Risk Management Framework

Introduction

Risk is the threat that an event or action will adversely affect the Council's ability to achieve its objectives successfully. Although risk is generally associated with the possibility of suffering harm, loss or liability, in some situations confrontation of risk might also enable us to capitalise on opportunities.

Risk management is the process by which risks are identified, evaluated and controlled and is a key element of the framework of governance. It is about identifying, analysing, evaluating, responding and monitoring threats and opportunities with a view to minimising the chances of failure and maximising the chances of success. Risk management is about being risk aware and not risk averse.

Following the Priority Service Review during 2010, it was agreed that this Council would apply its Risk Management Strategy to monitoring risks at a Corporate and Project level only. Corporate priorities will continue to be risk assessed as a fundamental part of the Governance process. Service / Day to Day risks are monitored as appropriate by individual departments.

Risk Strategy and Approach

- Project Managers identify risks linked to the project objectives
- Service Managers and Directors identify risks associated with corporate priorities within their service.
- Service Managers and Directors identify risks arising from and within partnerships and other joint working arrangements.
- The Corporate Risk Register will comprise of Corporate and project risks.
- Ownership and responsibility is assigned to each risk identified.
- Each risk is recorded as an **inherent risk**, the management action necessary or already taken to mitigate the risk are recorded together with the subsequent **residual risk.**
- It is recognised that the risks will change over time as projects and Corporate Priorities develop, evolve and change. Through regular review of risk management arrangements it enables us to respond to these changes. The process is not a one-off exercise, but an ongoing task.
- Effective risk management helps us to deliver an appropriate balance between risk and control, ensure effective decision making, the better use of limited resources, greater innovation and consideration of positive risks (opportunities) as well as negative risks (threats) to the project.

Risk Management in Practice

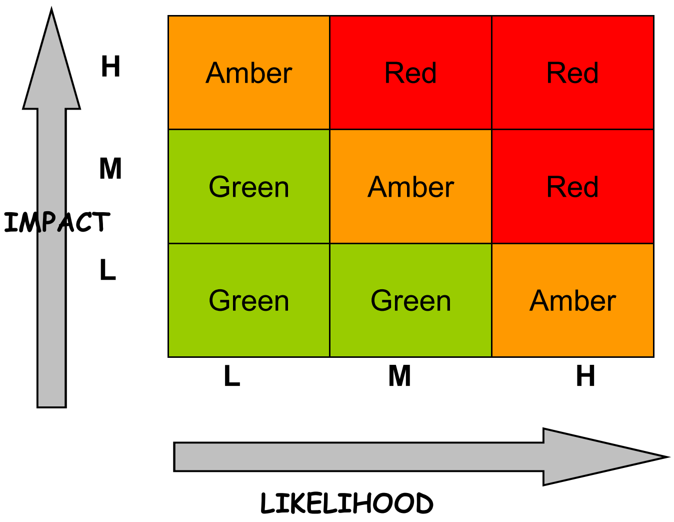
- Risk Management is a five stage on-going process as follows:-

    - Identification
    - Analysis
    - Evaluation

- Mitigation and control
- Monitoring

- As part of risk analysis, an assessment should be undertaken of the impact and likelihood of risks occurring. Risks can then be plotted onto the following evaluation model:

Risk Prioritisation and Analysis Model



- The following scoring guidance is provided to simplify the assessment process, provide consistency and assist in determining where on the grid various risks should be plotted:

IMPACT			
Key Risk Areas	**High**	**Medium**	**Low**
Communication and publicity	• Remembered long term. • Adverse national publicity	• Adverse headlines in local media	• Letters of complaint
Corporate Governance	• Project will fail to be implemented. • Governance Committee identify significant governance failings. Significant levels of fraud	• Project will be delayed. Adverse governance findings by the Cabinet / Scrutiny and Governance Committee. • Extraordinary Review by External Auditors	• Limited Assurance following Audit
Efficiency and Savings	• Failure to meet all anticipated efficiency targets Inability to recover shortfall on budget	• Failure to exploit benefits of partnership working • Budget pressures	• Budget managed but performance is below that originally planned

IMPACT			
Key Risk Areas	**High**	**Medium**	**Low**
	overspend	with poor performance	
Financial/Funding	• Budget Overspend > £10k or 10% Property loss or damage > £50k. Lack of external funding due to concerns over service delivery or project management Substantial loss or failure of investments	• Budget Overspend up to £10k or 10% Unaccountable short falls in stock / inventories or other assets. Property loss/damage in excess of £50k. Lack of provision when funding stream ends	• Budget Overspend up to £10k
Health & Safety	• Potential for loss of life Large scale major illness Forced closure of offices/leisure facilities/block of flats due to H&S legislation HSE Investigation with Fine	• Major illness Serious injury - including disablement Forced close of smaller office/facility due to failure to comply with H&S legislation	• Broken bones/illness Partial closure of offices/facility
IT	• Complete failure of IT system. Breach of licence.	• Temporary failure of IT system. Software problems.	• Minor problems with new software.
Project aims	• Objectives of project not achieved. Time/costs greatly exceeded.	• Key Milestone missed.	• Minor delays/problems.
Personnel resourcing	• Mass staff resignation. Inability to attract new staff	• Industrial action	• Some hostile relationships, minor non-co-operation
Service delivery	• Long-term suspension of service. Failure of service. High level of public dissatisfaction.	• Short term reduction in service provision. Pockets of dissatisfaction.	• Low standard of service provision evidenced by messages of complaint
Statutory Responsibilities	• Failure to enforce regulatory powers. Major fraud. Criminal Proceedings against the	• Adverse finding by the Local Authority Ombudsman. Failure to test emergency plans.	• Minor breach

IMPACT			
Key Risk Areas	**High**	**Medium**	**Low**
	Council. Public Inquiry to review substantial failure of a Council Service. Adverse findings of Standards Committee. No contingency planning.		

LIKELIHOOD			
	High	**Medium**	**Low**
Timing	Imminent	Next 12 months	After 12 months
Probability	<75%	25-75%	>25%

Risk Methodology

- Project and corporate risks are identified in line with the project and corporate priorities and objectives. Associated risks, threats and opportunities are determined for each objective and priority.

- Risks are evaluated in terms of likelihood and impact, which will determine where the axes or parameters on the model will be drawn. This will determine the categories each risk falls into.

- Each significant risk will be considered in context. The potential impact will be measured against the possible benefits and it will then be assessed as to whether it is worthwhile to continue with a particular objective if the risk outweighs the reward.

- Risk mitigation is the stage of the process when action can be taken to minimise the likelihood of risks occurring, or to reduce the severity of the consequences should it occur.

- The final stage of the risk management process will be the effective monitoring and review of the identified risks to ensure the successful delivery of the project or corporate priority. This process will also assess whether the nature of risk has changed over time.

Risk Management Strategy

The risk management policy of Dover District Council is to adopt cost-effective practices in the assessment of risks to ensure that they are eliminated or reduced to an acceptable level. This will help safeguard assets, employees, customers and the delivery of services to the local community.

The Council pursues a forward-looking and dynamic approach to delivering services to the local community and will not be averse to taking a degree of commercial risk. However, it will always exercise a prudent approach to risk taking and decisions will be made within the parameters of the Council's internal control arrangements. In particular, Financial and Contract Procedure Rules which ensure that the Council does not expose itself to risks above an acceptable level.

The risk management objectives of the Council are to:

- Help ensure that the Council's key corporate priorities are delivered
- Manage and mitigate project risk
- Be responsive to changing social, environmental and legislative requirements whilst being aware of the related risks and opportunities
- Take reasonable steps to prevent injury, damage and loss and reduce the cost of risk

These objectives will be achieved by:

- Defining roles and responsibilities of Officers and Members within the organisation in relation to risk management.
- Providing relevant training on risk management to relevant officers and Members of the authority
- Encouraging officers participating in other professional discipline groups to consider risk management.
- Making sure officers are made aware of risk management information received from insurers and other related sources.
- Maintaining a risk management framework to provide for:-
    - A useful and meaningful Corporate risk register
    - Appropriate incident recording to enable the analysis of risk data
    - The annual review of the risk management framework

Roles and Responsibilities

Members

- The Governance Committee has specific responsibility included in its terms of reference for providing independent assurance on the adequacy of the control and risk management framework and the associated control environment.

- The Governance Committee also has responsibility for the independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.

Executive and Corporate Management Team

- Corporate Management Team is responsible for identifying key risks as part of their strategic responsibilities.

- The Director of Governance will undertake an annual strategic risk review

- The Director of Governance, supported by the Head of Corporate Services has overall responsibility for ensuring the minimum agreed level of risk management is undertaken.

Directors / Service Managers

- Directors and Service Managers in conjunction with members of their teams and other parties/partners (where applicable), will review and monitor project and corporate risks relating to their services.

Employees Generally

- Employees will be expected in the first instance, to refer risk management concerns to their line managers. Should such concerns remain outstanding, then employees can refer their concerns elsewhere as prescribed in the Council's Whistleblowing Guide.

Insurance

- The Director of Governance in consultation with the Corporate Services (Insurance Team) will:

  - Regularly review and advise upon the Council's insurance requirements and arrangements, and arrange insurance cover as necessary

  - Annually review the adequacy of the Council's internal Insurance Provisions and Reserves, and advise on action to be taken

  - Advise Officers and Members on insurance covers available and/or in place and advise Officers on claims procedures, and process claims arising

  - Assist in the development and provision of claims data to aid future risk control