

MUNICIPAL YEAR 2015/2016 REPORT NO. 82

MEETING TITLE AND DATE:
Cabinet – 21 October
2015

REPORT OF:
Director of Finance, Resources
and Customer Services

Agenda – Part: 1

Item: 10

Subject: Corporate Risk Management
Strategy
Wards: All
Non Key

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1. EXECUTIVE SUMMARY

- 1.1. This report presents a refreshed Corporate Risk Management Strategy for the Council.

2. RECOMMENDATIONS

- 2.2 To review and approve the refreshed Corporate Risk Management Strategy, as approved by the Audit Committee.

3. BACKGROUND

- 3.1 It is good practice to review an organisation's strategic approach to risk management on a regular basis.
- 3.2 The Council's Risk Management Strategy was last published in January 2013 and therefore it is deemed timely for review, to ensure it remains fit for purpose. The Corporate Management Board has been consulted in the refresh of the Strategy which was approved by the Audit Committee at the meeting on the 9th July 2015.
- 3.3 The updated Strategy is attached at Appendix 1. Changes made to the original Risk Management Strategy as a result of this review are detailed below:

| Heading | Comments |
|--|--|
| 'Smart and focused' approach | Repetitions removed and more succinct descriptions used, condensing the document from 34 to 18 pages |
| Risk Appetite | Provides guidance on the Council's appetite to risk |
| Key Responsibilities | Split into three key groups to support the 'three lines of defence' approach |
| Risk Management Process | Represented in a diagram with guidance for each stage of the process |
| Risk Assessment Criteria (Likelihood and Impact) | Provides guidance on the 'Impact' criteria for each category of risk (only criteria for Financial and Reputational risk highlighted in current strategy) |
| Risk Reporting | Highlights types of risk Registers to be held, ownership, review, reporting and escalation process for each Register |

- 3.4 Subject to approval by Cabinet, the refreshed Corporate Risk Register will be rolled-out across the Council. A summary of risk Registers will be presented to Audit Committee at the November 2015 meeting and a report on key risk management activities across the Council will subsequently be presented in March 2016.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 There are no alternative options to consider as a refreshed Corporate Risk Management Strategy needs to be presented to Audit Committee for approval.

5. REASONS FOR RECOMMENDATIONS

- 5.1 A Risk Management Strategy provides guidance on the organisation's approach to risk management including roles and responsibilities for the management of risks.

6. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS

6.1 Financial Implications

There are no financial implications arising directly from a review of the Council's Corporate Risk Strategy.

6.2 Legal Implications

The Accounts and Audit (England) Regulations 2011 Section 4(1) requires the Council to have a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

This report has been completed as part of the Council's corporate risk management process.

6.3 Property Implications

There are no property implications arising directly from a review of the Council's Corporate Risk Management Strategy.

7. KEY RISKS

Any large complex organisation needs to have a well-established and systematic risk management framework in place to identify and mitigate the risks it may face.

This report forms a part of the Council's risk management process.

8. IMPACT ON COUNCIL PRIORITIES

8.1 Fairness for All

An effective risk management process ensures full account is taken of any risks to services and other Council activities that might adversely affect the delivery of high quality, affordable, and accessible services to all residents.

8.2 Growth and Sustainability

An effective risk management process will help the Council achieve its objectives in the area of growth and sustainability.

8.3 Strong Communities

An effective risk management process will help the Council achieve its objectives in the area of strong communities.

9. EQUALITIES IMPACT IMPLICATIONS

It is not relevant or proportionate to carry out an equalities impact assessment / analysis for a review of the Council's Corporate Risk Management Strategy.

10. PERFORMANCE MANAGEMENT IMPLICATIONS

An effective risk management process is an essential part of the performance management of the Council's services and activities.

11. HEALTH AND SAFETY IMPLICATIONS

There are no Health and Safety implications arising directly from a review of the Council's Corporate Risk Strategy.

12. HR IMPLICATIONS

There are no Human Resources implications arising directly from a review of the Council's Corporate Risk Strategy.

13. PUBLIC HEALTH IMPLICATIONS

There are no Public Health implications arising directly from a review of the Council's Corporate Risk Strategy.

Background Papers

None

Appendix

- Refreshed Risk Management Strategy (draft)

London Borough of Enfield

Risk Management

Strategy

July 2015

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INTRODUCTION

Most organisations focus on management of risks as the key to meeting key objectives and priorities. Enfield Council is no different to such organisations.

Although we face challenges such as reduced public funding, increasing service demands and changing demographics, we also know that opportunities can be created in the midst of these challenges.

Good risk management allows us to effectively minimise the consequences of threats we face to acceptable levels, seize opportunities and make informed decisions. This increases confidence in the achievement of our objectives and ability to deliver key priorities.

Risk management is not restricted to any one person or team in Enfield but is the responsibility of all staff, at all levels, across the Council.

As ***One Team***, we will continue to work together across teams, departments and partners to deliver the best possible services for Enfield's residents.

Rob Leak
Chief Executive Officer

PURPOSE AND OBJECTIVE

This Risk Management Strategy sets out how the Council will manage the threats and opportunities it faces in the delivery of its strategic Aims and Priorities. It aims to explain key responsibilities for risk management at all levels across the Council and also describes the process to be used in identifying, evaluation, controlling, reviewing and communicating risks across the Council.

COUNCIL AIMS AND PRIORITIES

The Council is committed to tackling the inequalities present in the borough and to providing high quality services for all. Underpinning this commitment are three strategic aims, the delivery of which will contribute to a better quality of life for all residents in the Borough.

Fairness for All

- Serve the whole borough fairly and tackle inequality
- Provide high quality, affordable and accessible services for all
- Enable young people to achieve their potential.

Growth and Sustainability

- A clean, green and sustainable environment
- Bring growth, jobs and opportunity to the borough.

Strong Communities

- Encourage active citizenship
- Listen to the needs of local people and be open and accountable
- Provide strong leadership to champion the needs of Enfield
- Work in partnership with others to ensure Enfield is a safe and healthy place to live.

RISK APPETITE

Many decisions taken across the Council can have positive or negative consequences on areas such as cost efficiency and service delivery across the Council. A defined risk appetite statement aims to provide guidance on the desired balance of positive and negative effects to ensure that the right risks are consistently taken for the right returns.

Risk appetites can be expressed as a series of boundaries that give clear guidance on the limits of risks which can be taken when considering a threat or opportunity.

Whilst it is not possible to define risk appetite statements for all key risks or decision points, the table below aims to provide guidance on the Council's appetite to risk.

| Risk Category | Level of Risk Appetite | | | | |
|---------------|---|--|--|--|---|
| | Averse <i>Avoidance of risk and uncertainty is predominant</i> | Minimal <i>Preference for ultra-safe options that are low risk and only have a potential for limited reward</i> | Cautious <i>Preference for safe options that have a low degree of risk and may only have limited potential for reward</i> | Open <i>Willing to consider all potential options and choose the one most likely to result in successful delivery, while also providing an acceptable level of reward and value for money</i> | Hungry <i>Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk</i> |
| Strategic | | | | | |
| Operational | | | | | |
| Financial | | | | | |
| Reputational | | | | | |
| Regulatory | | | | | |
| People | | | | | |
| Security | | | | | |

Using the above guidance, Departmental Management Teams, Programme, Project (and other) Boards and senior managers can set boundaries for unacceptable risks and/or risks for escalation in their respective areas.

KEY RESPONSIBILITIES

Responsibility for the management of risks across the Council is split into three main groups as detailed below.

Ownership, Responsibility & Accountability

- *Audit Committee*
- *Cabinet*
- *Corporate
Management Board*
- *Departmental
Management
Teams*
- *Programme,
Project (and other)*

Advice, Challenge & Oversight

- *Risk Management
Service*

Independent Assurance

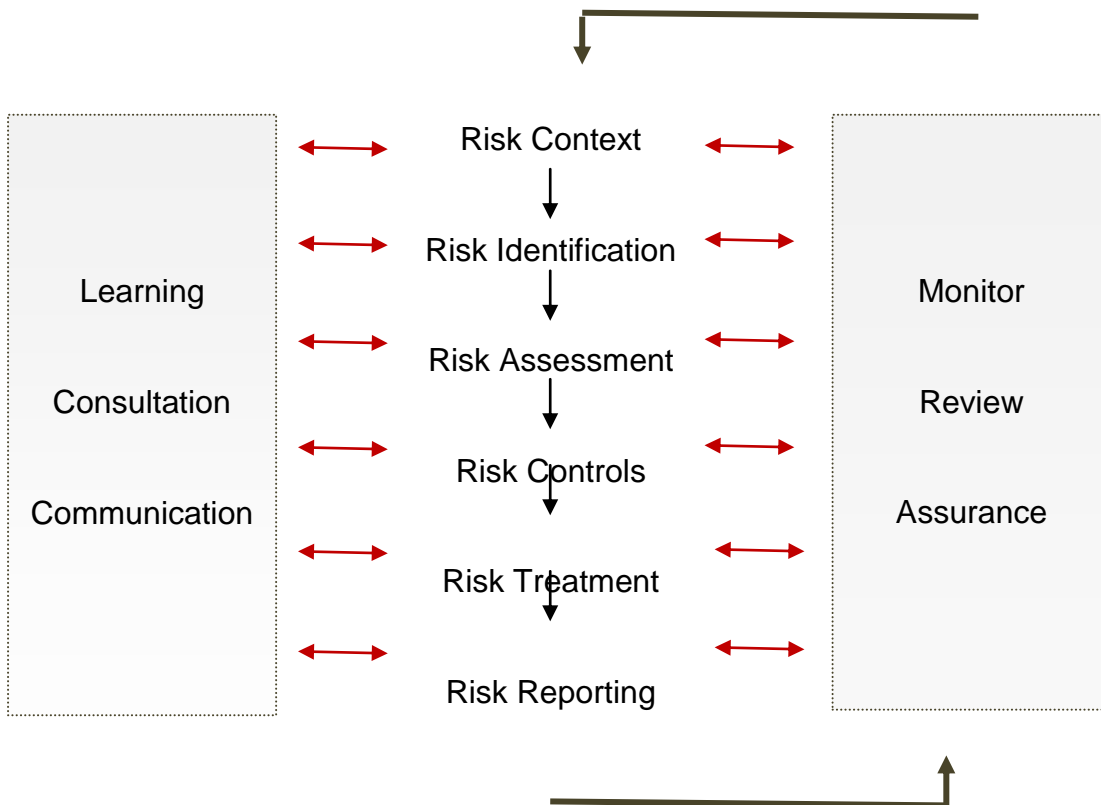
- *Internal Audit*

See [Annex A - Key Responsibilities](#)

RISK MANAGEMENT PROCESS

The management of risk is not a linear process; rather it is the balancing of a number of interwoven elements which interact with each other and which have to be in balance with each other if risk management is to be effective.¹ – The Orange Book. Management of Risk – Principles and Concepts October 2004.

The key elements required in the management of risks are detailed in the diagram below.



Risk Context

/ The objectives; strategic-operational-service-departmental plan /

- Risks are related to objectives at any level, from personal to service to departmental to organisational

Risk Identification

/ Expressed using both a cause element and an effect element /

See [Annex B - Risk Identification](#)

Risk Assessment

/ Evaluating the chances or probability and size or nature of the consequences of a risk materialising (*likelihood x impact of the risk to ascertain the inherent and residual scores*) /

- Documentation - the Corporate Risk Management System (currently Covalent) is used for assessing, recording and reporting risks

See [Annex C - Risk Assessment](#)

Risk Control

/ What is already done and/or in place to make the risk less likely to materialise or less serious should it materialise (*examples include but are not limited to plans, reviews, audits and role descriptions*) /

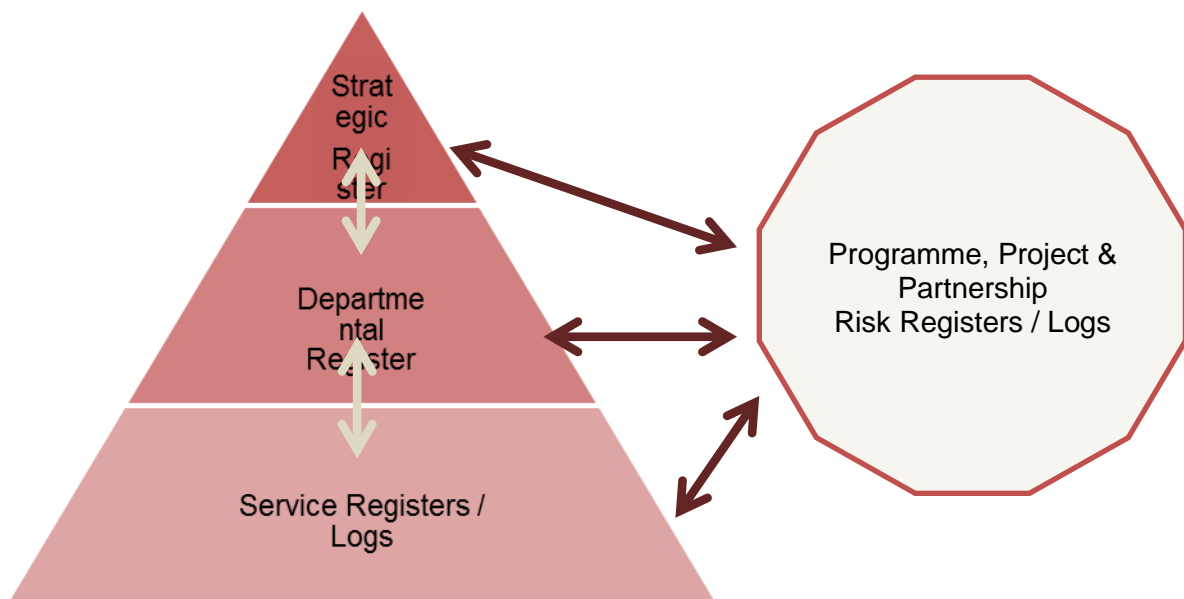
Risk Treatment

/ Constraining threats and taking advantage of opportunities *using five key aspects* [5Ts – Tolerate, Transfer, Terminate, Treat, Take] /

See [Annex D - Risk Treatment](#)

Risk Reporting

/ Alerting the appropriate level of management to new risks and changes in already identified risks (reporting structure detailed below) /



See [Annex E - Risk Reporting](#)

Monitor, Review, Assurance

/ To ascertain whether or not the risk profile is changing, ensure risk management is effective and identify when further action is necessary /

See [Annex F - Monitor, Review, Assurance](#)

Learning, Consultation, Communication

/ Run continuously through the whole risk management process (not distinct stages in the management of risk) /

Annex A - Key Responsibilities

Ownership, Responsibility & Accountability

- **Audit Committee** - *Monitors the effective development and operation of risk management in the Council to ensure compliance with the strategy*
 - Reviews an annual report on key risk management activities across the Council
 - Monitors and challenges key risk controls and actions / treatment.
- **Cabinet** – *Analyses and understands key risks. Monitors and acts on escalated risks from Departments.*
- **Corporate Management Board** – *Overall responsibility and accountability for risk management in the Council*
 - Endorse and ensure the Risk Management Strategy is sound and implemented across the Council
 - Ensure risk management is embedded into corporate processes including but not limited to business, strategic & financial planning; decision making and service delivery
 - Give a view on and own key risks, which could affect the Council's ability to achieve its strategic Aims and Priorities.
 - Nominate a Director to manage each key risk in the strategic risk register
 - Review risk registers, monitor and challenge key risk controls and actions.
- **Departmental Management Teams** – *Responsibility and accountability for management of risks within (and across) department(s).*
 - Ensure risk management within and across the department(s) is implemented in line with the Council's Risk Management Strategy
 - Ensure risks are given due consideration in all management processes and decision making
 - Ensure management controls are in place and performing adequately
 - Monitor and challenge key risks, controls and actions
 - Own, maintain and regularly review risk registers
 - Ensure risks identified within and across the department(s) are effectively managed to include escalation to Corporate Management Board where appropriate
 - Nominate a Risk Champion who will work alongside the Risk Management Service.
- **Programme, Project (and other) Boards** - *Responsibility and accountability for management of risks associated with programmes, project, contracts and other initiatives*
 - Ensure associated risks are managed in line with the Council's Risk Management Strategy
 - Ensure risks are given due consideration throughout the life of the programme, project, contract or other initiative
 - Ensure management controls are in place and operating effectively

- Monitor and challenge key risks, controls and actions
- Own, maintain and regularly review risks / registers
- Ensure risks identified are effectively managed to include escalation to Departmental Management Team or Corporate Management Board where appropriate
- **All Staff** - *Responsibility and accountability for management of risks in day to day duties.*
 - Maintain risk awareness
 - Ensure risks in performing day to day duties are managed in line with the Council's Risk Management Strategy
 - Actively support and contribute to risk management initiatives
 - Own, maintain and regularly review risks / registers as appropriate
 - Ensure management controls are performing adequately and mitigating actions completed within expected timescales
 - Ensure identified risks are recorded and escalated appropriately
 - Consider and monitor key risks associated with any recommendations put forward

Advice, Challenge & Oversight

- **Risk Management Service** – *Responsibility for providing support, advice and challenge on the management of risk in the Council*
 - Provide the Council with guidance, toolkits, training, advice, challenge and support on the application of risk management principles and especially the Council's Risk Management Strategy
 - Lead on the development and implementation of the Corporate Risk Management Strategy
 - Provide report(s) to CMB and Audit Committee on key risk management activities across the Council
 - Monitor and challenge controls and actions / treatment and escalate key risks identified as appropriate
 - Spread the ethos and promote the effectiveness of good risk management across the Council

Independent Assurance

- **Internal Audit** – *Responsibility for providing independent assurance on the effectiveness of risk management processes and control in the Council*
 - Understand the Council's Risk Management Strategy and its application across the Council
 - Ensure that Internal Audit activity is focused on key risks facing the Council
 - Escalate key risks identified to Risk Management Service or as appropriate
 - Provide assurance on risk management activities and control to CMB and Audit Committee or as appropriate

Annex B - Risk Identification

Identifying risks is the first step in building a risk profile. The key steps are to identify the objective and then succinctly describe the risk stating its 'cause and effect'.

The table below details some examples of risks, relating to a specific objective, identified with, and without, its 'cause and effect' appropriately described ^{2 – The Orange Book. Management of Risk – Principles and Concepts October 2004}

Objective: To travel by train from A to B for a meeting at 12 noon

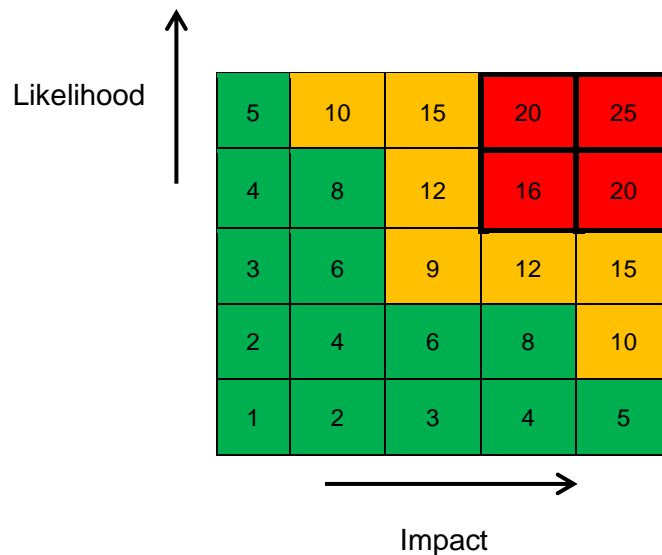
| Risk Description | Comment on Appropriateness | |
|---|--|----------|
| Failure to get from A to B on time for the meeting | <i>This is the reverse of the objective</i> | X |
| Being late and missing the meeting | <i>This is a statement of the impact of the risk, not the risk itself</i> | X |
| There is no buffet on the train so I get hungry | <i>This does not impact on achievement of the objective</i> | X |
| Missing the train will cause me to be late and miss the meeting | <i>This is a risk that can be controlled by making sure I allow plenty of time to get to the station and board the train</i> | ✓ |
| Severe weather prevents the train from running and me from getting to the meeting | <i>This is a risk I cannot control but against which I have a contingency plan</i> | ✓ |

Risks identified should be categorised under the following seven (7) groups

| Risk Category | Comments |
|---------------|---|
| Strategic | <i>Impacts on the Council's medium to long term goals and objectives</i> |
| Operational | <i>Impacts on service delivery and encountered in daily course of work</i> |
| People | <i>Impacts on employees and customers</i> |
| Financial | <i>Impacts on budgets and costs</i> |
| Reputational | <i>Impacts on the confidence and trust stakeholders have in the Council</i> |
| Security | <i>Impacts on physical assets and information</i> |
| Regulatory | <i>Impacts on EU requirements and/or Laws which impose requirements</i> |

Annex C - Risk Assessment

- Using a matrix enables risks to be seen at a glance
- The 5x5 matrix below groups risks into three main categories
 - **High** (Red), **Medium** (Amber), and **Low** (Green)



Likelihood Criteria

| Score | Description | |
|-------|----------------|---|
| 1 | Rare | Very unlikely this will happen <i>(but could conceivably happen)</i> |
| 2 | Unlikely | Expected to occur only in exceptional circumstances <i>(has happened here or elsewhere as an isolated event)</i> |
| 3 | Possible | Has happened on one or more occasions <i>(likely to happen again)</i> |
| 4 | Likely | Happens regularly |
| 5 | Almost Certain | Frequent event <i>(in most circumstances imminent)</i> |

Impact Criteria

| Category | Description & (Score) | | | | |
|---------------------|--|---|--|--|---|
| | Insignificant (1) | Minor (2) | Moderate (3) | Major (4) | Extreme (5) |
| Strategic | Impacts individual/team/service objectives | A strategic priority is delayed or requires additional resource | A strategic priority is not met | Various strategic priorities are not met | A total change of strategy is required |
| Operational | Minor disruption to a non-priority service | Moderate disruption to a non-priority service Minor disruption to a priority service | Major disruption to a number of non-priority services Moderate disruption to a priority service | Major disruption to a priority service | Major disruption to a number of priority services |
| People | Key staff / team unavailable for 1 week | Key staff / team unavailable for up to 4 weeks | Key staff / team unavailable for 1–3 months | Key staff / team unavailable for 3-6 months | Key staff / team unavailable for over 6 months |
| Financial | Financial loss < 1% of budget | Financial loss 1% to 2% of budget | Financial loss > 2% up to 5% of budget | Financial loss > 5% up to 10% of budget | Financial loss > 10% of budget |
| Reputational | Isolated complaint or comment with no anticipated coverage | Limited local public & media concern with short lived local coverage | Extensive regional public & media concern with potential to escalate to national coverage | Sustained public & media criticism Adverse publicity, loss of public confidence | Widespread and sustained public & media criticism Adverse national publicity, severe loss of public confidence |
| Security | Isolated incident | Very minor incident | Localised incident with effect on Service | Significant incident(s) with significant effect on Service | Extreme incident(s) with major effect on Service |
| Regulatory | Low level legal issue, quickly resolved Breach of internal controls | Minor legal issue, non-compliance or breach of regulation Multiple breach of internal controls | Breach involving investigation or report to authorities with fines and prosecution possible | Serious breach resulting in litigation, sanctions or fines | Major / very serious breach resulting in complex litigation (incl. class action), significant fines or sanctions and crown prosecution of Directors |

Annex D - Risk Treatment

The five key aspects of risk treatment (5Ts)³ – The Orange Book. Management of Risk – Principles and Concepts October 2004⁴ are detailed below.

1. **Tolerate** - exposure may be:
 - tolerable without further action
 - if not tolerable, cost of addressing may be disproportionate to potential benefit
 - within risk appetite or cost
2. **Transfer** - 'financial risks' or 'risks to assets' may be transferred to:
 - insurer
 - other third parties
3. **Terminate** - where it may be impossible to embark on an activity
4. **Treat** - action is taken to constrain the risk to an acceptable level. Could be:
 - *Preventive* – to limit the possibility of an undesirable outcome being realised (e.g. separation of duty, action limited to authorised persons only)
 - *Corrective* – to correct undesirable outcomes which have been realised (e.g. contingency planning, design of contract terms to allow recovery of overpayment)
 - *Directive* – to ensure a particular outcome is achieved (e.g. requirement that protective clothing be worn whilst performing dangerous duties)
 - *Detective* – to identify occasions of undesirable outcomes having been realised (e.g. stock checks, audits)
5. **Take** - should also be considered when tolerating, transferring or treating risks to exploit positive impacts and opportunities that arise.

Annex E - Risk Reporting







- For the Corporate Risk Management System (currently Covalent) Reporting Templates – Please contact the Risk Management Service for assistance

Key Risk Registers to be held

| Register | Owned by | Risks agreed and reviewed by | Review & Reporting (minimum frequency) | Escalation |
|---|---------------------------------------|---|---|--|
| Strategic Risk Register | Corporate Management Board (CMB) | CMB Nominated Director(s) | 6 monthly to CMB and Audit Committee* 6 monthly to CMB and Audit Committee * Red risks (16+ score) and any other risks agreed by CMB | <i>Risks from/to:</i> - Departmental Risk Registers - Programme, Project (and other) Boards |
| Departmental Risk Registers | Departmental Management Teams (DMTs) | DMTs | Quarterly reviews by DMTs 6 monthly to CMB and (summarised for) Audit Committee | <i>Risks to/from:</i> - Strategic Risk Registers - Programme, Project (and other) Boards - Service Risk Registers |
| Service Risk Registers / Logs | Assistant Directors (ADs) | ADs Heads of Services | Monthly Quarterly to DMTs | <i>Risks to/from:</i> - Departmental Risk Registers - Programme, Project (and other) Boards |
| Programme, Project, Contracts, Partnership & other Initiatives Risk Registers / Logs | Programme, Project (and other) Boards | Programme, Project (and other) Boards Lead member or manager | Quarterly reviews and reporting* Regularly to appropriate boards * and/or as appropriate | <i>Risks to/from:</i> - Strategic Risk Registers - Departmental Risk Registers - Service Risk Registers |

Where the detailed templates from the Corporate Risk Management System (*currently Covalent*) is not suitable due to the nature of a report, key requirements for reporting of risks contained in the following table could be used.

Sample Short Reporting Form / Template ⁴ –The Orange Book. Management of Risk – Principles and Concepts October 2004

| Objective: To travel by train from A to B for a meeting at 12 noon | | | | | | | |
|---|---|--|--|--|--|--------------------|--------------|
| Risk Code | Description | Inherent Assessment | Controls in Place | Residual Assessment | Action Planned | Target Date | Owner |
| EX001 | <i>Cause:</i> Missing the train <i>Effect:</i> makes me late for the meeting | High  | Catch train one earlier than I actually need | Low  | No further action planned | 31 March 2015 | M. Y. Self |
| EX002 | <i>Cause:</i> Severe weather <i>Effect:</i> Prevents train from running | Medium  | Cannot control | Medium  | Telephone conferencing facility to be installed as a contingency | 29 March 2015 | A. N. Other |
| EX003 | <i>Cause:</i> Engineering works <i>Effect:</i> Makes the train late | Medium  | Check for engineering works and arrange flexibility with people I am meeting | Low  | No further action planned | 25 March 2015 | M. Y. Self |

Annex F - Monitor, Review, Assurance

- Key aspects for monitoring, reviewing and reporting to include but not limited to whether
 - the risk still exists
 - new risks have arisen
 - likelihood and impact of risks have changed
 - controls are still effective
 - actions have been completed
 - further action is required
- Independent assurance on the adequacy and effectiveness of risk controls and actions / treatment will be provided following an audit or review

ANNEX G – GLOSSARY OF KEY TERMS

| | |
|--|--|
| Impact | The size and nature of the consequences of a risk materialising |
| Inherent (gross or original) Risk Score / Assessment | The level of or exposure arising from a risk before any control activities is applied |
| Internal Controls | Actions, originating within the organisation, taken to reduce the likelihood and/or impact of a risk |
| Likelihood | Evaluation regarding the chances of a risk materialising – probability |
| Mitigating Actions / Treatment | Actions taken to reduce the likelihood and/or impact of a risk |
| Residual (net / current) Risk Score / Assessment | The level of or exposure arising from a risk after control activities have been applied and assumed to be effective |
| Risk | Uncertainty of outcome of actions and events (whether positive opportunity or negative threat). It is the combination of likelihood and impact, including perceived importance ⁵ |
| Risk Appetite | The level of risk that is acceptable to the organisation. Amount and type of risk that an organisation is prepared to seek, accept or tolerate |
| Risk Assessment | The evaluation of risk with regard to the impact, if the risk is realised, and the likelihood of the risk being realised ⁶ |
| Risk Management | All the processes involved in identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and reviewing progress ⁷ |
| Risk Profile | The documented and prioritised overall assessment of the range of specific risks faced by the organisation ⁸ |
| Risk Register | A log of risks of all kinds that threaten an organisation's success in achieving its aims and objectives |
| Risk Strategy | The organisational approach to risk management and roles and responsibilities throughout the organisation |