



Northampton Borough Council

Draft Risk Management Strategy

Document Control

Author (Post holder title)	Corporate Risk Manager
Type of document	Strategy
Version Number	V4
Document File Name	Risk Management Strategy v4
Issue date	
Document held by (name/section)	Sue Morrell/Risk Management
For internal publication only or external also?	Internal
Document stored on Council website?	No
Next review date	November 2013

Change History

Issue	Date	Comments
Version 1	13/01/09	Full update – Approved by Cabinet
Version 2	22/03/10	Minor improvements – approved by Audit Committee and Director of Finance and Support.
Version 3	23/02/11	Minor changes following audit recommendations.
Version 4		Bi-annual update

Contents

Risk Management Policy Statement	4
1. Introduction	5
1.1 Scope	6
1.2 Objectives	6
1.3 Risk Management Defined	7
1.4 The Benefits of Risk Management	7
2. Risk Management Approach	8
2.1 Risk Management Hierarchy	8
2.2 Risk Management Methodology	9
2.3 Risk Appetite	10
2.4 Risk Integration	11
3. Business Continuity Management	12
3.1 Introduction to Business Continuity Management	12
3.2 Business Continuity Approach	12
4. Roles and Responsibilities	14
5. Monitoring and Reporting Risk	17
6. Risk and Business Continuity Management Training and Support	18
7. Glossary of Terms	19
Appendix A – Action Plan	21

Northampton Borough Council

Risk Management Policy Statement

Whilst an element of risk is an integral part of everyday life, the level of exposure to risk is controllable. Northampton Borough Council will take all reasonable steps to remove or reduce sources of significant risk to its employees, assets and stakeholders.


Risk management is a positive tool that is incorporated into the management process to help achieve strategic and service objectives. The Council is committed to adopting a corporate, systematic and structured approach to the control of risk.

It is the responsibility of each individual employee to review their methods and conditions of work to ensure that significant sources of risk are removed, or controlled to an acceptable level. To assist in this, the Corporate Risk Manager will perform a facilitating role, providing information, support and expertise.

Wherever possible the Council will support any initiatives that significantly reduce the level of risk.

To give effect to this Policy Statement the Council will issue a Risk Management Strategy, the core elements include:

- Risk Management Objectives
- Risk Management Defined
- Benefits of a sound risk management function
- Risk Management Methodology
- Approach to Business Continuity
- Roles and responsibilities
- Monitoring and reporting
- Training and support



Director of Finance and Support

Chair of Audit Committee

1. Introduction

Northampton Borough Council recognises there is uncertainty in everything it does and the uncertainties present both threats and opportunities. This strategy describes how the authority will manage these uncertainties by identifying, evaluating and controlling risk, increasing the authority's success in achieving its priorities and objectives. Details of the Council's Priorities are included in the Council's Corporate Plan.

The Council has a legal responsibility to manage risk and this Strategy supports the Council in meeting its responsibilities. Some of the key duties are detailed below:

The Accounts and Audit Regulations 2011 state:

The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.

Under the Civil Contingencies Act (CCA) 2004 the Council has specific responsibilities relating to Business Continuity. All Local Authorities are classified as a Category 1 responder. As a Category 1 responder the Council is required "to maintain plans to ensure that they can continue to perform their functions in the event of an emergency, so far as is reasonably practicable."

The act goes on to explain that as a Category 1 responder the Council needs to be able to deliver the critical aspects of its own business functions to enable it to help others in an emergency situation, keeping the impact on the public to a minimum.

The Civil Contingencies Act also places a responsibility on Local Authorities to provide advice and assistance to businesses and voluntary organisations about business continuity management.

The Audit Committee is the lead Councillor body responsible for overseeing risk management across the authority and this strategy is one tool that can be used by the Audit Committee to understand the Council's adopted approach to risk management, the processes that sit behind the procedures and where the responsibilities for risk management lie within the organisation.

The Council's Risk Management Policy states that "Risk management is a positive tool that is incorporated into the management process to help achieve strategic and service objectives. The Council is committed to adopting a corporate, systematic and structured approach to the control of risk".

This strategy defines the approach Northampton Borough Council will take in managing risk as an intrinsic business function. The core elements of the strategy are:

- Risk Management Objectives
- Risk Management Defined
- Benefits of a sound risk management function
- Risk Management Methodology
- Business Continuity
- Roles and responsibilities
- Monitoring and reporting
- Training and support

1.1 Scope

This Strategy is a corporate document, affecting all service areas. The management of risk is not a service specific function but cuts across all of the Council's business areas.

The Strategy is supported by an action plan (see appendix A), that details the activities scheduled to implement the objectives of the Strategy, and the Risk and Business Continuity Management Handbook aimed at assisting Managers in identifying and managing their risks.

Recognising that the Council is striving to continually improve risk and business continuity management across the authority and that risk and business continuity management are evolving functions, the Council's Risk Management Strategy is a living document that will adapt to a dynamic environment. This strategy will be reviewed bi-annually or in response to new legislation or national standards. The Cabinet will approve any significant changes.

1.2 The key objectives of this strategy are:

1. To facilitate the achievement of Council priorities and objectives by:
 - a) Embedding an effective process of identification and management of strategic, service level and key operational, partnership and project risks.
 - b) Embedding risk management in day-to-day management processes.
 - c) Maintaining and reviewing a centrally co-ordinated register of strategic and service level risks.
 - d) Defining roles and responsibilities for risk and business continuity management within the Council.
 - e) Engendering commitment to risk and business continuity management throughout the Council.
2. To manage risks associated with partnership ventures, through the application of the Council's Partnership Protocol.
3. To manage risks associated with projects, through the Council's Programme Management processes.

4. To ensure the Council fulfils its business continuity obligations under the Civil Contingencies Act 2004.
5. To provide a corporate approach to business continuity.
6. To provide a schedule of routine testing and review of Business Continuity Plans.
7. To provide risk and business continuity training and support.
8. To define the Council's risk appetite and escalation process.
9. To increase the accessibility and visibility of the Council's Risk and Business Continuity Management processes and procedures.

These objectives will be met by:

Please see the Risk Management Strategy Action Plan, Appendix A, for a detailed breakdown of the Council's planned risk and business continuity management activities.

1.3 Risk Management Defined

The Office of Government Commerce (OGC) defines risk as:

"An uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives. A risk is measured by a combination of the probability of a perceived threat or opportunity occurring and the magnitude of its impact on objectives."

The OGC goes on to define risk management as "the systematic application of principles, approach and processes to the tasks of identifying and assessing risks, and then planning and implementing risk responses. This provides a disciplined environment for proactive decision-making".

1.4 The benefits of risk management

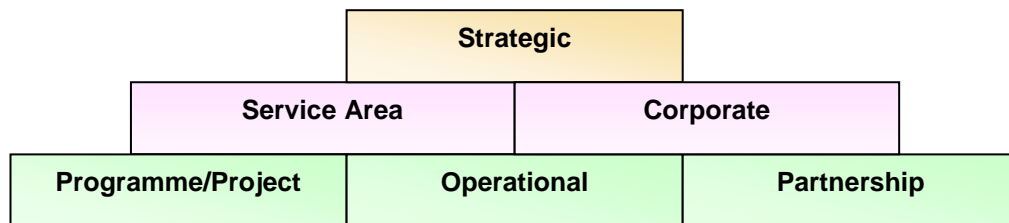
There are a number of benefits to the Council in continuing to develop and embed a sound risk management function. The key benefits include:

- Supporting the Council in achieving its priorities and objectives at all levels within the organisation.
- Providing an early warning system to alert Officers and Members to potential opportunities and threats.
- Reduction in interruptions to service delivery.
- Continuity of critical Council activities.
- Enabling the Council to act proactively, avoiding reactive management wherever possible.
- Targeting resources at areas and issues of greatest risk where the Council's objectives are most under threat.
- Better-informed decision-making throughout the Council.
- Protecting and enhancing the reputation of Northampton Borough Council.
- Providing a vehicle for external assurance.

2. Risk Management Approach

2.1 Risk Management Hierarchy

To assist in aligning risks to the Council's objectives and in defining specific roles and responsibilities, the Council has adopted a hierarchical approach to managing risk.



Strategic - Risks concerned with ensuring overall business success, vitality and viability.

Corporate - High-level risks owned by a particular service area but with crosscutting implications.

Service - Risks relating to achieving service objectives, in line with the Annual Service Plan.

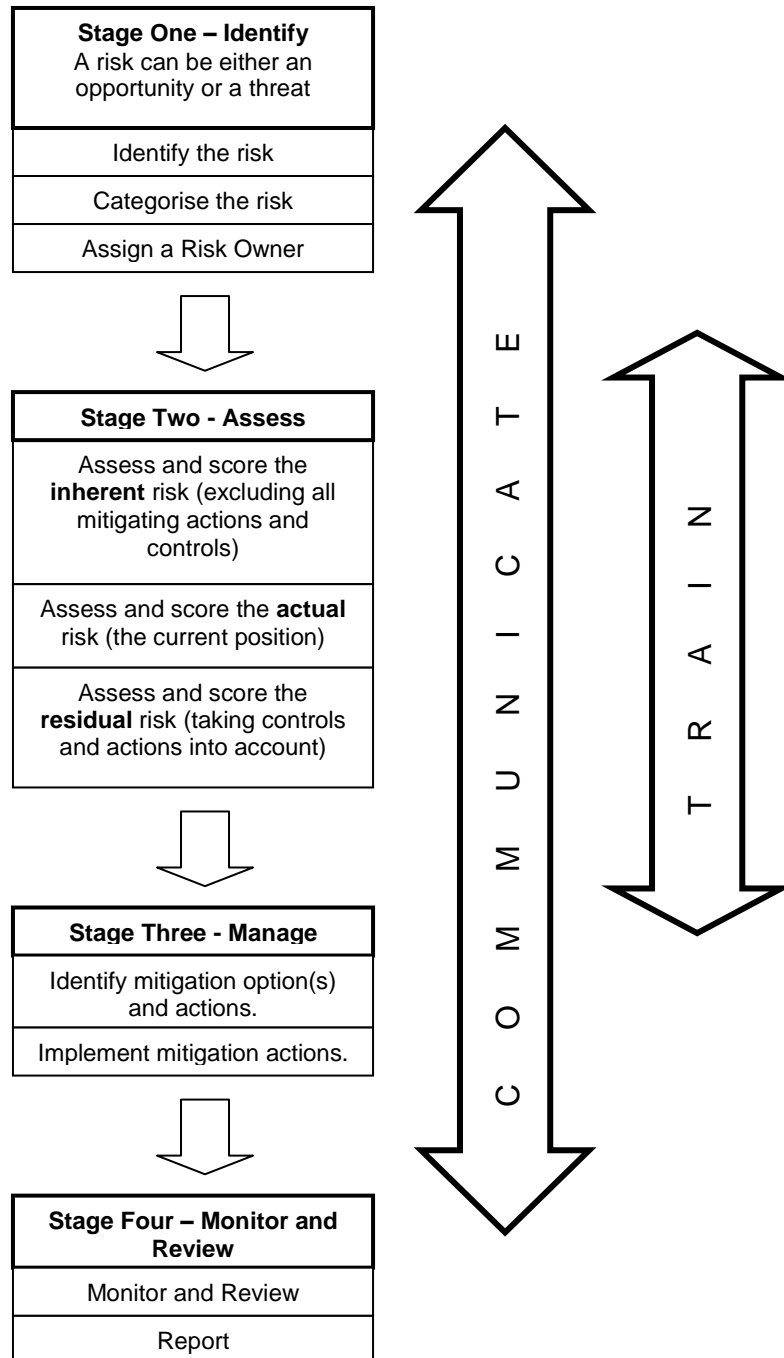
Programme, Project and Partnership - Risks relating to the delivery of a specific programme, project or partnership.

Operational - Day to day risks associated with operational activities.

2.2 Risk Management Methodology

There are four generic stages to the management of risk. Each stage should be viewed in two phases, initial and continuous. Risk Management should not be seen as a one-off exercise.

The Council's approach to each of these stages is set out in detail in the Risk and Business Continuity Management Handbook.



2.3 Risk Appetite

Recognising that the Council should not manage all risks to the same extent, scoring helps to prioritise each risk enabling the Council to understand where time and resources should be focussed.

One of the key stages for the implementation of a risk management framework is the need to define the 'risk appetite'. Risk appetite refers to the Council's attitude to taking risk and defines the amount of risk the Council considers acceptable in order to achieve its objectives.

The Council's risk appetite can be defined as set out in Table 1 below. Any residual risk scoring more than 15 is above the acceptable tolerance level and further work needs to be done to effectively manage this risk.

Table 1: Risk appetite as it relates to residual risk score

Overall Residual Risk Score	RISK APPETITE	
20-25	Unacceptable level of risk exposure which requires <i>immediate corrective action to be taken or escalation to next level</i>	EXCEEDS OUR RISK APPETITE
15-16	Unacceptable level of risk exposure which requires <i>constant active monitoring, and measures to be put in place to reduce exposure and/or escalation to next level</i>	
5-12	Acceptable level of risk exposure subject to <i>regular active monitoring measures</i>	WITHIN OUR RISK APPETITE
3-4	Acceptable level of risk exposure subject to <i>regular passive monitoring measures</i>	
1-2	Acceptable level of risk exposure subject to <i>periodic passive monitoring measures</i>	

2.4 Risk Integration

The Council aims to fully integrate its approach to risk management across all services and activities. Using existing systems of internal control, there are a number of routine management processes that support, and are supported by, the Council's risk management approach. A selection of the key processes are detailed in Table 2 below:

Table 2 Existing Systems of Internal Control

Corporate Planning	<ul style="list-style-type: none"> • Corporate plan • Service plans • Team plans
Financial Management	<ul style="list-style-type: none"> • Annual Budget Setting Process • Medium Term Financial Strategy • Capital Strategy • Treasury Management Strategy (inc. Investment Strategy)
Councillor Decision Making	<ul style="list-style-type: none"> • Reports to Full Council • Reports to Cabinet • Overview and Scrutiny Reports
Performance and Change Management	<ul style="list-style-type: none"> • Performance Management Framework, • Directorate Management Team Meetings • Change Plan
Annual Appraisals and personal development	<ul style="list-style-type: none"> • Training • Mentoring • Appraisals • One-to-ones
Partnership Plans	<ul style="list-style-type: none"> • Partnership Governance Protocol
Audit	<ul style="list-style-type: none"> • Annual Audit Programme • Audit Committee Reports • Internal and External Audit functions.
Strategic plans	<ul style="list-style-type: none"> • Anti-Fraud and Corruption Policy • People Plan • Data Quality Strategy • Whistleblowing Policy • Equalities Strategy
Project Management	<ul style="list-style-type: none"> • Project Initiation Group. • Project Initiation Requests, • Project Initiation Documents

3. Business Continuity Management

One mitigation response available to reduce the impact of a risk is the preparation of a business continuity plan. This is of particular importance to Local Authorities who have an obligation to maintain their own critical services, in the event of a major disruption, whilst supporting partner agencies in managing the wider emergency.

3.1 Introduction to Business Continuity Management

Business Continuity Management (BCM) is the process that supports the Council in delivering its critical services and functions in the event of an unexpected emergency or disruption. The purpose of BCM is to provide the Council with a framework of procedures and plans that will assist in the recovery of its key functions as quickly as possible and practicable. This ensures the Council can respond to an emergency proactively, with a well planned and tested response rather than a reactive ad-hoc response.

BCM assists Managers in considering how they would deliver their service whilst facing a disruption or emergency, enabling them to recover their critical functions and services within the agreed timescales.

3.2 Business Continuity Approach

The Risk and Business Continuity Management Handbook details the approach the Council has adopted to business continuity management. In essence there are six key steps:

Identify Critical Functions - The first step in the process is to identify which functions are critical to the Council i.e. those that need to be up and running within a short period of time immediately following an incident.

A copy of the Council's approved Critical Functions is included in the Risk and Business Continuity Management Handbook.

For consistency the following timings are to be used to define the level of critical function.

- 0 – 24 hours - Critical Function 1 (CF1)
- 1 – 3 days - Critical Function 2 (CF2)
- 3 – 7 days - Critical Function 3 (CF3)
- > 1 week – not a Critical Function (NCF)

Resources - Consider the type and level of resources required to maintain the critical activities within the timescales specified above i.e. premises, people, technology, communications, suppliers, information, transportation.

Risk and impact - To help us understand where we should focus our risk management activities, it is important for us to understand the type of risks that could occur, how probable they are and what the impact on services could be. This will be undertaken as part of the routine risk management activities.

Strategy for managing the risk – Decide on the options available to manage the risk. This step will be undertaken as part of the routine risk management activities.

Development of Business Continuity Plans – A Business Continuity Plan should be developed covering each Critical Function, setting out how the strategy above will be delivered. A decision will need to be taken on whether a plan is developed by Service area or Critical Function. An outline of the key headings to be included in all Business Continuity Plans, along with a Business Continuity Plan Template, is included in the Risk and Business Continuity Management Handbook.

Testing and exercising – A Business Continuity Plan cannot be considered reliable until it has been exercised and tested. Valuable lessons will be learnt during an exercise that can be recorded as lessons learnt and changes incorporated within the plan. Exercises can be desktop based or live.

4. Roles and Responsibilities

Successful risk management is the responsibility of all employees and Members of the Council and it is vital that everybody understands the role they play in managing the Council's risks.

The Council's Audit Committee is the lead Member body and the Director of Finance and Support the lead Officer responsible for risk management within the authority.

Specific roles and accountabilities are detailed in Table 3 below. Those with specific responsibilities will be briefed on their roles to gain commitment to and approval of the responsibilities. As natural staff and Member turnover occurs, the Risk Manager will ensure individuals new in post are fully briefed on their responsibilities for risk management.

Table 3 Roles and Responsibilities

Who	Responsibilities
Audit Committee	<ul style="list-style-type: none"> ➤ The Audit Committee is the lead Councillor body responsible for overseeing risk management across the Council. ➤ To ensure that the Council operates effective risk management systems. ➤ To hold the Management Board accountable for effective risk management across the Council.
Management Board	<ul style="list-style-type: none"> ➤ To review and update the Strategic Risk Register and ensure that mitigating actions are completed. ➤ To champion the effective application of risk management processes and principles across the Council's business systems. ➤ To lead risk management by example.
Director of Finance and Support	<ul style="list-style-type: none"> ➤ Lead officer responsible for embedding risk management across the Council. ➤ To meet with the Risk Manager quarterly to report on progress and issues relating to the risk management framework.
Cabinet Members	<ul style="list-style-type: none"> ➤ To have recognition of risks associated with Cabinet decisions.
Councillors	<ul style="list-style-type: none"> ➤ To use risk management as a tool to support decision-making. ➤ To raise risk issues and concerns.

<p style="text-align: center;">Directors</p>	<ul style="list-style-type: none"> ➤ To review and challenge risk registers within their Directorate Management Team Meetings. ➤ To ensure effective risk management within their Directorate. ➤ To escalate risks for inclusion on the Strategic Risk Register. ➤ To instigate and manage actions to mitigate risks.
<p style="text-align: center;">Heads of Service</p>	<ul style="list-style-type: none"> ➤ To create risk registers within their service area. ➤ To ensure effective risk management within their service area. ➤ To Instigate and manage actions to mitigate risks. ➤ To escalate risks where appropriate.
<p style="text-align: center;">Programme/Project Managers</p>	<ul style="list-style-type: none"> ➤ To identify and manage project level risks. ➤ To escalate risks for inclusion on Service level risk registers ➤ To report risks to Programme/Project Board.
<p style="text-align: center;">Partnership Lead Officers</p>	<ul style="list-style-type: none"> ➤ To manage partnership risks in line with the council's Partnership Protocol. ➤ To escalate risks for inclusion on Service or Strategic level risk registers.
<p style="text-align: center;">Employees</p>	<ul style="list-style-type: none"> ➤ To escalate information regarding opportunities or threats within their working environment to senior management. ➤ To take steps in everyday work activities to reduce risk. ➤ Report incidents or near misses to senior management. ➤ To create and maintain operational level risk registers as required.
<p style="text-align: center;">Risk Coordinators</p>	<ul style="list-style-type: none"> ➤ To support Services in managing their Service Risk Register. ➤ To maintain the Service Risk Register. ➤ To act as the key point of contact within their Service Area on risk issues.

<p>Risk Manager</p>	<ul style="list-style-type: none">➤ To report to the Director of Finance and Support on a quarterly basis, on the effectiveness of risk management systems.➤ To promote risk management throughout the Council➤ To provide guidance and advice on the Council's risk management approach.➤ To co-ordinate risk management across the Council.➤ To arrange and facilitate risk workshops and training exercises.➤ To maintain the Strategic Risk Register.
----------------------------	--

5. Monitoring and Reporting Risk

The table below summarises the frequency, responsibility and purpose of routine monitoring functions and activities.

Table 4 Monitoring and Reporting Functions

Task	Purpose	Who	Frequency
Strategic Risk Review.	Identify new risks. Refresh previous register. Challenge. Lessons learned.	Management Board	In line with Corporate Planning Process.
Review of Strategic risk register	Challenge, input and for information.	Management Board	Quarterly
Review of high Service Risks	Challenge, input and for information.	Management Board	Twice a year.
Service Level Risk Review	Identify new risks. Refresh previous register. Challenge. Lessons learned.	Heads of Service	Annually – in line with Service Plan development.
Service Level risk review/Directorate Management Team Meetings	Challenge and input	Heads of Service to Director/Portfolio Holder	Quarterly as a minimum.
Review and update risk register.	Identify new risks, archive old risks, monitor actions, early warning.	All Risk Owners	Monthly as a minimum
Risk Management Framework and Strategy Action Plan Review	Challenge, unblock issues, support	Risk Manager to Director of Finance and Support.	Quarterly
Risk Management update and progress review	Challenge, unblock issues, support	Audit Committee	Annually

6. Risk Management and Business Continuity Training and Support

The Corporate Risk Manager will provide training designed to meet the needs of the following groups as required:

- Council Members as part of the Member Development Programme
- Audit Committee
- Management Board
- Heads of Service
- Risk Owners
- Risk Coordinators

Risk management workshops are available to support the development of a new risk register or the review of an existing risk register. These will build on previous training exercises and give staff sufficient expertise to produce and maintain their own registers. Ad hoc support will be available from the Corporate Risk Manager, and externally, as required.

7. Glossary of terms

Action Owner	An individual responsible for the implementation of specific risk mitigation actions.
Actual Risk	The current exposure to a specific risk, taking into account only those mitigations that are in place.
Business Continuity Plan	A documented set of procedures and information intended to deliver continuity of critical functions in the event of a disruption.
Category 1 Responder	A person or body listed in Part 1 of Schedule 1 to the Civil Contingencies Act. Those in Category 1, are those organisations at the core of the response to most emergencies (e.g. emergency services, local authorities, NHS bodies). Category 1 responders are subject to the full set of civil protection duties.
Civil Contingencies Act	The Civil Contingencies Act 2004 establishes a single framework for civil protection in the United Kingdom. Part 1 of the Act establishes a clear set of roles and responsibilities for local responders. Part 2 modernises the emergency powers framework in the United Kingdom.
Critical Function	The functions which must be kept going or rapidly reinstated, at least in part, in the event of a disruption.
Impact	Impact is the result of a particular threat or opportunity actually occurring.
Inherent Risk	The exposure arising from a specific risk before any action has been taken to manage it.
Issue	An event that has happened, was not planned and requires management action.
Opportunity	An uncertain event that could have a positive impact on objectives or benefits.
Probability	The evaluated likelihood of a particular threat or opportunity actually happening.
Residual Risk	The risk remaining after the risk response has been applied.
Risk	An uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives.
Risk Appetite	An organisation's unique attitude to risk taking.
Risk Cause	A description of the source of the risk.
Risk Event	A description of the area of uncertainty in terms of the threat or opportunity.

Risk Identification	Determination of what could pose a risk (opportunity or threat).
Risk Management	Systematic application of principles, approach and processes to the tasks of identifying and assessing risks.
Risk Owner	An individual responsible for the management and control of all aspects of individual risks.
Risk Register	A record of all identified risks.
Risk Response	Actions that may be taken to bring the situation to a level where the exposure to risk is acceptable to the organisation.
Strategic risk	Risk concerned with where the organisation wants to go, how it plans to get there, and how it can ensure survival.
Threat	An uncertain event that could have a negative impact on objectives or benefits.

Appendix A

Strategy Action Plan

Action	Link to Objective	Target Completion Date	Responsible Officer
To create an area on the Council's Intranet for Corporate Risks and Business Continuity guidance documents.	9	December 2011	Corporate Risk Manager
Test Business Continuity Plans.	6	March 2012	Corporate Risk Manager
Target training opportunities within existing training programmes.	7	June 2012	Corporate Risk Manager
Test Corporate Continuity Plan.	6	December 2012	Corporate Risk Manager
Create Risk and Business Continuity Management Training programme on the Learning Zone.	7	December 2012	Corporate Risk Manager
Investigate the use of Risk Management software systems.	1	December 2012	Corporate Risk Manager
Define an approach for business continuity functions with a recovery tolerance of more than 1 week.	4	December 2012	Corporate Risk Manager