

## RISK MANAGEMENT STRATEGY

### INTRODUCTION

1. The effective management of risk is an important principle for all businesses to properly address. For local authorities such as Kettering, managing risk is a key element of our Corporate Governance responsibilities.
2. Risk Management continues to be an important discipline and is one of the key elements to having effective governance arrangements in place to meet corporate objectives.
3. This risk management strategy seeks to promote the identification, assessment and response to key risks that may adversely impact upon the achievement of the Council's stated aims and objectives. It also seeks to maximise the rewards that can be gained through effectively managing risk.
4. This strategy will be used as a trigger to continue to formally embed risk management which helps support the effective delivery of quality customer services (within a robust and transparent framework of corporate governance). This strategy document is complemented by a pragmatic summary strategy and toolkit for staff and members.
5. Overall responsibility for ensuring that the Council has the appropriate systems in place to manage business risk lies with the Council's Strategic Management Team (SMT) at a strategic level. In effect, SMT are the sponsors for Risk Management within the Authority. Responsibility for managing specific business risks at an operational level lies with Service Heads and their dedicated Officers. The Head of Resources will 'champion / coordinate' the process on behalf of SMT.
6. Risk management does not exist in isolation nor is it a subject in its own right – we all manage risk everyday whether we realise it or not. Risk Management is also about empowerment and the creation of value as well as preventing things from happening.
7. In practice, risks within the Council exist at many different levels (e.g. high level corporate risks to lower level everyday service based risks). For the purpose of this strategy, risks are split into two levels as follows:
  - i. Strategic Risks – high level risks that may impact on the Council's ability to meet its objectives
  - ii. Operational Risks – service based risks that may prevent individual service aims and objectives being met (and therefore impact upon the attainment of corporate objectives)
8. In accordance with best practice, Risk management at the Council is a 'top down' process, starting with the identification and control of strategic risks and then

rolling the process down to an operational level (hence embedding the process throughout the Council).

## THE SCOPE OF RISK MANAGEMENT

9. Risk is anything that may prevent the Council from achieving its stated objectives. A more generic definition is provided below:

“Risk arises as much from failing to capture opportunities whilst pursuing business objectives as it does from a threat that something bad will happen”

10. Risk Management covers a number of areas, just one of which is financial risk. Accordingly, it is not just the impact of an event happening in financial terms that need to be evaluated but also the potential damage that such an event could have upon other things such as the reputation of the Council.
11. Risk Management is nothing new; the Council has been doing it effectively for many years. However, to comply with the Corporate Governance requirements the Council must ensure that its procedures in relation to risk management are sufficiently formalised so that it can demonstrate its monitoring and reporting framework is up to date and also identify any areas for improvement.

## ROLES & RESPONSIBILITIES

12. In order to ensure the successful implementation of the strategy, the following roles and responsibilities exist:

| Group /Individuals                                    | Role/Responsibilities   |
|---|---|
| Strategic Management Team                             | <ul style="list-style-type: none"> <li>• Overall responsibility for ensuring that processes are in place to effectively manage risks within the Council;</li> <li>• Regularly review and amend the Risk Management Policy and Strategy;</li> <li>• Contribute towards the identification and management of strategic and cross cutting risks and opportunities facing the Council;</li> <li>• Discuss key business risks with all Heads of Service.</li> </ul>  |
| Strategic Management Team / Corporate Management Team | <ul style="list-style-type: none"> <li>• Regularly update the strategic and corporate risk register. This means there is always a consensus and up to date view of the main risks.</li> <li>• For key issues / projects to determine the Councils risk preference (risk averse or risk taking);</li> <li>• To continue to ensure that risk management is part of the everyday management culture of the organisation</li> <li>• In line with the performance clinic arrangements – share and discuss key business risk issues through performance clinic feedback sessions at CMT. Key service risks will be escalated for management consideration.</li> <li>• The Head of Resources to coordinate / act as a champion for risk management.</li> </ul> |

| Group/<br>Individuals | Role/Responsibilities  |
|-----------------------|--|
| All Service Heads     | <ul style="list-style-type: none"> <li>• Identify, analyse and profile operational risks through their individual monthly performance clinic. The role of the performance clinic is pivotal to challenging and understanding the risk view as well as gaining confidence that the risks will be managed.</li> <li>• To provide annual assurance on the effectiveness of controls in place to mitigate/reduce risks within their service through the annual service plan process.</li> <li>• To maintain awareness of and promote effective risk management techniques (incl. awareness of the strategy and policy) to all relevant staff.</li> <li>• Ensure that risk management is incorporated into performance clinics, service plans &amp; committee reports.</li> </ul> |
| All Activity Managers | <ul style="list-style-type: none"> <li>• Effectively manage operational risks within their areas and feed appropriate issues into the performance clinic framework for discussion by Heads of Service / SMT.</li> <li>• To maintain awareness of and promote effective risk management techniques (incl. awareness of the strategy and policy) to all relevant staff;</li> </ul>   |
| Internal Audit (CWAS) | <ul style="list-style-type: none"> <li>• Provide independent review of the corporate approach to risk management and compliance therewith.</li> <li>• To contribute to the accuracy and integrity of the strategic risk register (as part of the risk based approach to audit).</li> <li>• To follow best practice / code of practice in their work at all times.</li> </ul>   |
| All Employees         | <ul style="list-style-type: none"> <li>• Maintain awareness of risks and contribute to the control process where appropriate.</li> </ul>   |
| Elected members       | <ul style="list-style-type: none"> <li>• Formal endorsement of the Risk Management Policy and Strategy through Monitoring and Audit Committee.</li> <li>• Contribute towards identification of strategic risks (mainly through the budget &amp; service planning process)</li> <li>• Receive reports to Monitoring &amp; Audit on relevant issues as appropriate (including the annual governance statement / external audit reports / key performance booklet / effectiveness of internal audit).</li> </ul>  |

## **RISK MANAGEMENT PROCESS**

13. There are two levels at which business risks are assessed and managed by the Council. These are detailed in section 7 of the strategy and summarised below;

- i. Strategic Risks
- ii. Operational Risks

14. The basic risk process is the same for either type of business risk and comprises of the following four basic steps;

| <b>Step</b> | <b>Description</b>  |
|-------------|---|
| Identify    | Existing or emerging risks are identified   |
| Assess      | The risk is assessed  |
| Manage      | The risk is managed – the best way to manage the risk, i.e. avoid/eliminate/reduce, transfer, insure or accept, is determined |
| Review      | The issue / risk is reviewed as appropriate.  |

15. Examples of the different types of risk within each category are provided below;

| <b>Strategic risks</b> |  |
|------------------------|--|
| Political              | Local or national political issues that may impact on the Council meeting its objectives                               |
| Economic               | Affecting the ability of the Council to achieve its commitments  |
| Social                 | Relating to the Council's ability to meet the effects of changes in demographic, residential or social/economic trends |
| Technological          | The ability to identify technological changes and using technology to meet changing demands                            |
| Legislative            | The ability to meet the legislative demands affecting the Council  |
| Environmental          | Relating to the environmental impact of the Council's service delivery   |
| VFM / Best Value       | The need to demonstrate 'Value for Money' in service delivery  |
| Customers              | The ability to understand the changing needs of our customers  |

| <b>Operational risks</b> |  |
|--------------------------|--|
| Professional             | Associated with the professional status of Council officers and the recruitment and retention of staff                                   |
| Financial                | Associated with the financial resources and related controls   |
| Legal                    | Relating to potential breaches of legislation  |
| Physical                 | Related to physical damage, security, accident prevention and health & safety  |
| Contractual              | Associated with issues that may impact on the Council's contractors to deliver services or products to the agreed cost and specification |
| Technological            | Associated with reliance on operational equipment  |
| Environmental            | Associated with pollution, noise, energy efficiency and community safety   |
| VFM / Best Value         | The need to demonstrate VFM in "service delivery"  |
| Customers                | Associated with the ability to engage all our customers and the identification of their changing needs and related issues of equality.   |

16. The risk management process for strategic and operational risks is slightly different. The process is as follows;

### **Strategic Risk**

The Strategic Risk Register is updated at least annually in line with prevailing corporate objectives at the time.

The details of the main risks will be recorded in a risk register which will contain

- Risk No
- Summary of risk
- Risk cause and consequences
- Assessment of Likelihood
- Assessment of Impact
- Actions to improve mitigation

These risks will be “plotted” on a risk matrix [See Appendix 1] which will determine those risks to which priority mitigation measures need to be applied. This risk matrix shows an amount of risk exposure. Risk mitigation plans will be developed for all “red” risks.

### **Operational Risk**

Heads of Service are responsible for managing operational risk within their respective service areas. Rather than have a similar mechanistic approach at an operational level (i.e., risk registers per service) the Council will use its performance management framework for managing operational risk. This consists of: -

- a) **Service Plans** – operational risks are identified in each individual service plan.
- b) **Performance Clinics** – On a rolling monthly basis, Heads of Service prepare a performance clinic that is discussed at SMT with the relevant Head of Service. The performance clinic is an essential management tool at the authority and discusses five key areas – Performance Indicators / Budgetary Control / Projects / Staff Sickness / Risk Updates.

The data in the performance clinic is supported by the Councils performance management framework. Consideration of key risks will be incorporated into this process (See Appendix 1 for a simple risk summary).

- c) **Team Meetings** – Heads of Service discuss key operational risks both before and after a performance clinic at their respective team meetings.
- d) **SMT / CMT** – Heads of Service share their performance clinic with Head of Service colleagues each week at CMT. This provides an opportunity to share key issues and risks that are being experienced and also provides an opportunity for shared solutions.

## **EFFECTIVE RISK MANAGEMENT**

17. It is important that risk management techniques remain an important element of the Councils overall management and performance arrangements.
18. The Council believes that it has effective arrangements in place to manage the business risks that it faces.



**Appendix 1**  
**Pro-forma - Risk Matrix for prioritising Strategic and Service Risks**

**Residual Risk Level**

|                   |                            |                            |                 |            |               |             |                  |
|-------------------|----------------------------|----------------------------|-----------------|------------|---------------|-------------|------------------|
|                   |                            | <b>Residual Risk Level</b> |                 |            |               |             |                  |
| <b>Likelihood</b> | <b>6 Very High</b>         |                            |                 |            |               |             |                  |
|                   | <b>5 High</b>              |                            |                 |            |               |             | 1 3              |
|                   | <b>4 Medium</b>            |                            |                 |            | 2             |             |                  |
|                   | <b>3 Low</b>               |                            |                 |            |               | 4           |                  |
|                   | <b>2 Very Low</b>          |                            |                 |            | 5             | 6           |                  |
|                   | <b>1 Almost Impossible</b> |                            |                 |            |               |             |                  |
|                   |                            | <b>Nil</b>                 | <b>Very Low</b> | <b>Low</b> | <b>Medium</b> | <b>High</b> | <b>Very High</b> |
|                   |                            | <b>1</b>                   | <b>2</b>        | <b>3</b>   | <b>4</b>      | <b>5</b>    | <b>6</b>         |
|                   |                            | <b>Impact</b>              |                 |            |               |             |                  |

It can be seen that by applying controls that the residual risk is reduced. The question that should then be asked is whether the level of residual risk is acceptable or whether further mitigation measures are needed.