Report of the: Director of Policy and
Resources

Agenda
Item No:8
Meeting: 12 April 2016

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

RISK MANAGEMENT STRATEGY 2016/17

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 To approve the Risk Management Strategy for 2016/17 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 2016/17 is attached in Appendix 1. 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 the risk management policy (endorsed by the Chair of this Committee and Chief Executive) demonstrates 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 2015/16 (Appendix 2). RMG's terms of reference have been reviewed and are attached at Appendix 3 for the Committee to consider and approve.

2.4 The majority of the planned work has been completed. The only area yet not fully developed is opportunity management and this work is carried forward to the 2016/17 action plan and further progress will be reported to the Audit committee during the year.

2.5 From 1st April risk management work will be coordinated through the Audit, Risk, Fraud and Insurance shared service with NELC. During 2016/17 opportunities for amalgamation of processes and procedures will be explored at both councils to identify best practice and improve assurance provided. The outcome of this work will be reflected in the 2017/18 Risk Management Strategy.

2.6 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 2016/17 provides sufficient assurance on the adequacy of the council's risk management arrangements in 2015/16 and whether the proposed work plan will deliver similar assurance in 2016/17. 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 2016/17.

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 2016/17 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 CONLICTS 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 2015/16, and whether the proposed work plan will deliver similar assurance in 2016/17.

8.2 That the Audit Committee approves the Risk Management Strategy for 2016/17.

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

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DIRECTOR OF   POLICY AND RESOURCES

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Date: 11 March 2016

Background Papers used in the preparation of this report: None

Risk Management
Strategy & Action Plan
2016/2017

aspiring | inspiring
people | places

North Lincolnshire Council

Risk Management Policy Statement 2016/17

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.

From 1 April 2016 risk management forms part of the back office Shared Service with NELC. During 2016/17 opportunities for alignment of arrangements will be explored.

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: _P.Clark_

Audit Committee Chair

Date: 14/04/2016.

Signed: _Sim Drive_

Chief Executive

Date: 14/4/16

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North Lincolnshire Council

Risk Management Strategy and Action Plan 2016/17

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 council's 2016/17 budget and developing the 2016/20 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:
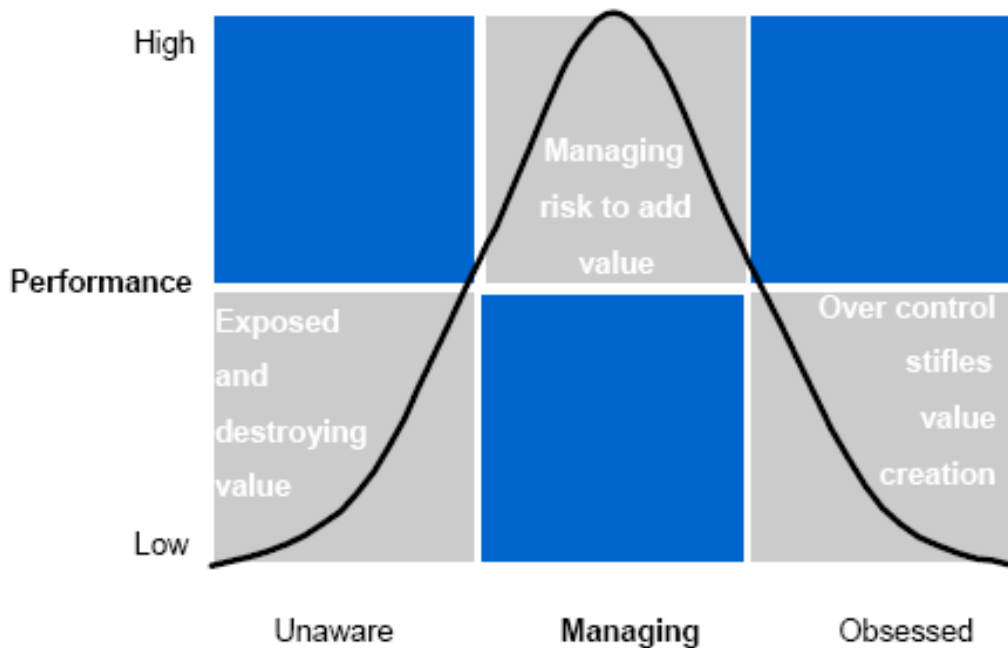
a) Government target savings to achieve deficit reduction have increased over time, and therefore forward year projections of settlement funding are uncertain.
b) The rebalancing of the local government finance system shows a deliberate shift from needs based distribution of government support towards 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 could adversely affect an organisation's ability to achieve its business objectives and meet its strategies.

Risk Management - ensuring the achievement of outputs and outcomes and 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.

Risk Appetite - the amount of risk that an organisation is willing to take to achieve its objectives.

Risk Tolerance – the boundaries of risk taking outside which the organisation is not prepared to venture in the pursuit of its objectives.

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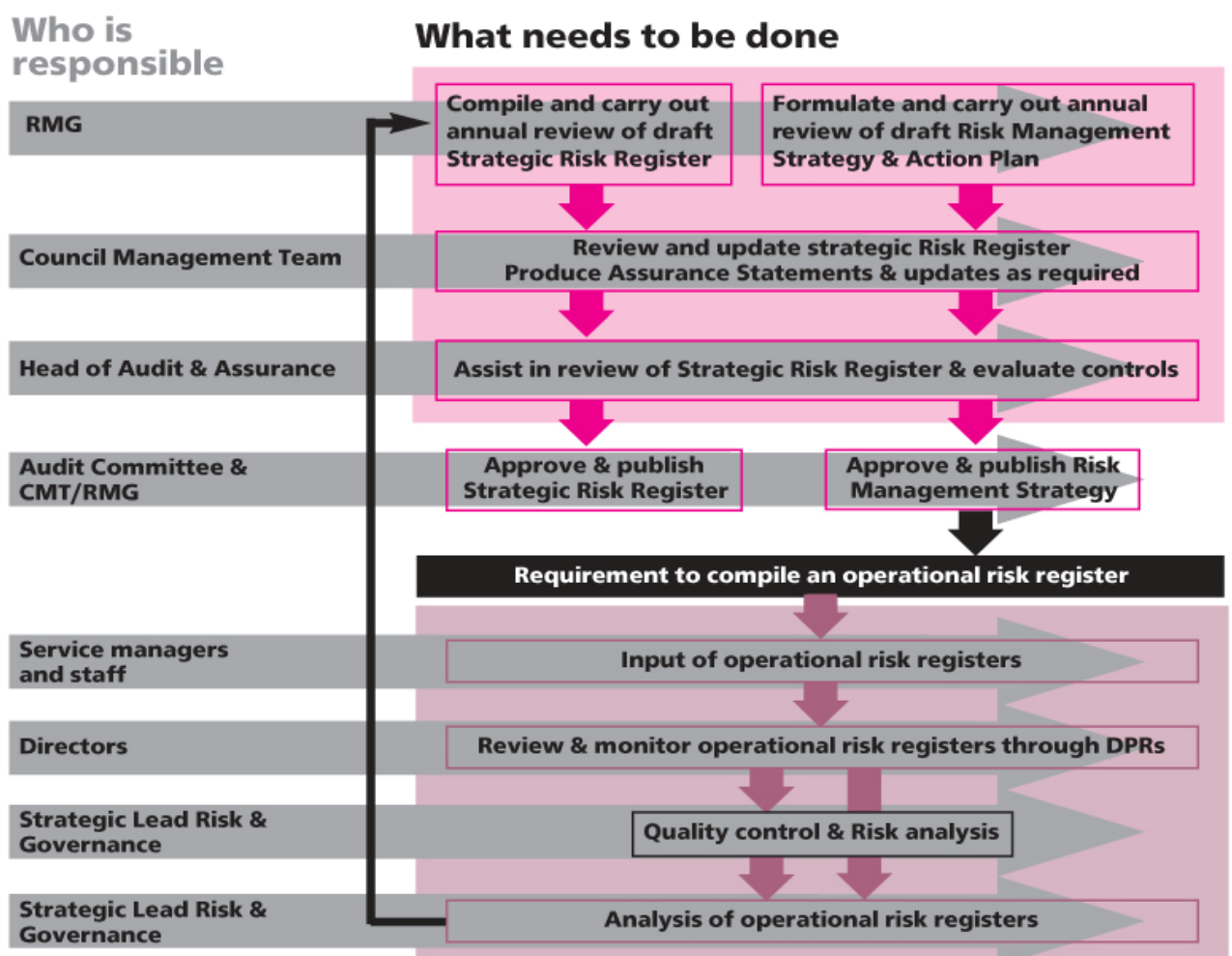
It is important that the focus is on promotion of risk awareness, rather than risk avoidance. If the council's risk appetite is too low, there will be a tendency towards risk avoidance. This is counterproductive, resulting in missed opportunities and a waste of resource through excessive control.

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.

The council's risk appetite and tolerance is shown on the Risk Matrix at Appendix D. All the risks that sit above the black line are deemed to be 'out of tolerance' and must be brought to the attention of RMG for review.

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:
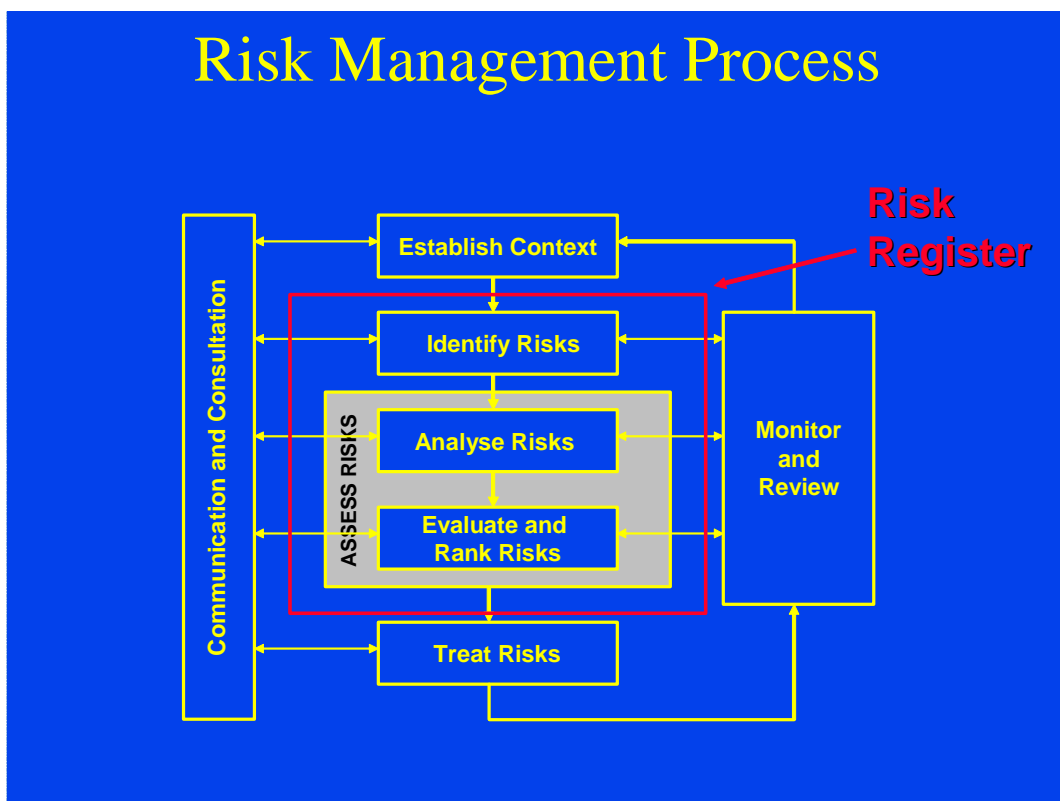

Group or Individuals	Roles & Responsibilities
Cabinet & Council	• Consider risk management implications when making decisions
Audit Committee	• Champion risk management throughout the council • Consider and approve the Risk Management Strategy and oversee the effective management of risk by council officers

	• Receive and consider risk management progress reports • Approves the council's risk appetite • Approves the Strategic Risk Register • Seek sufficient assurance that strategic risks which may affect the council's priorities are being properly managed • Approves the Annual Governance Statement • Be aware of the risk implications of decisions being made
Council Management Team (CMT)	• 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)	Through CMT delegation: • 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 • Guide the council in defining its risk appetite The Group's Terms of Reference are shown at Appendix B
Service division managers	• 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 & Assurance/Strategic Lead Risk & Governance	• 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	• 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	• 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	• 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 five priorities, underpinned by aims and guiding principles as shown in the diagram below. A key development to achieve the Strategy is to improve cross council working.

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 – a process commonly known as the five T's:-

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.

Take the Opportunity – This option is not an alternative to the above; rather it is an option which should be considered whenever tolerating, transferring or treating a risk.

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/Opportunities

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 and opportunities such as:

Business Rates

Business rates in North Lincolnshire are substantial and can be volatile:

a) Over half the tax base is concentrated in a small number of large-scale industrial enterprises which are exposed to national and international economic conditions over which the council has little control. These are predominantly the steel, petro-chemical and power industries. The current uncertainty over the prospect for the steel industry is a good example.
b) Large scale appeals against rateable values by large enterprises can be expensive, with back-dated refunds and a reduction in future collectable business rates. The recent cost of refunds to Tata and Lindsey Oil was £14m.
c) The current business rates retention scheme redistributes business rates between local authorities based on need. It 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. As a tariff authority North Lincolnshire must pay over £9.9m of its share in 2016/17, and a further levy of £1.1m on expected growth.
d) The next revaluation is 2017. This could have redistributive effect between areas of the country, both positive and negative.
e) Full relocalisation of business rates in 2019/20 increases the local share from 50% to 100%, potentially doubling the local impact of taxbase increases and reductions.

Council Tax

The council tax taxbase is subject to less volatility, but has its own set of risks and opportunities:

a) Although a local tax, government sets the statutory framework and the Secretary of State currently requires referendum to be held where a local council wishes to increase the tax by more than 2% a year.
b) Its health depends on the local economy and in a downturn more households attract a tax discount funded locally. This shifts the risk and cost from national to local taxation as the previous Council Tax Benefit was funded nationally.
c) The plan is formulated around an expectation of growth above trend with the Lincolnshire Lakes development. This is an important part of delivering the budget strategy, but is subject to decisions by developers and general economic conditions which affect market demand.
d) New Homes Bonus is linked to the successful growth of the local economy and is paid by government for every house added to the taxbase.

Enterprise Zone

The Chancellor announced 26 new or extended Enterprise Zones, including the Humber. This will see an extension of the area covered by the Zone to encompass the whole of the Able Marine Park and the Logistics Park. That means local retention of 100% of the business rate growth for 25 years for these areas, compared to 37% current retention rate in North Lincolnshire, however it is the LEP that controls this funding, not the Council.

New Legislatives Requirements in People

These requirements are extensive:

- The Care Act 2014 with its radical reform agenda: health and social care integration; well-being and prevention; commissioning and provider failure; wider assessment and eligibility; greater support to carers. Extended responsibilities for young people in care; challenging reforms to adoption processes.
- The drive for improved educational achievement: to secure better outcomes; better support for children with special needs; wider participation in early years and full participation in education and training up to the age 18.
- The potential impacts of radical reforms to welfare.

Transformation & Commercial Agenda

The financial strategy introduces more self-reliance to meet reduced government funding through significant transformation (£2.3m) and income generation initiatives. The council is committed to continuous transformation to develop lean and innovative initiatives to reduce costs and deliver services that customers need in the most efficient way and improve vfm. This will be delivered through customer access programme based on the principle of digital first, rationalisation of assets, and integrated and modernised ICT systems to improve data flows and improve efficiency. This is supported by investment in management capacity to deliver better outcomes for less, rationalise systems and applications, delivery of shared services initiatives and savings through re tender and achievement of the procurement strategy. A second strand to reduce overall costs is to increase income through external funding and developing and managing our service commercially to ensure sustainability.

These approaches present new opportunities and risks for the council to manage and require a shift in culture which will be reflected in the council's risk appetite determination.

8. Partnership Risk/Shared Services

A significant change for 2016/17 is the implementation of shared back office services with North East Lincolnshire Council (Finance, HR, IT and Legal). This will bring a reduction in staff, changes to working practices and reprioritisation of resources. The transition year will impact on governance arrangements across both councils and this has been recognized in the Action Plan.

It is recognised that Partnership Working is a key and growing area where associated risk needs to be identified and controlled. Managers have a duty to identify and manage the risks of delivering council priorities through partnership arrangements and to ensure that the partnerships they are involved in have effective risk management arrangements in place. Partnerships will be managed in accordance with the council's Partnership Toolkit which includes maintaining a risk register.

9. 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
- Quick Guide to Risk Management
- RISK roundup officer newsletter
- Strategic risk lead guidance
- Risk management is included in the generic skills set in the workforce plan

10. 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 2016/17 is shown in appendix A.

11. 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 arrangements are evaluated at level 4 (Embedded and Integrated) in 5 areas and two areas at level 5 (Driving).

Performance Measures

We currently measure and monitor that risk registers are reviewed regularly. In 2015/16 100% 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. KPIs and other significant indicators have been mapped to the strategic risks and are reported to RMG to indicate how well strategic controls are operating.

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

12. 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 2016/2017

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 Review risk management arrangements in light of Shared Services.	CW	Throughout the year. Implementation by March 2017	
2.2 Support the ambitions and priorities of the council				
	2.2.1 Annual review of Risk Management Policy, Strategy and Action Plan for 2017/2018 and approval thereof.	CW	March 2017	
	2.2.2 Annual review of RMG membership.	CW/ALL	March 2017	
	2.2.3 Annual review of Terms of Reference.	CW/ALL	March 2017	
	2.2.4 Review of strategic risks.	CW/ALL	September 2016	
	2.2.5 Analysis of strategic risk controls and actions.	CW	January 2017	
	2.2.6 Review the Annual Governance Statement and Corporate Governance arrangements in light of the new CIPFA SOLACE Corporate Governance Framework.	CW	March 2017	
	2.2.7 Completion of the Annual Governance Statement.	CW	June 2016	

	2.2.8 Regular reports to CMT and Audit Committee on key risk management issues.	P. Hanmer (PW)/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 2016	
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.	Mark Edwards	December 2016	
	2.4.2 Explore and consider implementing an Opportunities Management Framework.	CW	December 2016	
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 and significant risks including transformation work.		Throughout the year	
	2.6.2 Review project risk registers.		December 2016	
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.	Debbie Searles	March 2017	

	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.	CW	March 2017	

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.	S. Hales (JLT)	As required	
	2.8.4 Communication network of newsletters.	CW	Quarterly	
	2.8.5 Consider risk management arrangements in partnership working.	CW	June 2016	
	2.8.6 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.	CW	December 2016	
	2.9.2 Develop performance indicator reports.	CW	Throughout the year	

	2.9.3 Risk management reviews e.g. motor risk management, and maximising integration with Internal Audit.	CW	Throughout the year	
	2.9.4 Internal Audit review of risk management arrangements.	Internal Audit	June 2017	
	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

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) Ensure regular review of strategic risks including outcomes and performance data.

   e) 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.

   f) Determine the council's approach to the management or transfer of risk including in accordance with its defined risk appetite.

   g) Encourage the development of business continuity and contingency plans where necessary.

   h) Provide a framework for the identification and management of directorate/operational risks.

   i) 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, Partnership Framework, decision making and democratic process and strategic commissioning & procurement together with Internal Audit's annual plan and the work of other relevant bodies e.g. Health and Safety, Insurance, External Audit, school governors, etc.

3. To research and identify best practice in risk management (including Benchmarking evaluation) 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.	• 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.	• 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.	• 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.	• Increase downtime • Major IT or project failure
Legislative	Ability to manage Current or potential changes in UK and/or EEC law.	• Significant breaches of statutory legislation • Fines and penalties • Inadequate response to legislative changes
Environmental	Environmental consequences of strategic objectives.	• Noise, contamination, pollution • Inappropriate planning and transport policies
Customer	Ability to meet changing customer needs and expectations.	• Poor stakeholder management • Dissatisfied customers • Poor image

Operational Risk Types		
Type	**Risk Definition**	**Examples**
Political	Ineffective leadership and management.	• Poor direction • Inadequate service provision
Economic	Poor financial planning and control.	• Missed funding opportunities • Inadequate budgetary/financial control • Inadequate insurance cover
Social	Inadequate community involvement and staffing arrangements.	• Ineffective stakeholder management • High staff turnover rates • Poor staff performance
Technological	Over reliance on ICT equipment and/or machinery.	• IT security breach • Failure to invest/maintain ICT infrastructure • Inadequate business continuity arrangements
Legislative	Breaches of legislation and local procedures.	• Non-compliance with statutory legislation and local terms and conditions • Exposure to liability claims
Environmental	Inefficient use of energy and increased noise pollution.	• Negative environmental impacts • Higher energy costs • Potential fines and penalties
Physical	Threats to the security and maintenance of assets.	• Misappropriation and theft • Decreasing value of assets
Partnerships	Failure of partner organisation to meet contractual obligations.	• Poor selection of partner • Failure of partner to deliver • Poor monitoring and performance management
Procurement/ Commissioning	Failure to manage and monitor contracts/commissioning services.	• 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.	• Loss of confidence from customers, suppliers, regulatory authorities etc • Adverse media attention • Failure to keep partners on side • Breach of confidentiality/IT Governance breach

Appendix D

RISK MATRIX

LIKELIHOOD

	NEGLIGIBLE (1)	MINOR (2)	MAJOR (3)	EXTREME (4)
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

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 2015/2016 (in date order)

Action required to achieve objective	Responsible Officer(s)	Progress to date
May 2015		
2.1.1 Schedule of reviews to confirm implementation of actions to achieve key budget reduction targets	CW	Complete
June 2015		
2.2.7 Completion of the Annual Governance Statement	CA	Complete - AGS approved by Audit Committee 23 June 2015. A further update was submitted for the Committee to consider alongside the audited accounts 22 September 2015.
2.2.8 Regular reports to CMT and Audit Committee on key risk management issues	CA/CW	Complete - Risk Progress report was presented to Audit Committee 23 June 2015.
2.6.1 Review arrangements for major projects/ initiatives	Phillipa Thornley	Complete - PT delivered a presentation to RMG on 8 June 2015 on information governance risks.
2.8.4 Communication network of newsletters	CW	Complete - Issue 20 of RISK roundup was presented to RMG 8 June 2015.
2.8.5 Consider risk management arrangements in partnership working	CW	Complete - Findings from the Partnership Governance audit review was reported to RMG 8 June 2015.
2.9.2 Develop and produce quarterly performance indicator reports	CW	Complete - Performance Indicator report was presented to RMG 8 June 2015.
2.9.5 Internal Audit assurances – Corporate Governance	CW	Complete - Findings from the Corporate Governance audit review were reported to RMG 8 June 2015.

September 2015		
2.2.5 Review of Strategic Risks	CA/CW	Complete - SRR has been reviewed and the draft was presented to RMG 9 September 2015. Approval by CMT 18 November 2015. Approved by Audit Committee January 2016. The council's top 10 risks have been evaluated the results of which were presented to RMG.
2.2.8 Regular reports to CMT and Audit Committee on key risk management issues	CA/CW	Complete – Risk Management Progress report was presented to Audit Committee 9 September 2015.
2.6.1 Review arrangements for major projects/ initiatives	JW/PS	Complete - Jason Whaler and Paul Smith delivered a presentation on cyber risks at RMG 9 September 2015.
2.8.4 Communication network of newsletters	CW	Complete - Issue 21 was presented to RMG 9 September 2015.
2.9.5 Internal Audit assurances – Lone Working	CW	Complete - Findings from the Lone Working Follow Up audit were reported to RMG 9 September 2015.
December 2015		
2.3.1 Annual review of operational risk controls and analysis of operational risks	CW/SMTs	Complete - A review of operational risk registers was carried out in November 2016 and the results from the review were reported to RMG 11 December 2015. A review of Partnership risk registers was completed in February 2016.
2.4.1 Evaluate the risk of fraud and controls in place	CA	Complete - A Counter Fraud Update was presented to RMG 11 December 2015.
2.6.1 Review arrangements for major projects/initiatives	MW	Complete - MW delivered a presentation on Shared Services.
2.8.4 Communication network of newsletters	CW	Complete - Issue 22 was presented to RMG 11 December 2015.

2.9.1 Benchmark council arrangements against best practice to ensure continuous improvement	CA/CW	Complete - The Benchmarking return was completed and submitted to CIPFA/Alarm September 2015. The results were presented to RMG 11 December 2015.
2.9.2 Produce quarterly performance indicator reports	CW	Complete – A progress report was presented to RMG 11 December 2015.
January 2016		
2.2.6 Analysis of strategic risk controls and actions	CA/CW	Work in progress – Position statements have been sent to key officers for comment.
2.2.8 Regular reports to CMT and Audit Committee on key risk management issues	CA/CW	Complete – Risk Management Progress report was presented to Audit Committee January 2016.
March 2016		
2.2.1 Annual review of Risk Management Strategy & Action Plan and framework for 2016/2017 and approval by Audit Committee	CA/CW/ALL	Complete - The Strategy & Action Plan was presented to RMG 9 March 2016.
2.2.2 Annual review of RMG membership	CA/CW/ALL	Membership of the Group was discussed and agreed at RMG 9 March 2016.
2.2.3 Annual review of Terms of Reference	CA/CW/ALL	The Terms of Reference have been reviewed and were presented to RMG 9 March 2016.
2.4.2 Explore and consider implementing an Opportunities Management Framework	CW	Work in progress. To be carried out as part of Shared Service work.
2.6.1 Review arrangements for major projects/ initiatives	VE	VE delivered a presentation on Emergency Planning arrangements at RMG 9 March 2016.
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	DS	DS reported on accident statistics at RMG 9 March 2016.

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	CA reported on accident claims at RMG 9 March 2016.
2.8.4 Communication network of newsletters	CW	Issue 23 was presented to RMG 9 March 2016.
2.9.4 Internal Audit review of risk management arrangements	Internal Audit	CW report on findings arising from the Internal Audit review at RMG 9 March 2016.
Items with no dates attached		
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	Key risks are discussed at RMG. Presentations provide background and opportunity to confirm risk management arrangements.
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	Delivered via eLearning packages which are regularly revised and updated.
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	Member training is being reviewed.
2.8.3 Risk Management Consultant presentation - emerging risks and national perspective Risk & Insurance Consultant presentation – emerging risks and industry perspective		None delivered due to changes in personnel.
2.8.6 Respond to work required by academies e.g. training, development of registers and a toolkit	CW/CA	Risk is included in Services to Schools brochure. No requests received to date.
2.9.3 Risk management reviews e.g. motor risk management, informing the insurance tender and maximising integration with Internal Audit and Performance	CW	Internal Audit assurance reports are regularly discussed at RMG. Risk PIs identified and risk scorecard developed. Further integration with Internal Audit is a development issue for 2016.

NORTH LINCOLNSHIRE COUNCIL
RISK MANAGEMENT GROUP

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7.	To review risk management arrangements in light of Shared Services to ensure best practice is adopted.

10.03.2016