RISK MANAGEMENT FRAMEWORK - PART 3 - STRATEGY
(How we will do it)

North Herts Council's Risk Management Framework is outlined within four key documents.

Part 1 – Risk Management Framework - Policy Statement sets out the Council's commitment to the proactive management of external and internal risks within seven key principles. In order to ensure we can meet those principles, a number of objectives have to be achieved.

1 Maintenance of a robust and consistent Risk Management approach.
2 Considering any Opportunities which may present themselves whilst managing Risks.
3 Ensuring accountability and roles and responsibility for managing Risks are clearly defined and communicated.
4 Considering Risk as an integral part of business planning, service delivery, key decision making and project and partnership governance.
5 Communicating Risk information effectively through a clear reporting framework.
6 Increasing understanding and expertise in Risk Management through targeted training and the sharing of good practice.

Part 3 – Strategy provides more detail on how the Council intends to ensure these objectives are met.

1 - Maintenance of a robust and consistent Risk Management Approach

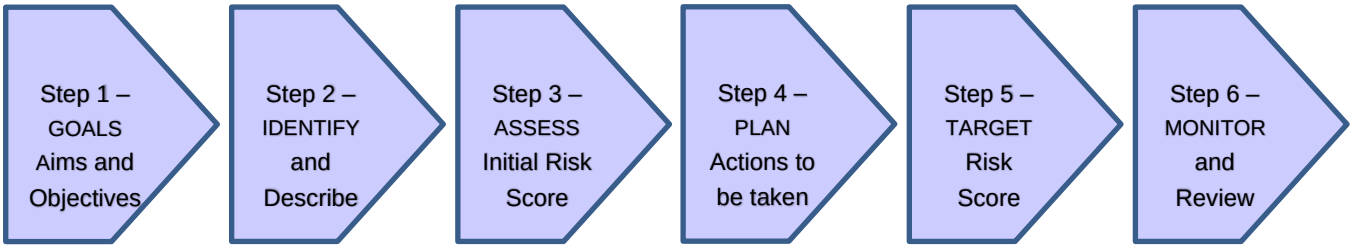
The objectives of the Risk Management Approach are to meet the seven principles outlined in Part 1 – Policy Statement:

- We will support a culture of well measured risk taking throughout the Council's business.
- We will not avoid risk but will identify and document key risks in all areas of our business, understand them and seek to proactively manage them. In managing risks, opportunities may present themselves. These will always be considered and acted on where appropriate.
- We will assess each risk, identify existing controls, and identify if further actions are required to reduce the risk. Where a risk is at a low level or has been managed down to a low level, then the risk will fall into business as usual, and the risk entry will be archived. This allows actions and monitoring to be focused on higher level risks.
- We acknowledge that even with good risk management, things will still sometimes go wrong. Where this happens, we will use lessons learned to try to prevent it from happening again. We will have Business Continuity Plans in place for each of our service areas, which identify the key functions, what the risks are and how they can be mitigated to allow them to continue operating.
- We will develop capacity and skills in identifying, understanding and managing the risks facing the Council.

- We will challenge the Risk Management Process through the use of the Risk and Performance Management Group and the Finance, Audit and Risk Committee.
- We will regularly review the Risk Management Framework and update it in line with statutory and best practice requirements.

Good risk management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly to new pressures and opportunities. Managers need to consider risk management as an integral part of their job, and the Leadership Team and Cabinet must keep the Corporate Risks faced by the Council under regular strategic review.

The following six steps are used by the Council in managing its risks:



Step 1 – Identify Council Aims and Objectives

Before we can start to identify risks, we will establish context by looking at **what we are trying to achieve** and what our proposed outcomes are. These objectives will usually be detailed in existing documents, such as:

- The Council Plan
- The Council Delivery Plan
- Service Plans
- Project Initiation Documents
- Partnership Agreements

Step 2 – Identify and Describe the Risk –What stops us from achieving objectives?

There are many different types of risks that we should consider. There are some examples in the table below. It is not necessary to detail all relevant risks, but the main ones should be considered.

Type of Risk	Example
Strategic	- Delivery of the key objectives of the Council - New political arrangements - Changes to Government policy
Operational	- Delivery and efficiency of services, specifically around day-to-day work - New initiatives, ways of working and relationships with partners - Monitoring arrangements - Levels of service usage - Day-to-day management of buildings
Information	- Accuracy of data, systems or reported information - Appropriate transfer and sharing of data - Security of data and systems - Management and control of knowledge resources, e.g. the retirement of a key member of staff
Reputation	- The Council's brand or image - Customer experience - Negative publicity - Levels of complaints - Levels of public confidence and participation
Financial	- Acceptance of liabilities - Levels of funding - Levels of income - Losses by fraud / corruption - Adequacy of insurance cover - Availability of funds to deliver services / projects
People	- Employees, e.g. recruitment and managing change - Management, e.g. communication / consultation and business continuity / emergency planning arrangements - The public, stakeholders and partners, e.g. changing needs / expectations, inequalities and safeguarding - Delivery of services to minority and disadvantaged groups
Regulatory	- Adherence to regulatory environments and compliance regimes - Legislation, e.g. Health & Safety at Work Act, Data Protection, FOI, Human Rights, Equalities Act 2010, Public Sector Equality Duty 2011, Employment Law, TUPE etc. - Grant funding conditions
Environment	- Recycling, Green Issues - Impact of planning policies - Climate Change - Management of Open Spaces

It may help to consider the **cause and effect** of each risk. For example, by using the following:

Description of Risk	**Cause –Why?**	**Effect – What will happen?**
Risk of … Failure to … Lack of … Loss of … Uncertainty of … Delay in … Inability to … Inadequate … Opportunity to … Damage to …	… due to … because ...	… leads to … results in …

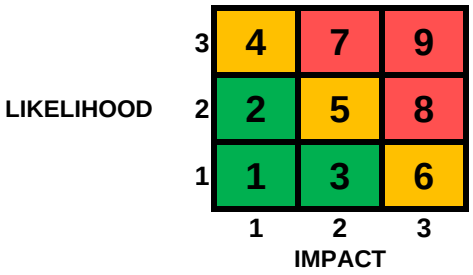
Step 3 – Assess Initial level of Risk when identified – How significant is it?

The Council assesses each risk in terms of its potential likelihood and impact, enabling actions to be prioritised. **We will actively monitor risks scoring 4 or higher on the Risk Matrix.**

Each risk should be assessed twice, to set both Initial and then Target risk levels. The first assessment – the initial risk score - is taken on the "as is" basis–what is the risk if we do nothing further and just maintain any existing controls (the score should reflect whether these are currently operating effectively or not).

To ensure consistency, risks are assessed and scored using a standard Risk Matrix - Likelihood (1-3) and Impact (1-3). The matrix uses a "traffic light" approach to show high (red), medium (amber) and low (green) risks.

RISK MATRIX:



ASSESSMENT CRITERIA:

Likelihood	
1. Low	Less than 20% likelihood
2. Medium	Between 20% and 60% likelihood
3. High	Greater than 60% likelihood
Impact	
1. Low	Consequences will be minor, and associated losses will be small
2. Medium	Will have a noticeable effect on the Council
3. High	Can have a significant impact on the Council

RISK SCORING MECHANISM:

4 Likelihood High (3) Impact Low (1) **Chance of it happening -More than 60%** **Consequences - Minor**	**7 Likelihood High (3) Impact Medium (2)** **Chance of it happening - More than 60%** **Consequences - Noticeable effect on the Council**	**9 Likelihood High (3) Impact High (3)** **Chance of it happening - More than 60%** **Consequences - Significant impact on the Council**
2 Likelihood Medium (2) Impact Low (1) **Chance of it happening – between 20 – 60%** **Consequences - Minor**	**5 Likelihood Medium (2) Impact Medium (2)** **Chance of it happening – between 20 – 60%** **Consequences – Noticeable effect on the Council**	**8 Likelihood Medium (2) Impact High (3)** **Chance of it happening – between 20 – 60%** **Consequences – Significant impact on the Council**
1 Likelihood Low (1) Impact Low (1) **Chance of it happening – less than 20%** **Consequences - Minor**	**3 Likelihood Low (1) Impact Medium (2)** **Chance of it happening – less than 20%** **Consequences – Noticeable effect on the Council**	**6 Likelihood Low (1) Impact High (3)** **Chance of it happening – less than 20%** **Consequences – Significant impact on the Council**

Step 4 – Plan actions required to reduce the Likelihood or Impact of a Risk – what can we do about it?

Not all risks can be eliminated, but they can be reduced and/or plans can be put in place to deal with the effects. The following five general approaches are used by the Council when determining relevant actions to be taken:

Transfer	Use of insurance (to transfer the financial cost), or by contracting out services (this transfers some but not all of the risks and may create different ones).
Tolerate	It may not be practical or cost effective to take effective action against some risks. In this instance, the risk should be monitored to ensure the likelihood or impact does not change.
Treat	**Most risks will be in this category.** This involves putting in place a series of mitigation actions, bringing the risk score to an acceptable level. It includes contingency planning, describing what action will need to be taken if a risk is realised.
Terminate	Quick and decisive action to eliminate a risk altogether, which would usually be linked to stopping doing the activity completely. It is unlikely that the Council will be in a position to terminate the provision of a service.

Taking an Opportunity	In managing risks, opportunities may sometimes present themselves. For example, where the take up of a new chargeable service is unknown, it might be lower than expected (a threat), or it might be higher (an opportunity).

Actions should be **SMART** (specific, measurable, achievable, realistic and timely).

Managers should list existing and additional actions required to manage the risks and set out Contingency Plans to be followed in the event of the threat materialising.

Each action should have a named Officer (the Risk Owner) and a target date for completion.

The cost of the planned actions needs to be established and, wherever possible, should not exceed the cost of the risk they are mitigating. Cost may be identified as additional funding requirements or in redeployment of staff resources. Financial costs linked to a risk or opportunity should be included in the Corporate Business Planning process. The costs associated with dealing with any risk should it materialise should be assessed and provision made on the Council's Financial Risk Register, if appropriate.

When looking at risks, we will **also consider opportunities**. Planned actions to mitigate risk should be examined to see whether they open up new possibilities to help us achieve our objectives.

Step 5 – Aim – Set a Target Risk Score – what will the actions achieve?

Once the actions have been identified, the risk will be assessed again, using the same Matrix in Step 3, this time taking into consideration the effectiveness of the identified actions in Step 4. This becomes the **Target Risk Score** and reflects the position where the risk is deemed to be **managed to an acceptable level**. If the actions in Step 4 do not manage a risk to an acceptable level, then it will be necessary to reconsider what mitigating actions should be carried out.

The Council uses the Target Risk Score to ensure that:

- **Risks are prioritised in terms of their significance;**
- **Actions are relevant and effectively managing and/or reducing the Likelihood or Impact of the risk;**
- **Risks are removed when no further actions are required.**

Step 6 – Monitor and Review Risks

Risk management is an ongoing process, and risks will be reviewed regularly to ensure that actions are being completed.

Each Risk Owner is expected to conduct a review of their risks on Ideagen Risk Management in line with the review schedule in Appendix A. These reviews should consider:

- Any new risks which have been identified.
- Whether actions have been completed by their target dates, or revisions required.
- Whether the Target Risk Score has been achieved.
- Whether additional actions are required.
- Whether risks should be proposed for archiving/closure.

Where a risk is assessed at a low level (1, 2 or 3) or has been managed down to a low level, then the risk will fall into business-as-usual and the risk entry should be proposed for archiving.

Where a risk is no longer relevant, the risk should be proposed for archiving.

Any decision to archive/close a risk will be reviewed and agreed by the Risk and Performance Management Group, prior to the change being accepted on Ideagen Risk Management. If the proposed change is not accepted, the Ideagen risk entry will be reinstated with the agreed score.

Regular reporting of Corporate Risks (those included in the Council Delivery Plan) through Risk and Performance Management Group, Leadership Team (LT), Overview and Scrutiny (O&S) and Cabinet enables senior managers and Members to be more fully aware of the extent of the risks and progression of recorded actions, along with any proposed archiving/closures.

Risk registers (Service and Corporate) are maintained on the Council's risk management software Ideagen Risk Management. This enables the Council to monitor and review risks and produce meaningful management reports.

2 - Considering any Opportunities which may present themselves whilst managing Risks

In managing risks, opportunities may present themselves. These will always be considered and acted on where appropriate.
These opportunities may take the following forms:

1. **Absence of Threats** - If the bad thing does not happen, we might be able to take advantage of something good instead. For example, if poor industrial relations do not lead to a strike, we might be able to introduce an incentive scheme and turn the situation round from negative to positive.

2. **Inverse of Threats** - Where a variable exists and there is uncertainty over the eventual outcome, instead of just defining the risk as the downside we will also consider upside potential. For example, where the take up of a new chargeable service is unknown, it might be lower than expected (a threat), or it might be higher (an opportunity).

3. **Secondary Risks** - Sometimes by addressing one risk we can make things worse (the response creates a new threat), but it is also possible for our action to create a new opportunity. Avoiding potential delays to a car journey by taking the train might also allow us to do some useful work during the journey whilst achieving a lower environmental impact.

Opportunities cannot be managed unless they are identified. When looking at risks, we will also ask whether their absence or inverse might present an opportunity. Planned actions to mitigate risk will be examined to see whether they open up new possibilities to help us achieve our objectives.

3 - Ensuring accountability and roles and responsibility for managing Risks are clearly defined and communicated

NHC expects all its officers and councillors to have a level of understanding of how risks and opportunities can affect the performance of the Council, in the achievement of our objectives, and consider the management of risk as part of their everyday activities.

Roles in the Risk Management Process

All Employees	• Manage day-to-day risks and opportunities and report risk management concerns to their line managers. • Identify any new risks relating to their service area. • Attend training and awareness sessions, as appropriate.
All Members	• Support and promote an effective risk management culture. • Constructively review and scrutinise the risks involved in delivering the Council's objectives.
Cabinet	• Risk manage the Council in delivering its objectives. • Approve the risk management Policy Statement, Policy, and Strategy. • Consider and challenge the risks involved in making any "key decisions." • Responsible for oversight of Corporate Risks (with Leadership Team).
Finance, Audit and Risk Committee (FARC)	• Provide independent assurance to the Council on the overall adequacy of the Risk Management Framework, including review of proposed amendments to the Policy Statement, Policy, and Strategy prior to its presentation to Cabinet.
Overview and Scrutiny Committee (O&S)	• Review of changes to Corporate Risks and ensure that they are considered in relation to Council performance and the Council Delivery Plan.
Shared Internal Audit Service (SIAS)	• Provide assurance that risks are being effectively assessed and managed. • During all relevant audits, challenge the content of risk registers. • Periodically undertake specific audits of the Council's risk management process and provide an independent objective opinion on its operation and effectiveness.
Leadership Team (LT)	• Champion an effective Council-wide risk management culture. • Ensure all reports contain sufficient risk implications. • Ensure Members receive relevant risk information. • Responsible for oversight of Corporate Risks (with Cabinet). • Ensure risks are considered and are part of updates to the Council Delivery Plan. • Ensure that Business Continuity Plans are in place for each service area.

Directors	• Risk manage their Directorates in delivering the Council's core objectives and outcomes and confirm annually they have done this as part of the Annual Governance Statement process. • Update risks as part of any updates to the Council Delivery Plan. • Constructively review and challenge the risks involved in decision making. • Ensure that appropriate resources and importance are allocated to the process.
Director - Resources	• Corporate Champion for Risk Management. • Promote the adequate and proper consideration of risk management to senior managers and more widely within the Council. • Ensure the Internal Audit work plan is focused on the key risks facing the Council.
Controls, Risk and Performance Team	• Design and facilitate the implementation of a Risk Management Framework within NHC ensuring it meets the needs of the organisation. • Act as a centre of expertise, providing support and guidance as required. • Collate risk information and prepare reports, as necessary. • Develop, support and promote the Council's risk management software Ideagen Risk Management and provide training where required.
Service Managers / Project Managers	• Responsible for the effective leadership and management of risk in their area of responsibility in line with the Council's Risk Management Framework. • Identify, assess and appropriately document significant risks and opportunities. • Clearly identify risk ownership. • Manage risks in line with corporately agreed timescales and policies. • Escalate risks, where appropriate. • Review risks regularly and recommend for archiving where appropriate. • Complete mandatory risk management e-learning.

Risk and Performance Management Group	• Maintain the mechanism for risk management to be discussed and disseminated across the Authority. • Review and challenge the content of risk registers. • Ensure that risk is considered alongside performance. • Provide direction and guidance to ensure that a risk-based approach is taken to the development of policies and procedures. • Support the Controls, Risk and Performance Team to implement the Risk Management Framework effectively, including reviews of risk management training. • Review recommendations and amendments to the Risk Management Framework – Policy Statement, Policy, Strategy, and Toolkit.

4 - Considering Risk as an integral part of business planning, service delivery, key decision making and project and partnership governance

The Risk Management Framework - Strategy is an essential element of strategic planning and sits under the broader umbrella of the Council Plan.

NHC has a Local Code of Corporate Governance, which includes risk management as one of the seven key principles:

"Managing risks and performance through robust internal control and strong public financial management."

For risk management to be effective and a meaningful management tool, it must be an integral part of key management processes and day-to-day working. The Chief Executive and Leader of the Council must satisfy themselves that NHC has effective corporate governance arrangements in place so that they can sign and publish an Annual Governance Statement with the annual accounts. Risks and the monitoring of associated actions are considered as part of the Council's significant business processes, including:

- Corporate Decision Making – significant risks associated with policy or action to be taken when making key decisions, are included in appropriate committee reports.
- Service Planning – this annual process should include a consideration of risks that affect service delivery outcomes.
- Project Management – all significant projects should formally consider the risks to delivering the project outcomes, before and throughout the project. This includes risks that could have an effect on service delivery, benefits realisation and engagement with key stakeholders (service users, third parties, partners etc.).Link to: Project Management Guide Final.docx
- Business Continuity – the Council has a duty to maintain plans to ensure that it can continue to function in the event of an emergency including plans for organisations that carry out services on the Council's behalf. The process identifies the key functions in a service, what the risks are and how they can be mitigated to allow key functions to continue operating. Link to: Business Continuity Process intranet page

- Partnership Working – partnerships should establish procedures to record and monitor risks and opportunities that may impact the Council and/or the partnership's aims and objectives.
- Procurement – Section 20 - Contract Procurement Rules of the Constitution clearly specifies that all risks and actions associated with the purchase need to be identified and assessed, kept under review and amended as necessary during the procurement process. Link to: Council Constitution web page
- Contract Management – all significant risks associated with all stages of contract management are identified and kept under review.
- Information Governance – the Information Security Policy sets out practices and procedures to be adopted for good information management. The Policy is available on The Hub. There is also mandatory annual refresher training in Data Protection and Freedom of Information.
- Insurance – the HCC Insurance team manages NHC's insurable risks and self-insurance arrangements. The Shared Insurance Manager presents regular updates to the RPMG.
- Health and Safety – the Council has a specific risk assessment policy to be followed in relation to health and safety risks. Health and Safety updates are taken to each meeting of the RPMG.

Corporate Governance
NHC's approach to risk management has been developed to support the key requirements of good corporate governance:

Openness and Inclusivity - Our approach to managing risks will be open and transparent and blame will not be attributed if decisions made in good faith turn out to be the wrong decisions. Officers, Members, partners, members of the public and outside organisations have access to information on our current risks and opportunities, including how we are managing them. Risk management supports and enhances our decision making process and all committee reports include information on the risks and opportunities in taking or not taking a recommended course of action.

Integrity - The control environment, which includes risk management, supports the integrity of the Council. The Risk Management Framework is key to taking informed decisions and continued service delivery.

Accountability - There is clear accountability for our risks. This includes the risk section in committee reports; an Annual Governance Statement, approved by the Finance, Audit and Risk Committee and included in the Council's Annual Accounts; an annual report to Council on risk management; and the regular internal and external audit inspections of our risks. The Council's key partners and contractors must have their own risk management plans to suit the particular circumstances of their business and their key stakeholders. The Council has major shared objectives with its partners and the principles of our approach to risk will guide how we seek to tackle these objectives in a joined-up way. Wherever practicable, joint risk registers are put in place with key partners/contractors.

So that it can manage and demonstrate how well it has embedded risk management, the Council undertakes a regular review of the implementation of the Strategy across the organisation.

5 - Communicating Risk information effectively through a clear reporting framework

Appropriate and effective reviews and reporting arrangements reinforce and support the risk management processes. They allow sufficient and accurate performance information to be passed to Risk Owners, Senior Managers, the Leadership Team (LT), and Members.

The Risk Register

The Risk Register entries on the Council's risk management software - Ideagen Risk Management, are the basic building blocks in the Strategy. The system generates reminder emails when the Next Review Date is approaching and generates up to date reports on a weekly basis, available for all to view on the system.

A Directorate Overview of risks (along with actions and Key Performance Indicators) is sent to each Director on a monthly basis. The Director will discuss that overview with their Directorate Management Team, which should include a consideration of any new risks.

The Risk and Performance Management Group reviews all new risks, decisions on not to monitor risks, proposed archiving/closures and any lessons learned when risks are archived (particularly in relation to projects). This includes consideration of the residual risks.

Ideagen Risk Management shows the Original Risk Score, the Target Risk Score and SMART actions, which should include target dates for completion.

The risk matrix is used to plot the risks and to enable Directors to prioritise risk management activities that need to be undertaken to mitigate the risks. This risk information feeds into the Corporate Business Planning process.

The Risk Register also provides an understanding on how managing or capitalising on an opportunity can help achieve the objectives.

Corporate Risks

The Corporate Risks facing the Council are those that cut across the delivery of all services, key projects and those that will affect the delivery of the Council's objectives. They are the responsibility of the Leadership Team and Cabinet. Cabinet ensure the Corporate Risks are managed appropriately.

The Corporate Risks are included in quarterly Council Delivery Plan monitoring reports, which are presented to the Risk and Performance Management Group, Leadership Team, Overview and Scrutiny Committee, and Cabinet.

The Overview and Scrutiny Committee refer any changes to Corporate Risks to Cabinet, as part of considering updates to the Council Delivery Plan.

The Finance, Audit and Risk Committee monitor the effective development and operation of risk management governance within the Council. It agrees actions put forward by officers, where appropriate, and makes recommendations to Cabinet.

Updates on risk management governance (including a summary of Corporate Risks) are reported to Finance, Audit and Risk Committee and Cabinet twice a year. Council also receives the year-end annual report from the Risk Management Member Champion.

The Finance, Audit and Risk Committee refer any amendments to the Risk Management Framework Policy Statement, Policy, and Strategy to Cabinet.

Diagram representing the review of Corporate Risks

6 - Increasing understanding and expertise in Risk Management through targeted training and the sharing of good practice

Having developed a robust approach and established clear roles and responsibilities and reporting lines, it is important to provide Members and officers with the knowledge and skills necessary to enable them to manage risk effectively.

NHC uses a range of training methods to meet the needs of the organisation. For managers, mandatory e-learning is provided via GROW Zone. Link to: GROW Zone login screen

Risk management information is also available on the intranet, including templates and further detailed guidance in the Risk Management Toolkit.

A SIAS representative sits on the Risk and Performance Management Group, along with the HCC Risk and Insurance Manager, who is able to comment on wider risk management experience. This enables the sharing of good practice with others.

Appendix A - Review Timetable		
Risk Score 7 - 9 (RED)	There are significant risks, which may have a serious impact on the Council and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of risk.	As a minimum – review every 3 months. Individual actions must be reviewed as they become due.
Risk Score 4 - 6 (AMBER)	Usually accepted, on the basis additional mitigating actions to reduce the likelihood are implemented, if this can be done cost effectively. Reassess to ensure conditions remain the same and existing/new actions are operating effectively.	As a minimum – review every 6 months. Individual actions must be reviewed as they become due.
Risk Score 1 - 3 (GREEN)	These risks are being effectively managed and any further action to reduce the risk would be inefficient in terms of time and resources. Archive on Risk Register once agreed by Risk and Performance Management Group.	As a minimum – review every 12 months.

Appendix B – Responsibilities / Oversight			
Task	**Corporate Risks**	**Service Risks**	**Project Risks**
Risks identified by:	Leadership Team Service Directors	Service Managers	Project Team Key Stakeholders
Risks owned by:	Service Directors	Service Managers	As appropriate
Risks reviewed by:	Service Directors Risk Owners	Service Managers Risk Owners	Project Managers Risk Owners
Risks scrutinised by:	Risk and Performance Management Group Leadership Team Overview and Scrutiny Committee Finance Audit and Risk Committee	Service Directors	Project Board Project Team
Risk Register (Ideagen Risk Management) updated by:	Risk Owners with support from Performance and Risk Officer if required.		
Review of Risk Management Framework by:	Director - Resources Controls, Risk and Performance Team Risk and Performance Management Group		