

**NORTH NORFOLK DISTRICT COUNCIL**

**RISK**

**MANAGEMENT**

**FRAMEWORK**

# Index

<b>Number</b>	<b>Detail</b>	<b>Page Number</b>
	Risk Policy agreed by Council	3
1	Introduction	4
2	Strategy Background	4
3	Leadership and Responsibility	5
4	Resourcing Risk Management	5
5	Role and Composition of the Corporate Performance and Risk Management Board	5
6	Risk Management Role in the Cabinet and Audit Committee	6
7	Risk Identification	6
8	Involvement in other related groups	6
9	External Contacts	7
10	Partnerships	7
11	Methodology	7
12	Risk Management Approach	8
13	Linked Policies	8
14	Date for Review	8
<b>Appendices</b>		
One	Shared Leadership – Role and Responsibilities	9
Two	Performance and Risk Management Board Terms of Reference	12
Three	Risk Matrix Criteria	14
Four	Action plan from the Framework	15

## **RISK MANAGEMENT POLICY STATEMENT**

It is the policy of the Council to adopt a proactive approach, through its management processes, to risk management of the services it delivers both for itself and in partnership with others.

It is recognised that a certain amount of risk is necessary and indeed that it can be a positive force in the development of the services we provide. However, this needs to be managed in order to:-

- Safeguard our clients or service users, Members, pupils and employees and all other persons to whom the Council has a duty of care
- Ensure compliance with statutory obligations
- Preserve and enhance service delivery
- Protect our property, including buildings, equipment, vehicles and all other assets and resources
- Maintain effective control of public funds
- Protect and promote the reputation of the Council
- Support the quality of the environment

All of these objectives will be achieved by applying the Council's risk management strategy, which outlines responsibilities for managing risks and defines how risk management should be applied across the Council.

## **1. Introduction**

The fundamental principles adopted by the Council on Risk Management are described in the policy statement on Risk Management (page 3).

Adopting and implementing the strategy detailed below will achieve compliance with the policy.

## **2. Strategy Background**

All organisations face a wide variety of risks including physical risks to people or property, financial loss, failure of service delivery, information management and damage to the organisation's reputation. Risk for this purpose is defined as "the chance of an event happening and leading to unintended effects which will impair the organisation's ability to achieve its objectives".

Risk management is intended to be a planned and systematic approach to the identification, assessment and management of the risks facing the organisation.

The traditional means of protecting against the more obvious risks has been through insurance. However, there are many risks which cannot be insured against and which must be addressed in different ways. Even in the case of those risks which are insurable, action can be taken to reduce the potential risks with consequent savings of premiums and disruption of work.

North Norfolk District Council has adopted a Local Code of Corporate Governance setting out the framework through which it will carry out its responsibilities to deliver effective services. One of the elements of this framework is the requirement to ensure that an effective risk management system is in place.

The risk management strategy aims to:-

- Clarify responsibilities for identifying and managing risks
- Ensure that an appropriate level of risk management is consistently applied across the Council
- Increase awareness and use of risk management as a normal element of service management and improvement
- Facilitate sharing of experience and good practice across the Council and with other bodies

### **3. Leadership and Responsibility**

Given the diversity of Council services and the wide range of potential risks, it is essential that responsibility for identifying and taking action to address potential risks is clear.

Responsibility for effective risk management rests with all Members and Officers of the Council.

The Chief Executive is the Officer with overall responsibility for securing adherence to the Council's policy on Risk Management.

The framework of roles and responsibilities in Appendix One shows how these are allocated.

### **4. Resourcing Risk Management**

Risk management is not a new issue and, as identified at paragraph 3, every Member and Officer is responsible for considering risk implications as they relate to their actions. However, it is recognised that the concept of risk management needs to become formalised and part and parcel of the culture of the Council. The implementation plan will therefore include appropriate training and awareness sessions.

The designated Risk Champion(s) at Corporate Management Team Level are the Deputy Chief Executive and Strategic Director, Environment.

The Corporate Risk Officer will be the link for all aspects of risk management.

Information Technology will need to be used to its maximum potential and the risk part of the performance system will be implemented by 31<sup>st</sup> December 2008.

### **5. Role and Composition of the Corporate Performance and Risk Management Board**

Whilst acknowledging the wide variety of risks that face the Council, and the differing circumstances that apply in different services, it is essential that there is some consistency in the way that risks are identified and assessed. This helps to ensure that all areas of risk are adequately considered and relative priorities for action can be judged.

The Corporate Performance and Risk Management Board will provide this consistency of approach. The Board acts as a link between service managers, specialised groups dealing with particular areas of risk, senior management and Members.

The Board consists of all the Strategic Directors and two Members (Portfolio Holders for Risk and Performance).

The Terms of Reference and membership of the Performance and Risk Management Board are attached in Appendix Two.

## **6. Risk Management Role in the Cabinet and Audit Committee**

The Cabinet is responsible for ensuring that an adequate risk management framework and associated control environment exists within the Council.

The Audit Committee was established in 2006. This Committee is responsible for monitoring the arrangements in place for the identification, monitoring and management of strategic and operational risk.

To provide the Audit Committee with the necessary information to undertake these responsibilities, regular progress updates on the Corporate Risk Register are reported at specific Audit Committee meetings.

## **7. Risk Identification**

To meet the requirements of this framework, risk(s) must be capable of being identified at any level, and by anybody, within the Authority.

The key people are the service managers who will be actively monitoring their service plan to identify risks and change management practices and controls to reduce their impact. They can also be escalated to being a corporate risk through the Performance and Risk Board.

Members, Senior Officers can also identify corporate or service risks through the Performance and Risk Board.

## **8. Involvement of Other Related Groups**

There are a number of other officer groups in existence which deal with specific areas of risk management. These include both the Health and Safety Group and the Corporate Business (Service) Continuity Group. These groups are represented on the Performance and Risk Management Board by their Strategic Directors so that their work can be coordinated with the overall management of the risks facing the Council.

In addition to the groups listed above, the Council's Internal Audit section also contributes to the management of risk. The work of Internal Audit is based on a needs and risk assessment process that identifies and focuses resources on higher risk areas. Audit findings are reported to the relevant Chief Officer and Service Manager together with recommendations for improvement and an action plan. Checks are undertaken by Internal Audit to ensure agreed recommendations are implemented.

The Corporate Risk Officer will receive copies of all finalised internal and

external audit reports to assess if any change is required for the risk registers.

## **9. External Contacts**

The potential risks faced by the Council are in many cases similar to those faced by other authorities and it is practical and cost effective to learn from the experience of others.

In order to share risk management information and experiences, the Council has established networks with other authorities and agencies. Specifically, the Council is a member of the Norfolk Risk Managers' Group. This Group, whose members include local authorities, police authority and others from Norfolk, meets on a regular basis to discuss risk management issues that are common to organisations and to share examples of best practice.

## **10. Partnerships**

A guidance note (toolkit) will be produced to outline the Council's approach to assessing partnership risks for partnerships (in particular the significant ones). The guidance note, which will be available on the Council's intranet, will explain the steps that should be taken to assess risks before the decision is made to enter into a partnership and also how to undertake ongoing monitoring of risk once a partnership has been established.

To support the development of the new Sustainable Community Strategy and the Local Area Agreement, this Council will work together to identify and assess the main strategic risks facing North Norfolk as a whole. The aim of this exercise is to produce an overall risk register for North Norfolk.

## **11. Methodology**

A methodology for identifying, assessing and managing risk within the Council has been developed. This methodology has the advantage of being relatively straightforward to use and can be applied to both the strategic risks of the Council and as part of the routine service and project planning processes see Appendix three.

Guidance for managers on the application of the risk management methodology has been produced and is updated on an annual basis. This guidance is distributed to managers to assist with risk assessing departmental and section service plan objectives. The guidance is also available on the Council's intranet.

Risk assessments should be produced to support strategic policy decisions and all major projects. The Council's risk management methodology should be followed to produce these risk assessments and a summary of the findings given in reports to Members.

A guidance note will be available on the Council's intranet, which explains

how risk should be presented in reports to Members.

Risk management training will be provided for managers to assist with implementing the risk management methodology.

## **12. Risk Management Approach**

The development of a consistent, corporate approach to risk management needs to be done in a methodical and proportionate way in order to avoid the creation of a self-defeating bureaucratic burden.

To ensure that risk management is handled in the most efficient way within the Council, the risk element has been included in the Service Plans and the work to implement the risk management strategy has been included in the Performance Management System. The integration of Performance and Risk will be completed by 31<sup>st</sup> March 2009.

## **13. Linked Policies**

There are a number of policies that are or will be linked to this framework:

- Health and Safety Policy
- IT Security Policy
- Information Management Strategy
- Business Continuity Policy

## **14. Date for Review**

**This Framework will be reviewed by the Corporate Performance and Risk Board before 31<sup>st</sup> December 2009 and any amendments will be agreed by the Audit Committee and Cabinet.**

## **Shared Leadership – Role and Responsibilities**

Everyone has a role to play in an integrated risk management framework. Combining shared leadership with a team approach will help contribute to its ultimate success. Roles as identified at present are:

### **1. FULL COUNCIL**

Approve the Corporate Risk Management Policy Statement and Risk Management Strategy.

### **2. CABINET**

To provide leadership and direction for the Council. To keep the Council's policies and objectives under review, including the Council's corporate strategic risks, and agree a programme of risk reduction where appropriate.

Receive progress reports on risk reduction programme and agree revisions to "corporate risk register".

Assess risks attached to proposals for new / changed policies and service delivery arrangements and make recommendations to Full Council.

### **3. AUDIT COMMITTEE**

Monitor to ensure that an adequate risk management framework and associated control environment is in place.

Monitor arrangements for the identification, monitoring and management of strategic and operational risk within the Council

Receive progress reports on the corporate risk register at each meeting.

### **4. CHIEF EXECUTIVE**

Overall responsibility for securing adherence to the Council's Policy on Risk Management.

## **APPENDIX One (continued)**

### **5. CORPORATE MANAGEMENT TEAM (CMT)**

Appoint a Strategic Director and Member to jointly take responsibility for risk management.

Agree the Corporate Risk Management Framework including the Policy Statement and Risk Management Strategy.

Consider risks attached to proposals for new / changed policies and service delivery arrangements.

Ensure that this framework is applied.

### **6. PERFORMANCE AND RISK MANAGEMENT BOARD (PRMB)**

See Terms of Reference (page 12) but amongst those is to:  
Consider and agree the Council's corporate strategic risks and identify those requiring further action.

Allocate responsibility to Strategic Directors to develop action plans for corporate strategic risks.

Receive progress reports on risk reduction programme and propose revisions to "corporate risk register"

### **7. CORPORATE HEALTH AND SAFETY GROUP**

Reports directly to the Performance and Risk Management Board and is charged with delivering health and safety policy across the Council.

### **8. CORPORATE RISK OFFICER**

Coordinate risk management activity across the Council

Report on risk management activity to PRMB, CMT and Members

Maintain a corporate risk register and liaise with Service Managers relating to service risks.

Provide risk management training for officers and Members, appropriate to their needs and responsibilities.

## **APPENDIX One (continued)**

### **9. INDIVIDUAL SERVICE MANAGERS**

Develop action plans in relation to corporate strategic risks as they relate to their area.

Identify risks attached to proposals for new / changed policies and service delivery arrangements

Ensure that a service risk register is maintained and that action plans are implemented

### **10. EMPLOYEES**

Maintain awareness of risk management principles and take responsibility for managing risk within their own working environment

Apply risk management to those risks requiring further action, particularly new developments and "project" work

Maintain a record of risk assessments undertaken relating to them and any resulting action plans

### **11. INTERNAL AUDIT**

Reporting to Management on the organisations performance under the Risk Management Framework.

### **12. EXTERNAL AUDIT**

Reporting to Management via Use of Resources etc on the organisations performance on risk management.

**APPENDIX Two**

**PERFORMANCE & RISK MANAGEMENT BOARD**  
**TERMS OF REFERENCE**

Members

**The Performance & Risk Management Board is composed of the following members:-**

Virginia Gay	Leader of the Council
Graham Jones	Portfolio Holder
Philip Burton	Chief Executive
Nick Baker	Strategic Director
Steve Blatch	Strategic Director
Tony Ing	Strategic Director
Sheila Oxtoby	Strategic Director

The Board will request the attendance of other officers, Members or contractors to their meetings where their input will be of assistance to the work of the Board. The Board is accountable to the Cabinet and has a relationship with the Audit Committee, particularly on risk-related matters.

**Purpose**

The purpose of the Board is to embed performance and risk management within the culture of the Council as a means of:

- driving organisational improvement forward;
- providing evidence of priority achievements; and
- minimising and managing the Council's on-going risk exposure.

**Objectives**

1. To maintain a performance management framework that is understood and implemented by all.
2. To identify and manage the Council's strategic and operational risks and strengthen business continuity.
3. To ensure that all staff and Members have a shared understanding of the council's priorities and of what is needed to be done to realise those priorities.
4. To ensure that the commitment given to performance and risk management is commensurate with the importance placed on embedding a successful performance and risk management culture.
  5. To ensure that services deliver the corporate objectives by challenging the measures and targets put forward by service heads / managers.
  6. To ensure that management and Council decisions are based on valid, accurate and timely information.

## APPENDIX Two (continued)

### Tasks

1. To review performance and risk management information monthly, in accordance with the Performance Management Framework.
2. To review service business plans to ensure that appropriate performance measures, indicators and targets have been set and to monitor progress on key activities within the plans, which contribute to the delivery of the Corporate Plan.
3. To look at and consider value for money in delivery of projects and improvements plans.
4. To review the risks identified in the service business plans to ensure that appropriate action is taken to mitigate significant risks.
5. To review and update the strategic risk register half-yearly.
6. To ensure the Council discharges its Health and Safety obligations and delivers an agreed development programme.
7. To ensure that effective business continuity plans are established and implemented and that the Council discharges its Civil Contingencies obligations.
8. To raise awareness and understanding of the importance of performance and risk management amongst staff and Members.
9. To ensure that a corporate approach is taken to developing project management by maintaining a current project management toolkit and supporting processes to improve skills and techniques.
10. To establish project groups as required and agree and monitor detailed project plans for the work of those groups.
11. To take appropriate action in response to external assessment of performance and risk management, for example through the annual Direction of Travel statement or audit of statutory performance indicators.

19<sup>th</sup> September 2008

**RISK MATRIX CRITERIA – for corporate risks**

Each corporate risk (a similar matrix is used for service risks) will be assessed against the following criteria:

**Impact:**

**5 Catastrophic 4 Critical 3 Moderate 2 Marginal 1 Negligible**

Impact:

5 Catastrophic	One of the authorities services would not survive.
4 Critical	Major impact on the achievement of the corporate plan.
3 Moderate	Significant impact on the success of the corporate plan.
2 Marginal	Some impact on the corporate plan.
1 Negligible	Insignificant impact on the corporate plan.

**Likelihood:**

**5 Very High 4 High 3 Moderate 2 Low 1 Very Low**

Likelihood:

- 5 Very High – Probability of occurrence above 90%
- 4 High - Probability of occurrence 60 - 90%
- 3 Moderate - Probability of occurrence 40 - 60%
- 2 Low - Probability of occurrence 10 - 40%
- 1 Very Low - Probability of occurrence below 10%

The scoring by using a 5x5 matrix, which multiplies the numbers together, gives a wider range of scores.

**Matrix**

	<b>5</b>	5	10	15	20	25
	<b>4</b>	4	8	12	16	20
	<b>3</b>	3	6	9	12	15
	<b>2</b>	2	4	6	8	10
	<b>1</b>	1	2	3	4	5
Likelihood of occurrence	<b>Multiply</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

Severity of impact / consequences

A very high likelihood with a catastrophic impact would score 25 but something that was very low likelihood and negligible impact would only score 1.

## APPENDIX Four

### Action Plan from the Framework

Para No	Action	Responsible Officer	Date
4	Implement the risk part of the performance system.	Corporate Risk Officer with assistance from Policy and Performance Management Officer	31 <sup>st</sup> December 2008
10	Guidance note on Councils approach to assessing partnership risk.	Corporate Risk Officer	31 <sup>st</sup> December 2008
10	Overall Risk Register for North Norfolk.	Co-ordinated by the Corporate Risk Officer	31 <sup>st</sup> March 2009
11	Ensure the guidance on risk for managers on the intranet is up to date.	Corporate Risk Officer	31 <sup>st</sup> December 2008
11	Guidance note on the intranet on how risk should be reported to Members	Corporate Risk Officer	31 <sup>st</sup> December 2008
11	Risk Management training provided for managers and Members.	Corporate Risk Officer	Ongoing – this needs a rolling programme
12	Integration of risk in service plans and the performance system to be completed.	Corporate Risk Officer with assistance from Policy and Performance Management Officer	31 <sup>st</sup> March 2009
14	Review the Framework	Performance and Risk Management Board	Before 31 <sup>st</sup> December 2009