produced, monitored and updated for new risks.

9.4. Each department has one or more **Risk Champions** who attend the Risk Management Working Group. Their role is to act as a liaison between the Risk Management Working Group and their departments and to help identify risks. They also feed back confirmation that mitigations identified within the action plans have been implemented within agreed timescales. They should usually be the Assistant Director (Resources) from each department.

10. RELATIONSHIP TO PROJECTS AND PARTNERSHIPS

10.1. The risk management process will specifically identify risks in relation to significant projects and partnerships and provide for assurances to be obtained about the management of those risks. This will include joint ventures, the "extended enterprise", and the Comprehensive Area Assessment.

10.2. Officers will provide information and work in a proactive way to ensure that positive risks (opportunities) as well as negative risks (threats) are considered.

10.3. Risk management monitoring will take place on an ongoing basis during the life of both projects and partnerships to ensure that the Council's interests are safeguarded.

10.4. Enfield's corporate Risk Manager has been involved in discussions on aligning the risk element of the Council's future Programme and Project management approach with the current corporate risk management framework.

10.5. Proposals will support alignment through the adoption of Office of Government Commerce (OGC) good practice guidance for Programme and Project management e.g. the Managing Successful Programmes (MSP) methodology for managing Programme level risks and the PRINCE 2 methodology for managing project-level risks.

10.6. The current project will enhance the way the Council manages the links and dependencies between corporate and Programme / Project level risk management.

11. FURTHER ADVICE AND ASSISTANCE

11.1. Further advice and assistance on risk management can be obtained from the Risk Manager on 020-8379 4654.

11.2. An expanded version of this document and detailed guidance on conducting a risk assessment is available on the Enfield Eye.