Risk Management Policy

2007/08

City of York Council
Risk Management Policy

Contents

Introduction

1. Risk Management is inherent to good management practice and essentially; it is concerned with identifying potential events (risks), establishing what could go wrong (threats) and the potential for success (opportunities) with the aim of trying to achieve the right balance between the two.

2. The outcome from proper risk consideration ensures that managed controls are in place and the effective prioritisation and allocation of potentially scarce resources to the most appropriate area (high risk), to ensure service continuity and constant improvement.

3. Many officers will already be making these considerations in their day-to-day operations and in long-term planning, but not necessarily under the title of risk management. This policy along with other key risk management documents are designed to provide the consistent and concise guidance necessary to put in place an effective consideration of risk. (Visit the risk management webpage, to view these documents, available through in-house services on the council intranet site).

Policy & Framework Objectives

4. This policy document is designed to provide practical advice and guidance for implementing risk management practices within all activities of the organisation. The policy aims to: -

   - fully integrate and embed risk management into the culture of the Authority, and its day-to-day business.
   - raise awareness and the profile of risk management in all areas, including partnerships.
   - achieve appropriate consideration of risk within all reviews of service performance and improvement plans.
   - maintain a robust framework of procedures for the identification, assessment, evaluation and management of risk.

5. The development and embedding of risk management within our existing frameworks will help to facilitate the following outcomes: -

   - Achieve the corporate strategy.
   - Enable the Authority to anticipate and respond to changing social, environmental, and legislative conditions.
   - Minimise the risk of damage, loss, injury, and inconvenience to citizens, staff, and service users.
   - Maximise the potential for taking advantage of opportunities.
   - Ensure the Authority’s assets both tangible and intangible are protected against loss and damage.

Risk Management Overview

6. Risk management is a key organisational responsibility and a vital component to improving our effectiveness that supports and underpins the aspirations of the corporate strategy.

7. Risk can be defined as ‘the uncertainty of outcome’ or ‘the combination of the probability of an event and its consequences’.

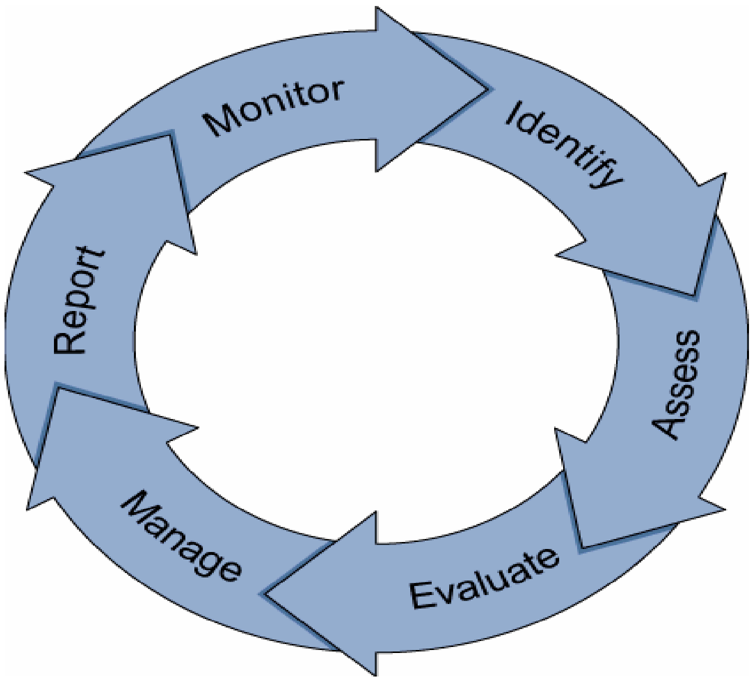
8. Risk management is a proactive and systematic approach to identifying, understanding and managing those risks inherent to the organisation and is increasingly recognised as being concerned with both positive (opportunity) and negative (threat) aspects of risk.

9. Good risk management allows the Authority to have increased confidence in achieving its desired objectives and priorities, through the effective consideration and exploitation of opportunities and the active management and mitigation of the associated threats.

Risk Management Cycle

10. Exhibit 1 shows the standard risk management cycle that has been adopted by City of York Council. This framework details a generic process starting from identification through to monitoring, which can be easily applied in all areas of the business. Specific information and support on the various elements of the process and how to apply it are available in the risk management guidance manual available from the risk management website.

Exhibit 1.



11. Phases and related activities of the cycle.

Phase		Activity
1.	**Identify**	the risks that exist or could emerge
2.	**Assess**	those risks for their potential impact and likelihood
3.	**Evaluate**	the need for further action
4.	**Manage**	put in place mechanisms to reduce risks
5.	**Report**	significant (high) risks to the appropriate level
6.	**Monitor**	the effectiveness of any risk management action taken

12. It is important that the risk management cycle is considered an ongoing process, followed and considered in day-to-day operations and as well as in the specific business processes detailed in paragraph 14. Set out below are the outline principles of each phase to help you make the appropriate considerations. Complete guidance is found in the risk management guidance manual.

- **Identify** – the risks that exist or could emerge, this includes identification of both threats and opportunities.

- **Assess** – make an assessment on the inherent and residual level of risk using the risk rating matrix.

- **Evaluate** – the level of the risk to determine if further action is required. As part of this phase, you must ensure mitigating controls are identified and allocate responsibility to the appropriate officer.

- **Management** – devise and implement appropriate action plans to reduce the risk level to an acceptable level and within appropriate timescales.

- **Report** – all significant risks to the appropriate senior management team (see paragraph 44).

- **Monitor** – the identified risks (including any changes) and the effectiveness and implementation of mitigating controls and action plans.

Guiding Principles

13. This section describes how the integration of risk management into the strategic decision-making and routine day-to-day business processes of the Authority is a key priority. It is through the effective embedding of robust risk management into the existing processes that the organisation will be confident it has achieved a balance between the opportunities available to it, against the threats they present.

14. Particular consideration should be given within the following areas: -

- Service Planning.
- Financial Planning.
- Performance Management.
- Reports & Decision Making.
- Projects.
- Partnerships.

15. The effective use of the corporate risk register (Magique) in capturing, analysing and managing risks identified through these processes is key to the success of this policy. The following paragraphs set out the key business processes that form part of the risk management framework.

Service Planning

16. Service planning provides a medium to long-term view of the direction of a service. This is a document setting out the framework for delivering services, taking into account opportunities and drivers relevant to objectives. Risk management forms an integral part of this, where the consideration of risk in relation to the services objectives is key.

17. As part of the service planning process the relevant management team should conducted an annual refresh visioning session to identify and assess their current risk exposures. The output from this session is used to update the corporate risk register and significant risks, those with a net rating of 16 or above, are included in the service plan along with associated action plans.

Financial Planning

18. Risk management is an underlying principle that underpins the development of the council's annual and longer term financial planning. The initial overview of significant risks is addressed both as part of the council's annually produced three year financial strategy and is explored fully in the annual budget report that is considered by the Executive and recommended to full council for adoption.

19. Alongside this the annual budget process is also well established and requires service managers to identify potential risks and impacts of any

proposals for savings, efficiency or investment. Such assessments are documented and form part of the information provided when potential proposals are addressed at directorate management teams, discussed with portfolio holders or considered by the corporate management team. In this regard all decisions taken are fully informed and prioritised with regard to the consequences, opportunities and risks that they produce.

Performance Management

20. Improved performance is a key deliverable of better risk management, and the tracking of performance against targets and identifying opportunities for improvement is one area of focus within the risk management process. It provides a way of measuring the added value, impact and opportunity of a well-embedded and mature framework.

Reports & Decision Making

21. Since the introduction of the new constitution in 2006 and the associated report writing protocols, all formal committee reports must consider risk and include the appropriate ‘risk identified’ paragraph. This is to assist Members in understanding the implications of any recommendations being made. Refer to the risk management webpage for ‘Guide to Risk Entry in Committee Reports & Decision Logs’.

22. Risk management is already integrated into some elements of the authorities decision making processes, such as officer delegated decisions. This is to demonstrate that reasonable steps have been taken to consider and evaluate associated risks, ensuring that they are addressed at the point decisions are taken. Thus providing for the assurance that all of our decisions are clear and transparent. Refer to the risk management webpage for ‘Guide to Risk Entry in Committee Reports & Decision Logs’.

23. Risks that are identified and assessed at a rating of 16 or above should be recorded in the corporate risk register. An action plan then needs to be devised to reduce the risk to an acceptable level within an appropriate timeframe. Responsibility is assigned to the relevant officer and the action plan is attached to the report as an annex.

24. Effective risk management will allow strategic decision makers to ensure that key risks are recognised and dealt with effectively. This includes assigning appropriate accountability, ensuring improvement in performance, and leading to satisfying stakeholders' interests.

Projects

25. The Authority uses the PRINCE2 (an established risk management methodology) approach to project management, as recommended by the Office of Government Commerce (OGC). Further guidance on this methodology is available via the OGC website, link available from the risk management webpage.

26. The Project Manager is responsible for identifying, monitoring, and controlling risks, ensuring their documentation and regular review.

27. Regular reporting is an essential part of any project's monitoring and progress. The Project Board notifies the Project Manager of any external risks and makes decisions on the Project Manager's recommendations. The board balances the threats and opportunities of the project, and informs senior/corporate management of any project risks which may affect corporate or programme objectives.

Partnerships

28. Partnerships can be defined as any internal or external body (individuals or groups) with which a department works to deliver their objectives. Increased Government focus on the shared services agenda and collaborative working for the delivery of services emphasises the need to work in partnership and/or collaboration with other organisations. It is through good risk management and in turn the effective governance of these arrangements that we can deliver a successful partnership.

29. The successful delivery and embedding of risk management in partnerships will help to achieve objectives, consistent service levels, effective performance monitoring, and collaborative working.

30. A shared risk management process and risk register is a fundamental part of this success, and should be established within all partnerships.

31. Regular reporting cycles need to be implemented for reporting risks to the partnership board and in turn, the Corporate Management Team will consider these on a regular basis.

32. A partnership governance questionnaire is available to assist in the evaluation of partnerships governance arrangements. This is available from the risk management webpage.

Magique

33. Magique is the corporate risk register used to evaluate, document, monitor and report key organisational risks. There is a hierarchy of access, documentation and monitoring, to enable identified risks to be recorded and reviewed at the appropriate level.

34. A significant benefit of this system is the ability to monitor progress and trends of identified risks and action plan the effective control of these. It is a real-time, on-line system, with access available to Members and officers with risk management responsibilities. Please note access to the risk register is arranged via the risk management department (ext 1156).

35. It is through the proper evaluation of identified risks that you should be better able to determine those that need to be recorded within the risk register. It is not necessary to record all identified risks within the corporate risk register, only those considered to be key organisational risks that could possibly present the greatest threat to the organisation.

Internal Audit

36. The Council designs and executes an annual risk-based audit plan in line with the CIPFA code of practice for Internal Audit.

37. Final audit reports categorised as 'weak' or 'not acceptable' are forwarded to the risk management department who work with the service manager to record the recommended actions in Magique. This should be undertaken within two months of the issue of the final report to ensure the correct documentation of significant risks and the effective use of Magique to plan the implementation of mitigating controls.

External Inspection

38. The Comprehensive Performance Assessment (CPA) key line of enquiry (KLOE) clearly states that risk management consideration should be embedded in the business processes. It is therefore important we can show consideration and have documentary evidence to support this, within all of the Authorities processes.

39. Further to this, the CPA is to be replaced with the Comprehensive Area Assessment (CAA) from April 2009. This is likely to contain a forward-looking assessment of risk, which does not rely solely on judgments of past performance.

Risk Management Responsibilities

40. Elected members, staff, and our partners must all accept the management of risks as one of their fundamental management duties, with commitment to identifying and minimising, potential and existing risks.

41. Risk owners are identified individuals best positioned to manage a specific risk a risk owner is assigned to each risk and recorded in the risk register.

42. Risk Owners Responsibilities: -

- Identifying, recording, monitoring and managing the risks that will directly affect their service.
- Ensuring the information contained in the risk register about their risks is kept up to date.
- Recording and monitoring identified risks in Magique (the corporate risk register).
- Overseeing the actions set out in the risk register to manage the risks that they own.
- Reporting all high level risks, to the next level up management team for their review, see 'identification and reporting cycle' in table 44.1.

Champions

43. A Risk Management Champion has been appointed within each directorate and a responsible Member appointed, to help deliver the risk management agenda and develop good practice across the organisation.

43.1 Table of Risk Management Champions

Area of responsibility	Who	Position
Elected Members	Cllr Paul Healey	Member Champion
Resources	Claire Rogers	Risk Management Officer
City Strategy	Sian Hansom	Assistant Director of Resource & Business Management
Chief Executive's	Sandra Herbert	Business & Performance Manager
Neighbourhood Services	Sarah Kirby	Finance Manager
Learning, Culture & Children's Services	Kevin Hall	Assistant Director of Resource Management
Housing, Adult & Social Services	Graham Terry	Head of Corporate Services

Reporting & Monitoring Arrangements

44. In order to manage risk the Authority must understand what risk it faces, the table below sets out the responsibilities for identifying, monitoring and reporting risks. Identified risks are monitored at the appropriate management team and ****significant risks (those evaluated with a net rating of 16 or above) should be reported to the appropriate senior management team****.

44.1 Identification and Reporting Cycle

<table>
<tr><th>Risk Level</th><th>Identification</th><th>Monitoring</th><th></th><th>Reporting</th><th>Frequency</th></tr>
<tr><td rowspan="2">Corporate</td><td rowspan="2">Corporate Management Team</td><td rowspan="2">Corporate Management Team</td><td rowspan="8">**HIGH LEVEL RISK ESCALATION REPORTING**</td><td>Executive Committee</td><td>Annually</td></tr>
<tr><td>Audit & Governance Committee</td><td>Quarterly</td></tr>
<tr><td>Directorate</td><td>Directorate Management Team</td><td>Directorate Management Team</td><td>Corporate Management Team</td><td>Quarterly</td></tr>
<tr><td>Division/ Group/ Arm</td><td>Service Planning</td><td>Management Team</td><td>Directorate Management Team</td><td>Biannually</td></tr>
<tr><td>Service</td><td>Manager</td><td>Manager & Team</td><td>Management Team</td><td>Quarterly</td></tr>
<tr><td>Project</td><td>Project Manager & Leader</td><td>Project Board</td><td>Corporate Management Team</td><td>Ad Hoc</td></tr>
<tr><td>Partnership</td><td>Client Officer</td><td>Partnership Board</td><td>Directorate Management Team</td><td>Ad Hoc</td></tr>
</table>

45. Regular risk reporting is essential to ensure key operational and strategic risks are visibly being considered, addressed and reviewed.

46. The above table illustrates a recommended minimum reporting frequency, and as part of the reporting and monitoring process consideration should be given to the need, where appropriate, for intermediate review and reporting.

47. Corporate Risks

Key corporate risks are identified by Corporate Management Team at an annual risk visioning session. Where appropriate, identified corporate risks are disseminated to each directorate management team to be assigned a directorate risk owner. Otherwise an individual director or officer is assigned overall ownership.

Corporate Management Team receive quarterly monitoring reports outlining the potential risk events or individual directorate contexts, risk scores, controls and actions for each of the key corporate risks. Once ratified by CMT the Audit & Governance Committee review each monitor to establish if there is a need to report any of the key corporate risks to the Executive Committee.

Reports to the Executive Committee are on an exception basis and in addition to the annual corporate risk report. On reviewing the exception report the Executive Committee can determine a requirement for the risk to be reported to Full Council.

48. Directorate & Project Risks

Directorate and project risks are identified by the appropriate management teamSignificant directorate risks either identified through directorate business planning or reported from service areas are included in the Service and Financial Performance Report.

49. Significant risks reported to a senior management team should include a detailed action plan demonstrating how the risk will be managed and reduced to an acceptable level. Committees and management teams receiving significant risk reports will review them to ensure their quality in relation to appropriate description, score and action plan. In considering the detailed action plan they should chose one of the following options: -

Option	Conclusion	Action
A	Action plan is adequate to reduce the risk to an acceptable level within an appropriate timeframe.	Risk continues to be managed by the reporting management team and remains at current level within the risk register.
B	Action plan requires attention of higher level management.	Risk is moved to senior management team level in the risk register.
C	Risk is identified as a corporate risk **(For CMT use only)**	Risk is moved to the corporate level in the risk register.
D	Corporate risk action plan requires further scrutiny **(For Executive use only)**	Corporate risk to be reported to full council

50. This reporting process is designed to provide a structured channel for the free flow of risk information at all levels where risks can move up and down.

Help & Guidance

51. Link to the risk management webpage - Resources sub-site This site includes all risk management guides and documents and links to other useful external sites.

Training & Support

52. To assist with the development of a positive risk management culture appropriate training will be provided to all staff involved with the management of risks, including members, to better equip them in making risk based decisions.

53. Corporate Risk Management Officer Claire Rogers Ext 1156

This policy will be reviewed annually to ensure its continued relevance and to assess its performance against its aims and objectives as set out above.