

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

RISK MANAGEMENT STRATEGY 2014/15

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To approve the Risk Management Strategy for 2014/15 and Terms of Reference for the Risk Management Group.
- 1.2 The Risk Management Strategy is an important source of assurance for the Audit Committee as it describes the council's risk management framework, the work completed during the year and a comprehensive action plan for the forthcoming year.

2. BACKGROUND INFORMATION

- 2.1 Each year the council's Risk Management Strategy is reviewed and updated. The proposed Strategy for 2014/15 is attached in Appendix A. It reflects national and local economic and financial risks which may impact on the council along with significant change through reshaping service delivery and operations.
- 2.2 The Strategy has also been evaluated against best practice and a risk management policy (endorsed by the Chair of this Committee and Chief Executive) has been developed to demonstrate commitment to the promotion of sound risk management throughout the council.
- 2.3 Good progress has been made to maintain and improve the risk management framework and the Risk Management Group (RMG) has been successful in achieving most of the action plan set for 2013/14 (Appendix B). RMG's terms of reference have been reviewed and are attached at Appendix C for the Committee to consider and approve.

- 2.4 Whilst the majority of the planned work has been completed a number of issues are still being addressed:
- Work to determine the council's risk appetite needs to be completed
 - Quarterly performance indicators are being developed
 - Controls to manage strategic risks are being evaluated
 - A review of partnership risks showed that risk registers were not being maintained. This is being followed up by the business support officers to ensure that appropriate action is taken.
 - The council-wide review of operational risk registers could not be completed until all risk registers are available.

Progress on all these issues will be reported to RMG and the Audit Committee.

- 2.5 The Risk Management Strategy and action plan and quarterly progress reports provide important sources of assurance to the Audit Committee that all significant risks to the council achieving its priorities are adequately managed. The council's high level commitment to corporate governance and risk management will inform the Annual Governance Statement that the Audit Committee will be invited to approve to accompany the Statement of Accounts.

3. OPTIONS FOR CONSIDERATION

- 3.1 The Committee should consider whether the Risk Management Strategy for 2014/15 provides sufficient assurance on the adequacy of the council's risk management arrangements in 2013/14 and whether the proposed work plan will deliver similar assurance in 2014/15. If it concludes that it does provide sufficient scope to obtain assurance the Committee is invited to approve the Risk Management Strategy and action plan for 2014/15.
- 3.2 The Committee may decide not to approve the Strategy and action plan.

4. ANALYSIS OF OPTIONS

- 4.1 The Risk Management Strategy and action plan 2014/15 complies with professional guidance available and is designed to provide Members with adequate assurance to fulfill their role as set out in the Committee's terms of reference.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1 There are no additional resources implications however sound risk management should safeguard the council's assets and help ensure that value for money is achieved in the use of resources.

6. OUTCOMES OF INTEGRATED IMPACTASSESSMENT (IF APPLICABLE)

6.1 An Integrated Impact Assessment is not required.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

7.1 The draft strategy is the result of consideration of professional guidance and has been agreed by the Risk Management Group. The group is made up of representatives from each service and is therefore the outcome of a comprehensive consultation process.

7.2 There are no conflicts of interests to declare.

8. RECOMMENDATIONS

8.1 That the Audit Committee considers the assurance provided by the Risk Management Strategy and action plan on the adequacy of the council's risk management arrangements in 2013/14, and whether the proposed work plan will deliver similar assurance in 2014/15.

8.2 That the Audit Committee approves the Risk Management Strategy for 2014/15.

8.3 That the Audit Committee approves the Terms of Reference for the Risk Management Group.

DIRECTOR OF POLICY AND RESOURCES

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Date: 25 March 2014

Background Papers used in the preparation of this report: None



INVESTOR IN PEOPLE



Risk Management Strategy & Action Plan 2014/2015

One council: putting our customers first

North Lincolnshire Council

Risk Management Policy Statement 2014/15

North Lincolnshire Council (NLC) recognises and accepts its responsibility to manage risks effectively in a structured manner in order to achieve its priorities and enhance the value of services provided to the community.

Risk is present in everything we do and it is therefore our policy to identify, evaluate and manage the key areas of risk on a pro-active basis. We seek to embed risk management into the culture of NLC and the behaviour of all people involved in the management, operation and development of NLC. Risk management needs to be embedded throughout all processes, projects and strategic decisions, including procurement and contracting which will ensure partnerships and third party relationships are fully compliant with the Risk Management Policy and Strategy of NLC.

The aim of our risk management framework is that it is fit for purpose and to:

- Support the priorities of the council and Financial Strategy
- Identify and manage risk and opportunities of the council and its partners
- Reduce the risk of fraud and waste and provide better VFM for the council
- Enable the council to anticipate and respond to changing conditions
- Minimise the likelihood of injury, damage and loss
- Embed risk and opportunity management into key council arrangements

In order to establish which risks will threaten the ability of NLC to achieve its priorities it is important the level of risk which the council considers acceptable for the organisation to be exposed to, that is the risk appetite of NLC, is defined.

The council also recognises that risk management is as much about exploiting opportunities as it is about managing threats. Risks need to be managed rather than avoided, and consideration of risk should not stifle innovation.

Risk management is integral to the Corporate Governance Framework and supports the Annual Governance Statement. The Risk Management Policy Statement and Strategy form an integrated framework that supports NLC in the effective management of risk. In implementing our management of risk management framework we seek to provide assurance that the identification and management of risk plays a key role in the delivery of our Strategy and related objectives.

We will involve, empower and give ownership to all of our staff in the identification and management of risk, provide appropriate training and raise awareness of new and emerging risks through newsletters and council-wide communications. Management of risk activity will be regularly supported through discussion and appropriate action by senior managers. This will include a comprehensive review and confirmation of the significant risks, evaluating their mitigation strategies and establishing supporting actions to be taken to reduce them to an acceptable level. Managing risks will be an integral part of both strategic and operational planning and the day to day running, monitoring and developing of NLC.

Signed: 

Audit Committee Chair

Date: 30/4/2014.

Signed: 

Chief Executive 7 April 2014

Date:

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North Lincolnshire Council

Risk Management Strategy and Action Plan 2014/15

1. Introduction

The Public Sector faces challenging times. Financial settlements were significantly reduced and consequently difficult decisions have had to be made in setting the 2014/15 budget and developing the 2014/18 Financial Strategy.

Reductions in public spending is set to continue for the rest of the decade and local government needs to prepare to operate at a permanently reduced level of funding as a proportion of national income. The scale and pace of change in reduction in funding for council services increases potential risk. The new realities bring a greater degree of funding risk to local councils:

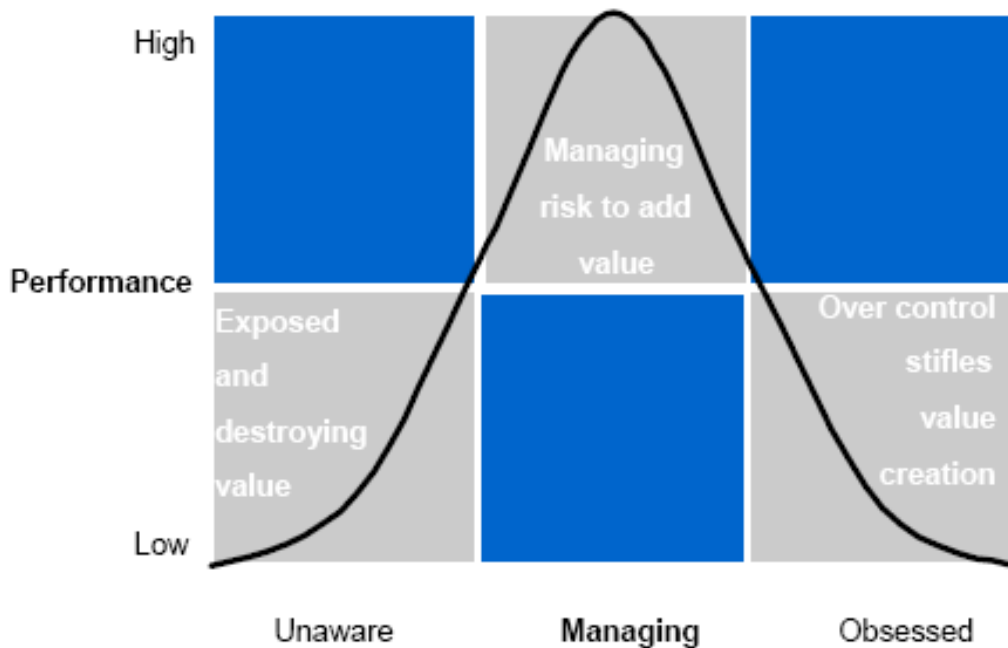
- a) Government target savings to achieve deficit reduction have increased over time, and therefore forward year projections of settlement funding are uncertain.
- b) The rebalancing of the local government finance system shows a deliberate shift from needs based distribution of government support towards incentives.
- c) There are significant demographic pressures which need to be accommodated within a lower resource envelope, including an aging population.
- d) Local tax revenues are now more explicitly tied up to the fortunes of the local economy through the Business Rate Retention Scheme and the Council Tax Support Scheme.

This all means that risk will be more important than ever and therefore needs to be managed at Council Management Team (CMT) and member level.

The council recognises the importance of managing risks adequately and its commitment is set out in the Risk Management Policy.

The aim is to manage risk rather than eliminate it. Inadequate control of risk could lead to waste, loss and poor performance. Excessive risk control can increase costs, stifle opportunities for developing effective partnerships, service delivery improvements and provides poor value for money. Successful risk management means 'getting the balance right'.

Approach to Risk



2. Aims and objectives

The aims and objectives of NLC's Risk Management Strategy are to:

- 2.1 Support the implementation of the council's Financial Strategy
- 2.2 Support the achievement of the priorities of the council
- 2.3 Integrate risk management into the culture of the council
- 2.4 Proactively identify and manage risk and maximise opportunities of both the council and those partnerships with which it is involved, in accordance with best practice
- 2.5 Enable the council to anticipate and respond to changing social, economic, environmental and legislative conditions to manage risk and maximise opportunities
- 2.6 Manage the risks associated with major projects that have a significant impact on the council's financial position and pose a reputational risk
- 2.7 Minimise the likelihood of injury, damage and loss and reduce the number of incidences and cost of risk to the council
- 2.8 Embed risk and opportunity management into policy-making, partnerships, decision making and service delivery arrangements of the council
- 2.9 Monitor outcomes that demonstrate that the risk management strategy is working and provides benefits to council tax payers.

These objectives will be achieved by:

- Clearly identifying and communicating the respective roles, responsibilities and reporting lines for managing risk
- Embedding a clear framework to identify, manage and minimise risk in the council's activities and decision making process
- Offering a platform for identifying, reviewing, prioritising and managing risk areas (strategic and operational)
- Developing a framework to allocate resources to identified priority risk areas and/or consideration of risks associated with budget savings and service delivery reductions/re-modelling

- Consideration of income generation arrangements with organisations outside the council
- Incorporating risk management considerations into the efficiency reviews of services
- Monitoring risk management arrangements via the Directorate Performance Reviews (DPRs)
- Providing opportunities for shared learning on risk management across the council and with other councils through benchmarking and professional networks
- Horizon scanning for new and emerging risks with the support of risk management advice from professional advisers
- Measure performance of risk management activities in achieving the council's priorities
- Reinforcing the importance of effective risk management as part of everyday work of all employees
- Making all partners and other providers aware of the council's risk management expectations

3. Risk Definitions

For the purpose of this Strategy the following definitions have been adopted:

Risk – a threat, event or action that will adversely affect an organisation's ability to achieve its business objectives and meet its strategies.

Risk Management - ensuring the achievement of outputs and outcomes having reliable contingency arrangements to deal with the unexpected which might put service delivery at risk.

Opportunity Risk – the risk that a better opportunity may present itself after an irreversible decision has been made.

4. Risk Appetite

Risk management is not about being 'risk averse' – it is about being 'risk aware'. Risk is ever present and some amount of risk taking is inevitable if the council is to achieve its priorities. Risk management is about making the most of opportunities and about achieving objectives once those decisions are made. By being 'risk aware' the council is in a better position to avoid threats and take advantage of opportunities.

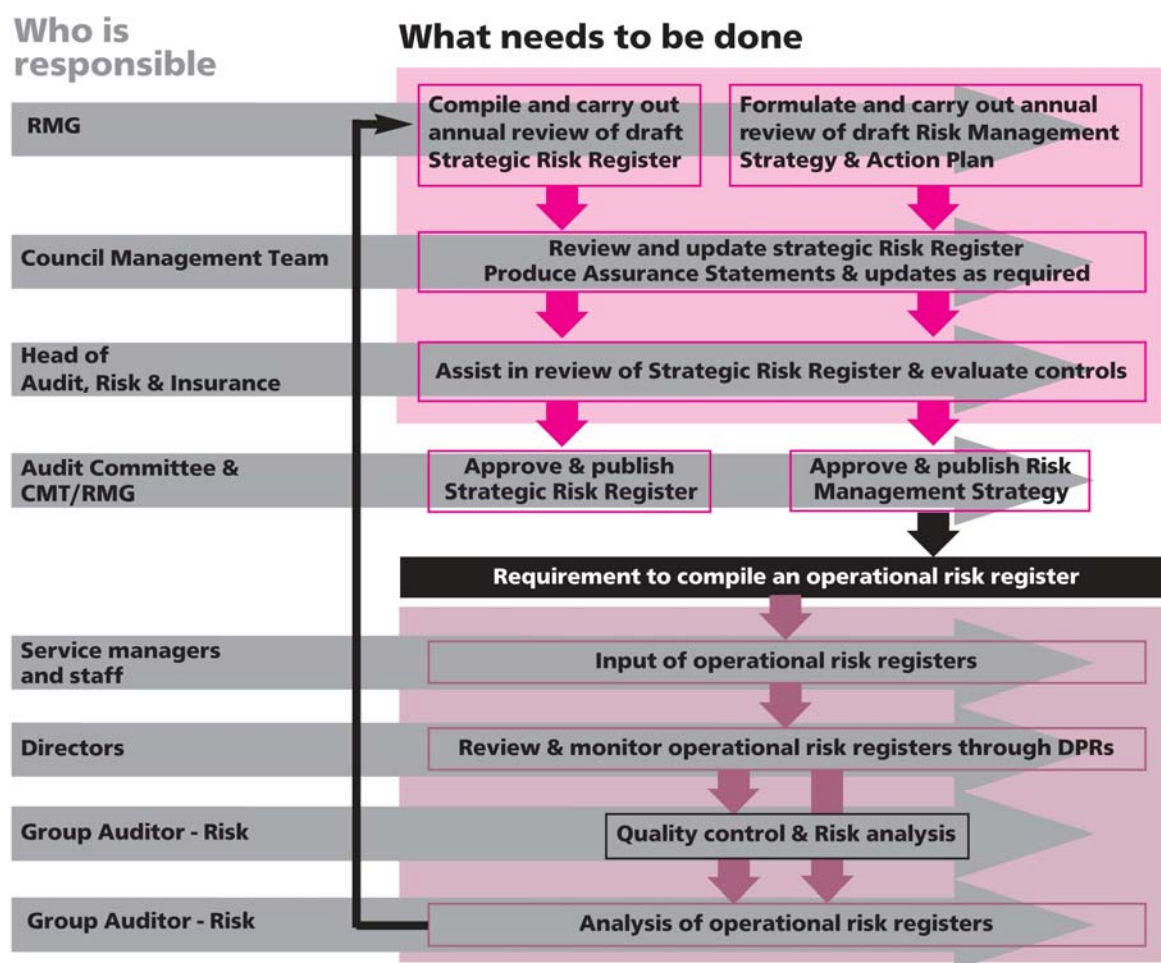
Before taking any action to reduce the level of current net risk an organisation must determine its risk appetite; 'the amount of risk that an organisation is willing to take to achieve its objectives'. Essentially, an acceptable level of risk is one where the cost of removing or further reducing the level of risk is greater than the loss incurred if that risk were to materialise. An acceptable level of risk however may vary in different circumstances in respect of specific service requirements.

It is important that the focus is on promotion of risk awareness, rather than risk avoidance. If the council's risk appetite is too low, there will be a tendency towards risk avoidance. This is counterproductive, resulting in missed opportunities and a waste of resource through excessive control.

The appetite for risk at NLC is one that embraces risk without creating a culture of blame. By being positive about risk we are actively creating greater opportunities and increasing our chances of success, however the risks we take must be managed appropriately for us to ensure success. On the following pages the council's approach to risk management is explained demonstrating how we are managing risk to enhance the delivery of our priorities.

5. Roles and responsibilities

All members, managers, employees and partners must understand the nature of risk and accept responsibility for managing those risks associated with their area of activity. The roles and responsibilities of all individuals/groups involved in the risk management process can be summarised as follows:



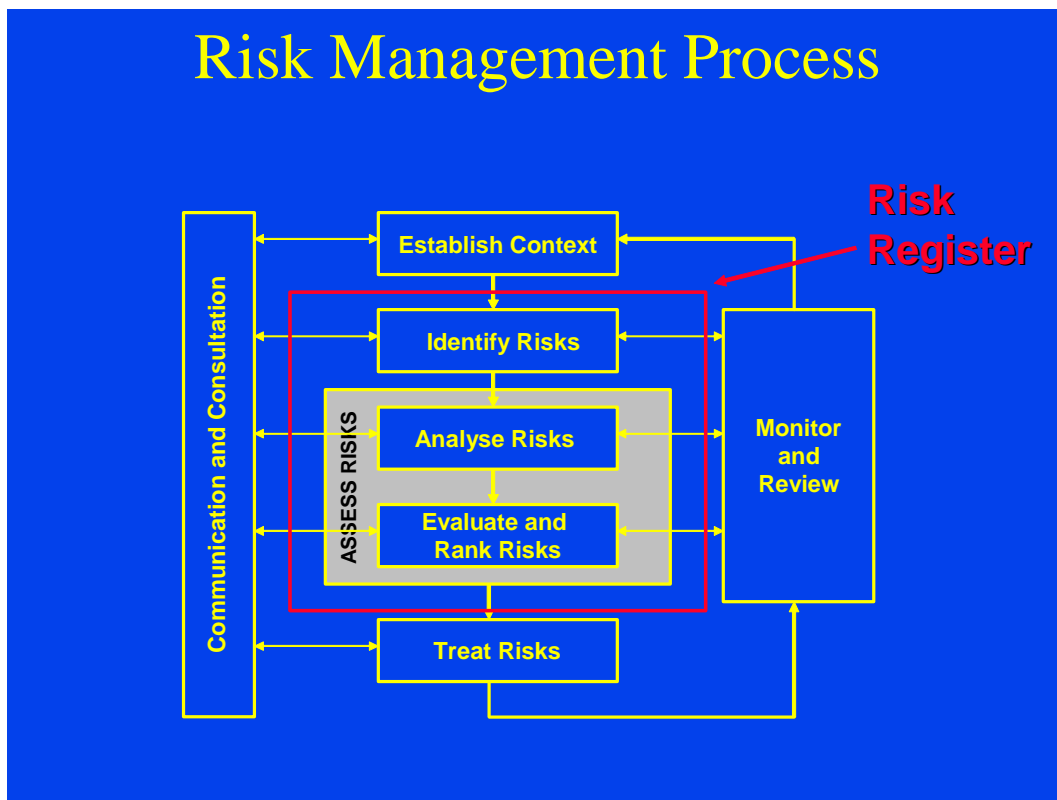
Group or Individuals	Roles & Responsibilities
Cabinet & Council	<ul style="list-style-type: none"> Consider risk management implications when making decisions
Audit Committee	<ul style="list-style-type: none"> Champion risk management throughout the council Consider and approve the Risk Management Strategy and oversee the effective management of risk by council officers Receive and consider risk management progress reports Approves the Strategic Risk Register Seek sufficient assurance that strategic risks which may

	<p>affect the council's priorities are being properly managed</p> <ul style="list-style-type: none"> • Approves the Annual Governance Statement • Be aware of the risk implications of decisions being made
Council Management Team (CMT)	<ul style="list-style-type: none"> • Drives the implementation of the council's Risk Management Strategy • Collective responsibility for the identification and management of strategic risks and opportunities • Ensure council wide implementation of the risk management framework
The Risk Management Group (RMG)	<p>Through CMT delegation:</p> <ul style="list-style-type: none"> • Support the council and its services in the effective development, implementation and review of the Risk Management Strategy • Share experience on risk, risk management and strategy implementation across the council • Promote and raise awareness on risk management issues within their services and across the council • Monitor and contribute to the implementation of the Annual Action Plan <p>The Group's Terms of Reference are shown at Appendix B</p>
Service division managers	<ul style="list-style-type: none"> • Ensure that the council manages risk effectively in each service division within the agreed framework • Review and update risks at least quarterly including monitoring controls and treatment progress • Ensure an awareness of risk culture is embedded across their respective departments and services • Maintain risk registers in their respective areas of responsibility
Head of Audit, Risk & Insurance/Group Auditor – Risk	<ul style="list-style-type: none"> • Spread the ethos of effective risk management throughout the council • Support the activities of RMG • Assist Directorates in identifying, analysing and controlling the risks that they encounter • Provide guidance and support to Directorates in relation to risk management generally • Organise and promote risk management awareness and development • Monitor and review risks and impact on performance • Develop the council's Risk Management Strategy • Drive continual improvement and update of risk management arrangements based on current best practice and benchmarking results • Carry out a corporate review of Operational Risk Registers • Support the maintenance of the risk registers on the 4Risk system • Regularly report to the Audit Committee and CMT on progress • Ensure that managing risk is integrated with other corporate processes

Internal Audit	<ul style="list-style-type: none"> • Produce a risk based audit plan that takes into account the key risks identified by the council • Provide an informed opinion on the effectiveness and adequacy of the council's risk management framework • Provide assurance on key controls identified
Employees	<ul style="list-style-type: none"> • Manage risk effectively in their job and comply with the council's Risk Management Strategy • Participate in the identification, assessment and control of threats and opportunities • Immediately reports to their manager any incident, accident, 'near miss' or any other concerns that they may have with regards to risk
Project/Partnership Managers	<ul style="list-style-type: none"> • Manage risk effectively and comply with the council's Risk Management Strategy • Ensure that key risks to project/partnership objectives are identified, recorded and managed • Ensure the project's/partnership's risks are reviewed at appropriate stages of the project/partnership • Regularly report key risks and treatment progress to the project/partnership board

6. Risk Management Process

The key stages in the council's risk management process are illustrated below. The process provides a systematic, effective and efficient way by which risks can be managed at different levels throughout the organisation.



Step 1: Establishing the Context

The first stage in the process, establishing the context, involves defining the council's priorities and understanding the factors that might influence the achievement of those priorities.

NLC has a vision and four priorities, underpinned by aims and guiding principles as shown in the diagram below:



Our council will:

- Make best use of our spending in a constructive manner, responding to our customers' priorities
- Function in a team environment and the senior management will be designed to provide high-quality, efficient and effective value-for-money services
- Work to improve the health and well-being of the residents of all of North Lincolnshire

Step 2: Risk Identification

Risk Identification is one of the first major components of a risk management process. The purpose of risk identification is to generate a comprehensive inventory of risks based on those events which might create, prevent, accelerate or delay the achievement of the council's priorities. Risks associated with specific projects and partnership working should also be identified at an early stage.

There are several methods which can be used to identify risks such as brainstorming workshops, interviews, questionnaires and SWOT analysis.

It may help to consider risks in categories, for example legal, political, technological, economic etc. A range of risk categories is provided in Appendix C.

Once risks are identified a risk register should be created. NLC uses the 4Risk system for recording its risks.

Step 3: Risk Analysis and Evaluation

The identified risks are assessed in terms of:

- The likelihood/frequency of the risk event occurring
- The severity/impact should the risk event occur

The risks need to be rated in order to prioritise those that pose the greatest threat (or opportunity). NLC has adopted a 4 by 4 likelihood and impact matrix which is provided at Appendix D. The scores for likelihood and impact are then multiplied together to give a risk rating which will ultimately form the basis for allocating resources to implementing risk control and mitigation activity.

Step 4: Risk Treatment

Once a risk has been evaluated a decision needs to be made on what action is needed to manage the risk. There are four ways that a risk can be managed:-

Tolerate – If the risk is assessed as low impact and low likelihood it may be tolerable without taking any action. This may also be the case where the cost of mitigating the risk outweighs the potential benefit.

Treat – Take action to mitigate the risk. Some identified risks will require some action to either reduce the likelihood or to mitigate the severity of the impact. Treating the risk involves setting controls.

Transfer – This involves transferring the risk to a third party as the third party may be better at managing the risk, for example insurance.

Terminate – If the risk is too great, despite adding controls, the activity could be stopped,

Step 5: Monitoring and Review

The risk owner is responsible for ensuring their risks are monitored on a regular basis. Monitoring is required to determine how the risk has changed over time. It is possible that the risk is no longer relevant or it needs reassessing. Controls also need monitoring to ensure that they are having the desired effect.

Step 6: Reporting

Reporting of risk management is integrated with the council's reporting and management of performance. It is important that risks affecting service delivery and achieving our priorities are taken into consideration when performance itself is monitored and managed. Therefore risk forms part of the reports considered at the Directorate Performance Reviews.

Risk registers are also reviewed regularly as separate items by management teams to ensure that they remain up to date and relevant.

To ensure that the risk management function receives proper scrutiny the Audit Committee receives quarterly progress reports to monitor the effective development and operation of risk management within the council.

The above reports help to inform the drafting of the Annual Governance Statement, which is required to be signed by the Leader of the Council and the Chief Executive and accompanying the council's Annual Statement of Accounts.

7. Key Risks

The council delivers services in line with its statutory duties and priorities. In order to do this effectively it is important to identify and recognise potential risks the council may face. In the next year or two the council will need to develop and implement plans to manage key external and internal risks such as:

Tidal Surge

In December 2013 North Lincolnshire experienced extreme disruption and damage caused by unprecedented weather conditions and tidal surge. The council responded positively and worked well with partnership agencies through practical support and advice provided. In setting the 2014/15 budget the council announced investment in measures (£4.9m) to protect the public through flood defence measures along the Trent and Humber.

Health and Social Care Funding

The government has set a radical challenge to improve integration between health and social care over the next five years to improve outcomes for people and to deliver better value for money. This ambitious programme involves redirecting £3.8bn of funding nationally from existing health and social care funding to a ring-fenced Better Care Fund. A programme of this scale, which involves an extensive reshaping of local services, inevitably brings risks which need to be managed.

The council has at the same time to implement the reforms embodied in the Care Bill, which brings a further set of financial risks. They include a cap on care costs for individuals from April 2016; a universal offer of deferred payments; new duties for the assessment and support of carers; and a national minimum eligibility threshold.

Business Rate Retention

The business rate retention scheme, introduced from 1st April 2013, established a National Non-Domestic rate (NNDR) baseline for the council split between a central and local share. The scheme brings a particular set of risks to North Lincolnshire. The legacy of past industrialisation means that the area is highly dependent on a small number of large enterprises. These industries are exposed to international competition over which the council has little control.

The way in which the new business rate retention scheme has been established brings risks. The scheme continues the principle of the previous local government grant support regime by continuing to redistribute baseline business rates between local authorities based on need. This locks in the historic redistribution of funding from councils judged to have a surplus (tariff authorities) to those judged to have a shortfall in resources (top-up authorities). As a tariff authority North Lincolnshire must budget to pay over £9.6m in 2014/15 out of its 50/50 share rising in line with inflation year on year.

This means that authorities are exposed to the effects of economic downturn. The most significant risk the council now faces is the potential loss of business rates income if one or more of the businesses with the largest Rateable Values were to close or lodge a successful appeal which led to a significant decrease in its Rateable Values. This would bring wider consequential losses in the supply chain.

Financial Strategy

The MTFP recognises the significant challenge and risks faced by the public sector. To set a balanced budget for 2014/15 and projected budgets for the following three years a number of significant projects and initiatives have been identified to ensure the council achieves its financial strategy and meets its efficiency targets. These include:-

- Maximising commercial income
- Integration and streamlining of services
- Service restructures which reduce staffing costs
- Better use of IT to support self-service across the organisation
- Re-commissioning of services, redesigning activities and shared services

In addition prospects for growth in north Lincolnshire in both business and council tax base have been considered through the development of the South Humber Bank, renewable energy projects and Lincolnshire Lakes and prospects of substantial funding for regeneration and business growth throughout the LEP. The council will need to manage the risks associated with changes in the assumed timing or amount of these income streams through careful budget monitoring and prompt corrective action if required.

Increasingly challenging funding settlements, volatility of major income and expenditure streams, changes to service provision and rising expectations of tax payers highlight significant financial risks to the council and emphasise the need for robust and effective risk management arrangements to be maintained.

8. Raising Awareness

Training and raising awareness are important means of ensuring that risk management is embedded in the culture of the organisation. For the risk management process to become fully embedded it is important that staff at all levels across the council are engaged within it.

The council have the following mechanisms in place to ensure that the measures contained in the Strategy are implemented throughout the council:

- Appropriate training opportunities for members and officers at all levels
- eLearning packages for the induction of new managers, officers and members
- RMG Intralinc site
- Risk pocket booklet
- RISK roundup officer newsletter
- Strategic risk lead guidance
- Risk management is included in the generic skills set in the workforce plan

9. Targets/Milestones

The aim of the Strategy is to drive forward risk management to be fully embedded in all processes and activities throughout the council and within all key partnerships. This requires ongoing commitment and continual development of arrangements to meet changing circumstances.

It is important to be able to measure what success will look like to ensure the right approach is adopted and aims and objectives are being met.

Each year RMG agree an action plan of work to:

- Maintain an effective risk management framework
- Identify new/emerging risks which may impact on the Risk Management Strategy
- Provide an effective challenge to ensure compliance with the Strategy
- Evaluate arrangements against best practice and identify areas for improvement.

The action plan for 2014/15 is shown in appendix A.

10. Effectiveness of Risk Management

As risk management is firmly set in the context of uncertainties affecting the council's priorities, it is clear that if we don't manage the risk arising from these uncertainties, the performance against our priorities may suffer. Therefore risk and performance are closely aligned.

Measuring outcomes in terms of risk management is a difficult task. What we are in fact measuring is the avoidance and impact of major events. However the ultimate measure of effective risk management is that the council:

- Has resilience to deliver its priorities and maintain business continuity
- Is protected from the possibility of being impacted upon by an unforeseen threat
- It is protected from the possibility of a foreseen threat having significantly greater impact than anticipated
- Is able to take cost effective measures to reduce or eliminate the effects of threats
- Is able to identify and take maximum advantage of any identified opportunities

Benchmarking

The development of the risk management framework and the level to which it is embedded in the working practices of the council are benchmarked on an annual basis. The council is a member of the CIPFA/SOLACE benchmarking club through which we are compared against our local authority peers.

The Model provides an assessment framework to evaluate risk management activity and maturity. The council's arrangements have been evaluated using this model. Data was analysed over seven factors and scored on a scale 1 to 5 (1 being lowest and 5 highest). The results show that arrangements are evaluated as level 4 (Embedded and Integrated) or level 5 (Driving).

Performance Measures

We currently measure and monitor that risk registers are reviewed regularly. In 2013/14 100% of Operational Risk Registers and 100% of Strategic Risk Registers were reviewed.

PIs have also been identified which indicate key risks have been managed. These are monitored through the performance framework during DPRs and performance scorecards.

Independent Validation

The council also has a number of mechanisms which provides independent validation of the risk management arrangements. These include:

- The corporate governance assurance framework that supports the Annual Governance Statement
- The work of Internal Audit
- External Audit and Inspection

11. Review and Monitoring

The Risk Management Policy and Strategy will be reviewed annually by the Risk Management team. RMG will be consulted as part of this process. The Policy and Strategy will be approved by the Audit Committee.

The Action Plan will be monitored quarterly and progress reported to RMG and the Audit Committee.

Appendix A

Risk Management Action Plan 2014/2015

Aims and objectives	Action required to achieve objective	Responsibility	Report due date	Progress to date
2.1 Support the implementation of the Financial Strategy				
	2.1.1 Schedule of reviews to confirm implementation of actions to achieve key budget reduction targets.	C. Wilson (CW)	Throughout the year	
2.2 Support the ambitions and priorities of the council				
	2.2.1 Annual review of Risk Management Policy, Strategy and Action Plan for 2015/2016 and approval thereof.	CW	March 2015	
	2.2.2 Annual review of RMG membership.	C. Andrews (CA)	March 2015	
	2.2.3 Annual review of Terms of Reference.	CA/CW/ALL	March 2015	
	2.2.4 Develop and implement a Risk Appetite Model.	CA/CW/ALL	July 2015	
	2.2.5 Review of strategic risks.	CA/ CW/ALL	June 2014	
	2.2.6 Analysis of strategic risk controls and actions.	CA	September 2014	
	2.2.7 Completion of the Annual Governance Statement.	CA	June 2014	
	2.2.8 Regular reports to CMT and Audit Committee on key risk management issues.	CA/CW	Quarterly	

2.3 Integrate risk management into the culture of the council				
	2.3.1 Annual review of operational risk controls and analysis of operational risks.	CW/SMTs	December 2014	
2.4 Proactively identify and manage risks and maximise opportunities in accordance with best practice				
	2.4.1 Evaluate the risk of fraud and controls in place.	CA	December 2014	
2.5 Enable the council to anticipate and respond to changing conditions to manage risk and maximise opportunities				
	2.5.1 Develop a programme of targeted operational risk mgt. actions arising from changes in legislation, government guidance and the key risks the council is facing.	ALL	As required	
2.6 Manage the risks associated with major projects that have a significant impact on the council's financial position and pose a reputational risk				
	2.6.1 Review arrangements for major projects/initiatives.		Throughout the year	
2.7 Minimise the likelihood of injury, damage and loss and reduce the number of incidences and cost of risk				
	2.7.1 Report on last three years accident statistics for trends, showing direction of travel. Ensure action is taken by management to minimise costs/service disruption.	JR	March 2015	
	2.7.2 Report on last three years insurance claims data for trends, showing direction of travel. Ensure action taken by management to minimise costs/ service disruption.	CA	March 2015	

2.8 Embed risk management and opportunity management into policy making, partnerships, decision making and service delivery arrangements of the council				
	2.8.1 Provision of risk management training identified through Leadership and Management Competencies, generic competencies and induction programme delivered through the corporate training plan.	HR corporate training plan	As required	
	2.8.2 Additional training and development programme in response to emerging risks for the year not met through the corporate programme. This can include member training as required.	ALL	As required	
	2.8.3 Risk Management Consultant presentation - emerging risks and national perspective. Risk & Insurance Consultant presentation – emerging risks and industry perspective.	T. Lydall (JLT) T.Courtney (ZM)	As required	
	2.8.4 Communication network of newsletters.	CA /CW	Quarterly	
	2.8.5 Produce Risk Management Guidance.	CW	July 2014	
	2.8.6 Consider risk management arrangements in partnership working.	CW	August 2014	
	2.8.7 Respond to work requested by academies e.g. training, development of registers and a toolkit.	CW	As required	
2.9 Monitor outcomes and measures that demonstrate that the Risk Management Strategy is working				
	2.9.1 Benchmark council arrangements against best practice to ensure continuous improvement.	CA/CW	July 2014	
	2.9.2 Develop quarterly performance indicator reports.	CW	Quarterly	

	2.9.3 Risk management reviews e.g. motor risk management, and maximising integration with Internal Audit and Performance.	CW	Throughout the year	
	2.9.4 Internal Audit review of risk management arrangements.	Internal Audit	May 2014	
	2.9.5 Internal Audit assurances e.g. Corporate Governance, Partnership Governance and Commissioning and Contract reviews.	Internal Audit	Throughout the year	

Appendix B – Risk Management Group Terms of Reference

Risk Management Group (RMG) is a council-wide group comprising of senior managers, representatives from specialist areas including Health & Safety and Emergency Planning, a member representative (Audit Committee chair) and is chaired by the Director of Policy & Resources. The role of the RMG is crucial to the implementation of a successful risk management programme. The RMG is a facilitating group and will enable and empower all aspects of the programme. Its terms of reference are agreed and reviewed annually by the Audit Committee and are shown below:

1. To develop a Risk Management Strategy as a key part of the council's Corporate Governance arrangements, to:-
 - a) Identify, prioritise and assess the key risks to achieving the council's priorities.
 - b) Identify any proposed areas of strategic change and prioritise and assess the key risks or opportunities that may be significant arising out of that change.
 - c) Ensure that corporate ownership of particular risks is defined through the council's process of delegations and accountability.
 - d) Assess the action taken/to be taken to adequately manage the strategic risks identified in (a) and (b) above and initiate any further action where necessary.
 - e) Determine the council's approach to the management or transfer of risk including evaluating its risk appetite.
 - f) Encourage the development of business continuity and contingency plans where necessary.
 - g) Provide a framework for the identification and management of directorate/operational risks.
 - h) Monitor the delivery of the RMG Action Plan.
2. To link the council's Risk Management Strategy with relevant corporate processes, such as financial planning & budget monitoring, vfm/efficiency agenda, service planning, performance management, and strategic commissioning & procurement together with Internal Audit's annual plan and the work of other relevant bodies e.g. Health and Safety, External Audit, school governors, etc.
3. To research and identify best practice in risk management and provide guidance and support, including relevant training, in order to create a focal point for risk management and risk reduction awareness within the council.
4. To raise awareness of risk management issues throughout the council and with external partners and to encourage members, employees and partners to manage risks effectively. This includes RISK roundup newsletters.
5. Report to CMT on key risk management issues including the Risk Management Strategy & Action Plan, review of strategic risks and evaluation of controls and compliance with risk management procedures.
6. To present quarterly reports to provide assurance to the Audit Committee on the adequacy of risk management arrangements within the council.

Appendix C

RISK CLASSIFICATION

These categories will assist at the risk identification stage in order to provide prompts to help identify risks. Risks can fall into one or more categories.

Strategic Risk Types		
Type	Risk Definition	Examples
Political	Changes in government policy.	<ul style="list-style-type: none"> • Unforeseen policy changes • Not meeting government agenda • Inappropriate strategic priorities • Too slow or failure to modernise/innovate • Decision based on incorrect information
Economic	Ability to meet financial commitments.	<ul style="list-style-type: none"> • Missed business and service opportunities • Material misuse of resources or fraud • Failure to prioritise and allocate appropriate budgets
Social	Effects of changes in democratic, residential or socio-economic trends.	<ul style="list-style-type: none"> • Failing to meet the needs of disadvantaged communities • Crime and disorder • Impact of democratic change on older people • Problems in delivering life-long learning
Technological	Failure to keep pace with technological change.	<ul style="list-style-type: none"> • Increase downtime • Major IT or project failure
Legislative	Ability to manage Current or potential changes in UK and/or EEC law.	<ul style="list-style-type: none"> • Significant breaches of statutory legislation • Fines and penalties • Inadequate response to legislative changes
Environmental	Environmental consequences of strategic objectives.	<ul style="list-style-type: none"> • Noise, contamination, pollution • Inappropriate planning and transport policies
Customer	Ability to meet changing customer needs and expectations.	<ul style="list-style-type: none"> • Poor stakeholder management • Dissatisfied customers • Poor image

Operational Risk Types		
Type	Risk Definition	Examples
Political	Ineffective leadership and management.	<ul style="list-style-type: none"> • Poor direction • Inadequate service provision
Economic	Poor financial planning and control.	<ul style="list-style-type: none"> • Missed funding opportunities • Inadequate budgetary/financial control • Inadequate insurance cover
Social	Inadequate community involvement and staffing arrangements.	<ul style="list-style-type: none"> • Ineffective stakeholder management • High staff turnover rates • Poor staff performance
Technological	Over reliance on ICT equipment and/or machinery.	<ul style="list-style-type: none"> • IT security breach • Failure to invest/maintain ICT infrastructure • Inadequate business continuity arrangements
Legislative	Breaches of legislation and local procedures.	<ul style="list-style-type: none"> • Non-compliance with statutory legislation and local terms and conditions • Exposure to liability claims
Environmental	Inefficient use of energy and increased noise pollution.	<ul style="list-style-type: none"> • Negative environmental impacts • Higher energy costs • Potential fines and penalties
Physical	Threats to the security and maintenance of assets.	<ul style="list-style-type: none"> • Misappropriation and theft • Decreasing value of assets
Partnerships	Failure of partner organisation to meet contractual obligations.	<ul style="list-style-type: none"> • Poor selection of partner • Failure of partner to deliver • Poor monitoring and performance management
Procurement/Commissioning	Failure to manage and monitor contracts/commissioning services.	<ul style="list-style-type: none"> • Unclear business cases • Failing to vet providers • Lack of market capacity • Non-compliance with procurement policies • Inappropriate contract awarding
Reputational	Failure to maintain council's reputation.	<ul style="list-style-type: none"> • Loss of confidence from customers, suppliers, regulatory authorities etc • Adverse media attention • Failure to keep partners on side • Breach of confidentiality

Appendix D

RISK MATRIX

LIKELIHOOD

HIGHLY LIKELY (4)	4	8	12	16
LIKELY (3)	3	6	9	12
UNLIKELY (2)	2	4	6	8
REMOTE (1)	1	2	3	4

IMPACT

NEGLIGIBLE (1)

MINOR (2)

MAJOR (3)

EXTREME (4)

High Priority	Score 9-16	Significant management action/control evaluation and improvement required and/or continued proactive monitoring.
Medium Priority	Score 4-8	Seek cost effective management action/control improvements.
Low Priority	Score 1-3	Seek control improvements if possible and/or monitor and review regularly.

LIKELIHOOD	
Highly Likely = Strong/very strong/inevitable (over 75%)	Score 4
Likely = Likely to occur (30% - 74%)	Score 3
Unlikely = Slight chance/could occur (10% - 29%)	Score 2
Remote = Almost impossible/only occurring in exceptional circumstances (below 10%)	Score 1

IMPACT	
Extreme = Financial loss over £5m, total service loss for a significant period, fatality/disabling injury, adverse national media coverage, severe stakeholder concern, mass complaints, significant impact on achieving council priorities	Score 4
Major = Financial loss of between £500k and £5m, major service disruption, major injury, regional media coverage, significant user complaints, significant stakeholder concern, partial failure to achieve priorities	Score 3
Minor = Financial loss of between £50k and £500k, moderate service disruption, loss time injury, local media coverage, more service user complaints, stakeholder concern, little effect on achieving priorities	Score 2
Negligible = Financial loss up to £50k, short term inconvenience, minor injury, isolated user service complaints, minor local media coverage, minor stakeholder concerns, no effect on delivering priorities	Score 1

Risk Management Action Plan 2013/2014

Aims and objectives	Action required to achieve objective	Report due date	Progress to date
2.1 Support the implementation of the Financial Strategy			
	2.1.1 Schedule of reviews to confirm implementation of actions to achieve key budget reduction targets.	Throughout the year	Complete.
2.2 Support the ambitions and priorities of the council			
	2.2.1 Annual review of Risk Management Strategy and Action Plan, and Framework for 2014/2015 and approval thereof.	March 2014	Strategy reviewed and presented to RMG 13 March 2014.
	2.2.2 Annual review of RMG membership.	March 2014	Membership confirmed RMG 13 March 2014.
	2.2.3 Annual review of Terms of Reference.	March 2014	Terms of Reference reviewed and presented to RMG 13 March 2014.
	2.2.4 Develop and implement a Risk Appetite Model.	June 2013	Papers submitted to RMG 6 June, 6 September, 17 December 2013, 13 March 2014. Further work required.
	2.2.5 Review of strategic risks	September 2013	Strategic risks were reviewed and submitted to RMG 17 December 2013 following CMT consideration. SRR approved by Audit Committee 23 January 2014.
	2.2.6 Analysis of strategic risk controls and actions arising from Position Statements provided by Directors to support the achievement of the Strategic Plan Ambitions.	September 2013	Work in progress following the review of the Strategic Risk Register.

	2.2.7 Completion of the Annual Governance Statement (AGS).	June 2013	AGS was approved by Audit Committee 25 June 2013. A further update was submitted to the Audit Committee 24 September 2013 to consider alongside the audited accounts.
	2.2.8 Regular reports to CMT and Audit Committee on key risk management issues.	Quarterly	Risk Management Progress Reports presented to Audit Committee throughout the year. The SRR was presented to CMT for consideration.
2.3 Integrate risk management into the culture of the council			
	2.3.1 Annual review of operational risk controls and analysis of operational risks.	September 2013	An analysis of top 10 risks by residual score and frequency was carried out and the results were presented to RMG on 6 June 2013. The review of Policy & Resources and Places ORRs was undertaken 2013. People's ORR will be reviewed once they have been updated by the Directorate.
2.4 Proactively identify and manage risks and maximise opportunities in accordance with best practice			
	2.4.1 Evaluate the risk of fraud and controls in place.	December 2013	A paper was presented to RMG 17 December 2013.
2.5 Enable the council to anticipate and respond to changing conditions to manage risk and maximise opportunities			
	2.5.1 Develop a programme of targeted operational risk management actions arising from changes in legislation, government guidance and the key risks the council is facing.	As required	Work captured in this Action Plan.
2.6 Manage the risks associated with major projects that have a significant impact on the council's financial position and pose a reputational risk			
	2.6.1 Review arrangements for major projects/ initiatives.	As required	Presentations delivered on Managing Risks within Fleet Management and Risks within Childrens Social Work.

2.7 Minimise the likelihood of injury, damage and loss and reduce the number of incidences and cost of risk			
	2.7.1 Report on last three years accident statistics for trends, showing direction of travel. Ensure action is taken by management to minimise costs/service disruption.	March 2014	Reported to RMG 13 March 2014.
	2.7.2 Report on last three years insurance claims data for trends, showing direction of travel. Ensure action taken by management to minimise costs/service disruption.	March 2014	Reported to RMG 13 March 2014.
2.8 Embed risk management and opportunity management into policy making, partnerships, decision making and service delivery arrangements of the council			
	2.8.1 Provision of risk management training identified through Leadership and Management Competencies, generic competencies and induction programme delivered through the corporate training plan.	As required	To accompany the Risk Management eLearning package for new starters, an eLearning Package for all staff and members has been developed and advertised through a councilwide message.
	2.8.2 Additional training and development programme in response to emerging risks for the year not met through the corporate programme. This can include member training as required.	As required	No additional requirements identified by RMG.
	2.8.3 Risk Management Consultant presentation - emerging risks and national perspective. Risk & Insurance Consultant presentation – emerging risks and industry perspective.	As required	A presentation was delivered on Risk Appetite to RMG 6 September 2013. The ZM report Risk & response has been discussed and used in reviewing the Strategic Risk Register.
	2.8.4 Communication network of newsletters.	June, September December 2013 March 2014	Issue 13 of RISK Roundup was published June 2013. Issue 14 was published September 2013. Issue 15 was published December 2013 Issue 16 is in draft format.
	2.8.5 Produce Risk Management Guidance.	June 2013	Work in progress. To be included in the 2014/15 Action Plan.

	2.8.6 Consider risk management arrangements in partnerships.	August 2013	Partnership leads have been visited. A paper was submitted to RMG 17 December 2013.
	2.8.7 Respond to work requested by academies e.g. training, development of registers and toolkit.	As required	No requests received to date. Contact details have been provided in the Services to Schools brochure.
2.9 Monitor outcomes and measures that demonstrate that the Risk Management Strategy is working			
	2.9.1 Benchmark council arrangements against best practice to ensure continuous improvement.	December 2013	Results of the CIPFA/ALARM benchmarking club were presented to RMG 6 September 2013.
	2.9.2 Produce quarterly performance indicator reports.	March 2013	An Action has been included in the 2014/15 Action Plan.
	2.9.3 Risk management reviews e.g. motor risk management, informing the Insurance tender and maximising integration with Internal Audit.	Throughout the year	An opportunity for better integration of risk with performance has been included in the January 2014 Scorecard.
	2.9.4 Internal Audit review of risk management arrangements.	April 2013	Findings of the review were reported to RMG 6 June 2013 and Audit Committee 25 June 2013.
	2.9.5 Internal Audit assurances e.g. Corporate Governance and Partnerships Governance	Throughout the year	The findings from the Corporate Governance audit were presented to RMG 6 June 2013. A summary of findings for the following audits were reported to RMG 6 September 2013 – Partnership Governance Follow Up, Localism Act, Performance Management and Data Quality.

NORTH LINCOLNSHIRE COUNCIL

RISK MANAGEMENT GROUP

TERMS OF REFERENCE

1. To develop a Risk Management Strategy as a key part of the council's Corporate Governance arrangements, to:-
 - a) Identify, prioritise and assess the key risks to achieving the Council's priorities.
 - b) Identify any proposed areas of strategic change and prioritise and assess the key risks or opportunities that may be significant arising out of that change.
 - c) Ensure that corporate ownership of particular risks is defined through the council's process of delegations and accountability.
 - d) Assess the action taken/to be taken to adequately manage the strategic risks identified in (a) and (b) above and initiate any further action where necessary.
 - e) Determine the council's approach to the management or transfer of risk including evaluating its risk appetite.
 - f) Encourage the development of business continuity and contingency plans where necessary.
 - g) Provide a framework for the identification and management of directorate/operational risks.
 - h) Monitor the delivery of the Risk Management Group Action Plan.
2. To link the council's Risk Management Strategy with relevant corporate processes, such as financial planning & budget monitoring, vfm/efficiency agenda, service planning, performance management, and strategic commissioning & procurement together with Internal Audit's annual plan and the work of other relevant bodies e.g. Health and Safety, External Audit, school governors, etc.
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12.02.2014