NORTHUMBERLAND COUNTY COUNCIL
RISK MANAGEMENT FRAMEWORK

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1. INTRODUCTION

1.1 Background

As part of its drive towards excellent governance and an effective system of internal control, Northumberland County Council has developed this risk management framework. Through implementing and embedding this framework, Northumberland County Council will ensure that it is better able to manage its performance, and thus provide a superior level of service to its customers. Effective risk management will assist the organisation in the achievement of its objectives, through the identification and treatment of factors which could prevent their accomplishment. It forms an essential element of the provision of an efficient and effective service to the public.

Good risk management is essential and integral to good management.

Risk management has to continuously, systematically and proportionally address the risks surrounding an organisation's activities. A risk management culture will help Northumberland County Council achieve value for money in the provision of services. The key benefits of a systematic approach to risk management are:

- Increased focus on what needs to be done (and not done) to achieve objectives;
- More satisfied stakeholders;
- Better management of change programmes;
- Supporting innovation;
- Reducing complaints;
- Greater control of insurance costs;
- Potential quality improvements in service delivery;
- Enhanced ability to justify actions taken;
- Protects and enhances the reputation of the Council; and
- Reduced risk of mistakes.

The framework, which incorporates the risk management policy and strategy, is subject to annual review and approval by Strategic Group. The current version has been developed taking best practice from the British Standard for risk management, (BS 31100), and the Association of Local Authority Risk Managers, (ALARM).

1.2 Statement of purpose

The joint CIPFA/SOLACE publication **'Corporate Governance in Local Government, a Keystone for Community Governance'** states that "an authority needs to establish and maintain a systematic strategy, framework and processes for managing risk". The Council will achieve this through implementing a risk management strategy, complying with the following principles identified in the above publication:

Accountability. The risk management strategy will be fully integrated within the Council's existing performance management framework.

Effectiveness. The risk management process will incorporate mechanisms for monitoring and reviewing progress against agreed targets. There will be close liaison with Internal Audit to review the operation of controls in practice.

Integrity. Robust systems will be implemented to ensure that all significant strategic and operational risks are identified, profiled, controlled and monitored.

Openness and inclusivity. The process will involve all those concerned in planning and delivering Council services, including partners. The risk management strategy, together with the associated framework and processes will be shared with the Council's stakeholders. An annual statement of the Council's assessment of risk and control will be produced.

Up to date. Mechanisms will be implemented to ensure that the risk management process is regularly reviewed, and amended to accommodate any changes.

1.3 Risk Management framework

Northumberland County Council has developed this framework to provide a structured approach to the management of risk. The objectives of this framework are to:

- Provide standard definitions to underpin the risk management process;
- Co-ordinate the approach to risk management across the Council, providing a consistent and integrated output, through the clarification of key concepts;
- Formally document Northumberland County Council's risk management methodology;
- Clearly identify roles and responsibilities for managing risk, raising awareness of the need for risk management by staff at all levels within Northumberland County Council;
- Implement an approach which is fully integrated and embedded throughout the organisation; and
- Ensure that risks are managed in accordance with best practice.

The framework incorporates the policy and strategy for risk management, along with details of the key features of Northumberland County Council's approach and is underpinned by a risk management toolkit for use across the authority.

2 RISK MANAGEMENT POLICY AND STRATEGY

Northumberland County Council's risk management policy is approved by the Executive and signed off by the Leader of the Council and the Chief Executive and is attached at appendix 2. Supporting this document is the strategy, which gives the scope, direction and priorities for risk management and this is set out at appendix 3.

3 RISK DEFINITIONS

3.1 Risk

Risk is considered to be "an event or action which may have an impact on the achievement of objectives". Although risks are commonly considered to be negative in nature, they may also be positive.

It is equally important to manage **positive risks**, or opportunities, to achieve our objectives. Risk management should be used to minimise the negative effect of downside threat-risks, while also attempting to maximise the positive effect of upside opportunity-risks. Examples of positive risks may be in a capital project offering the opportunity to generate wider benefits than the specific objectives of the project itself, or good weather enabling a capital project to be completed ahead of time. Managing the former risk may involve close working with other related projects, whilst managing the latter risk may involve preparing plans to bring the building into operation ahead of time.

The level of risk faced by the authority is dependent upon the likelihood of the risks occurring and the impact of internal and external factors which could arise if action is not taken to address them.

Risks fall into two main categories, as follows:

- Strategic risks – those which affect the Northumberland County Council's medium to long term goals and objectives.
- Operational risks – those which are encountered in the daily course of work.

These main categories have 8 and 10 sub categories respectively as set out and defined at appendix 1.

3.2 Risk management

Risk management is "the process by which risks are identified, evaluated and controlled". This must be carried out in a systematic manner, and should provide a link from strategic objectives to service delivery.

The process of risk management does not seek to fully eliminate all risks, as this cannot be achieved. Rather, it acts to reduce the residual risk to an appropriate level with which the organisation is comfortable.

Risk management needs to look across the entirety of the operation. It should consider threats to mitigate, through uncertainties to manage, to opportunities presented through the organisation executing its strategy.

Effective risk management delivers benefits to the Council through helping to ensure the achievement of objectives. It will facilitate a focussing of resource on high risk areas, and hence allow for a more efficient service provision.

3.3 Risk owner

Every risk is allocated a risk owner. A risk owner is the individual assigned with responsibility for the management of a risk. They must ensure that identified controls are in place and operating as intended, and that the assessment of the levels of gross and net risk remains reasonable. Periodic confirmation of this will be sought.

Within the corporate strategic risk register, each risk identified is allocated two owners; one corporate and one political. The corporate risk owner sits at Strategic Management Team level. The political risk owner is the relevant portfolio holder. This promotes shared accountability at Strategic Group and is intended to ensure member, as well as officer, involvement throughout the process.

3.4 Control

A control is an action to reduce either the likelihood of a risk occurring or the impact of the risk, should it occur.

3.5 Control owner

A control owner is the individual assigned with responsibility for the management of a control. They manage the implementation and maintenance of identified controls to the required level of effectiveness. Periodic confirmation that controls are in place and operating as intended will be sought.

3.6 Assurance source

The evidence that can be used by the control owner to demonstrate, and the risk owner to be assured that, a control is in place and operating as intended. A list of example assurance sources is provided in the risk management tool kit.

3.7 Assurance framework

On an annual basis confirmation will be sought from risk owners or control owners that entries in the corporate, group and service risk registers are still accurate, and more specifically that the identified controls have been in place and operating as intended throughout the year. Evidence of assurance sources will also be required. The information is used to support the Annual Governance Statement, forming part of the annual accounts.

3.8 Risk appetite

Before taking any action to reduce the level of current net risk, an organisation must determine its risk appetite; how much risk it is prepared to retain without taking any further mitigating action. 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.

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

3.9 Risk financing

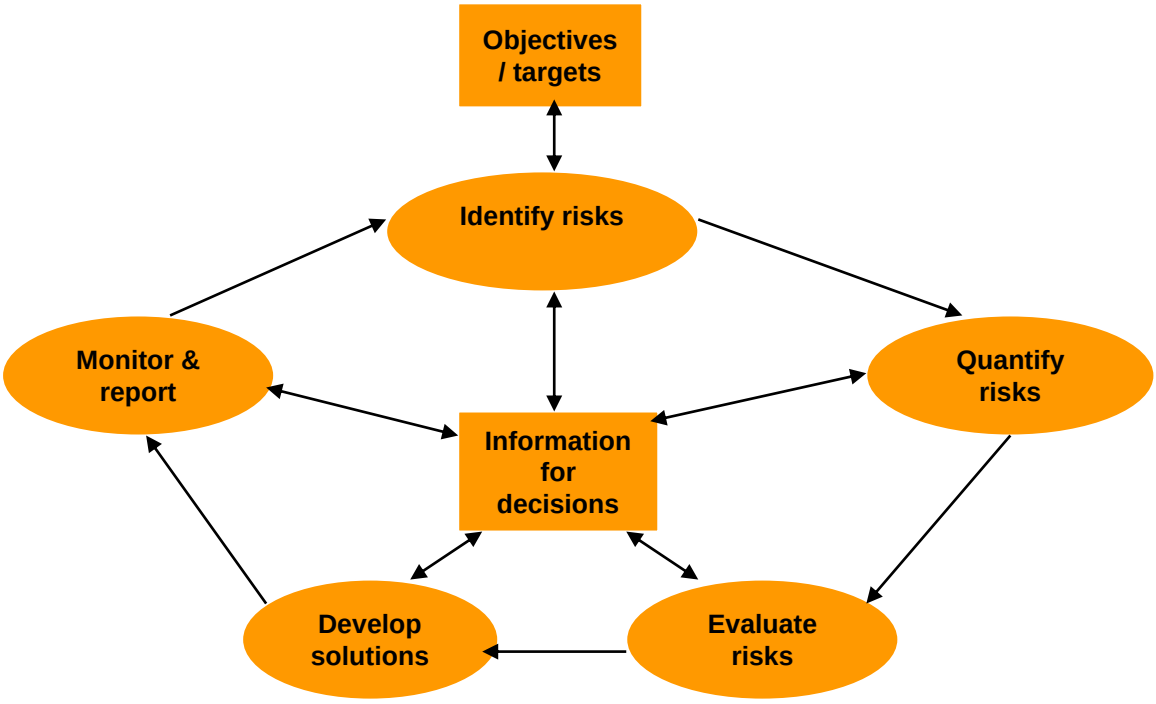
There are a number of options for the financing of risk within Northumberland County Council. The most obvious of these is through conventional insurance, which serves to reduce the financial effect of high impact, low likelihood events. Other options include spending on controls to lower the level of net risk. This is more likely to occur respect of operational risk, where controls can more readily be implemented. For example, spending on security to reduce the incidence of theft, or incorporating sprinklers into a building to combat fire.

4 RISK MANAGEMENT METHODOLOGY

Northumberland County Council has adopted best practice from the Association of Local Authority Risk Managers, (ALARM), in determining its risk management methodology.

4.1 Risk management process

Risk management is an iterative, ongoing process, which is never complete. The process is applicable to all types of risk, at all levels within the organisation, from strategic issues to individual projects.



4.2 Identification of risks

This is carried out at the outset of the process, looking at the objectives and targets of the entity and assessing its risks, whether for the Council as a whole, a single service, a project, proposal or partnership. The link into objectives is important, as it provides focus to the risk management process, whilst also ensuring that all key issues are identified. Without this link, there is a danger that the process could become unduly detailed, and stifle the Council's operation through over-bureaucracy. The link is two-way reflecting the ability of the process, through increased information regarding risks, to influence and change the original objectives / targets. Risks are identified as those factors which could have an impact upon the achievement of those objectives.

4.3 Quantification of risks

Identified risks must be assessed in terms of likelihood and impact. Risks are quantified against scales with an even number of options, removing the temptation to opt for the 'middle' score and forcing the assessment to be more decisive in terms of impact & likelihood. An initial assessment is made of the gross risk. The current net risk is then assessed taking into consideration the current status of controls and their effectiveness. More detail including guidance on gradings is attached at appendix 4.

4.4 Scoring grid

The gradings for likelihood and impact are combined to determine the overall gross and current net risk rating for each risk, using the scoring grid below. The colour coding reflects Northumberland County Council's risk appetite (see 3.8) and the action required (see 4.5).

IMPACT (as defined by ALARM)				
4	11	12	15	16
3	7	10	13	14
2	3	6	8	9
1	1	2	4	5
	1	2	3	4

LIKELIHOOD (as defined by ALARM)

4.5 Risk classification

Northumberland County Council has agreed broad classifications determining action required as follows:

Acceptable: risks where any action to further reduce the level of risk would be inefficient, i.e. the cost in time or resource outweighs any potential impact of the risk materialising. Such risks include infrequent events with low impact. These risks are being effectively managed, and are coloured green on the matrix, scored as 1 - 3

Manageable: risks which can be reduced within a reasonable timescale, in a cost effective manner. Any mitigating actions must be monitored and recorded. Manageable risks are coloured yellow on the matrix, scored as 4 - 7

Serious: risks which have a serious impact, and detrimental effect on the achievement of objectives. Action plans should be developed to reduce the level of residual risk, and reviewed periodically. Serious risks are shown as orange on the matrix, scored as 8 – 11.

Very severe: risks which could have a potentially disastrous effect on the organisation without immediate comprehensive action to reduce the level of risk. Very severe risks are those on the matrix coloured red, scored as 12 or more.

4.6 Positive risk

Positive risks are expressed in a similar way to negative risks but positive impacts are assessed. In managing a positive risk, we are aiming to implement controls that will increase the likelihood and/or impact and the risk rating, from the gross grading to the current net grading.

5 ROLES AND RESPONSIBILITIES

To implement the risk management strategy effectively, it is important that the roles and responsibilities of all those involved are clearly defined. The responsibility for risk management rests ultimately with members, although in practice this is delegated to the Chief Executive and directors. Everyone in the authority has a role to play in the management of risk across Northumberland County Council. It must be emphasised that ownership of that responsibility is a key aspect of effective risk management. Detailed requirements of key roles are detailed below:

5.1 The Executive

- Agree the structure for the risk management process; and
- Approve any changes to the risk management policy.

5.2 Executive Members

- Provide support, and become involved in the risk management process relevant to their portfolio and particularly in the consideration of risks in decision-making.

5.3 Audit Committee

- Oversee aspects of financial governance;
- Receive reports from the Risk Manager on a quarterly basis;
- Monitor progress with the risk management programme; and
- Monitor progress in reducing risks.

5.4 Elected Members

- Gain an understanding of risk management and its benefits;
- Be aware of how risks are being managed through the annual strategic and service planning processes; and
- Maintain an awareness of the risk management implications of policy decisions.

5.5 Members' and officers' risk management 'champions'

- Assist with the development and promotion of training programmes for members and officers;
- Meet regularly with the Risk Manager to obtain an overview of the process and current status; and
- Ensure areas of concern to members and officers are given an appropriate profile within the process.

5.6 Chief Executive

- Has overall responsibility for ensuring adherence to the risk management policy.

5.7 Strategic Group

Comprising of Strategic Management Team, (SMT), and the Executive;

- With the aim of embedding risk management throughout the County Council, consider the risk management framework on an annual basis and make recommendations for approval by the Executive as appropriate;
- Agree the listing of key strategic risks on an annual basis; and
- Accept or reject current net risk, through establishing and applying the Council's risk appetite.

5.8 Strategic Management Team

- Review the corporate strategic risk register on a quarterly basis linked into the performance management framework;
- Receive reports of potentially significant new and emerging corporate strategic risks at the quarterly review or as they become known; and
- Consider the level of risk detailed in reports upon which they are making decisions.

5.9 Corporate Directors

- Implement the risk management policy;
- Identify, analyse, monitor and review the headline risks for their Group;
- Assist with the identification of areas of strategic risk, and advise on priorities;
- Communicate risk issues with the Risk Manager ensuring appropriate escalation of risks to the Strategic Risk Management Group and Strategic Management Team;
- Establish appropriate control strategies;
- Identify key risk indicators to act as an early warning system;
- Ensure the consideration of risk is detailed in all reports to Strategic Management Team, the Executive and the Council in line with the defined protocol; and
- Report upon performance in reducing group risk.

5.10 Risk Appraisal Panel

- Chaired by the Deputy Leader and comprises the Leader, the Portfolio Holder for Corporate Services, the leaders of the opposition parties, the Section 151 Officer and Monitoring Officer;
- Meet to assess risks referred to them associated with projects and proposals requiring a key strategic decision or to enter into a partnership;
- Recommend to Executive upon approval to projects, proposals or entering into a partnership, where all significant risks have been considered, and the outcome are acceptable; and
- Receive information reports aimed at raising awareness regarding risk whilst accepting that the options for reducing the risk are severely limited.

5.11 Strategic Risk Management Group (SRMG)

- Act as department risk ‘champions’, ensuring that risk management is given an appropriate profile and sufficient focus;
- Meet regularly, and ensure that embedding risk management remains on the corporate agenda;
- Play a lead role in the identification and monitoring of corporate risk;
- Consider “very severe” and “serious” risks identified by projects, functional risk groups and department groups;
- Escalate new and emerging risks that may have a corporate impact to the Risk Manager and participate in ad hoc meetings of the Group to discuss such risks; and
- Carry out duties as required by the Group’s terms of reference.

5.12 Risk Support Officers

- Liaise and work with service teams to identify & manage risks;
- Maintain risk registers;
- Communicate with and seek guidance from the risk management function regarding risk issues; and
- Integrate the service, group and corporate strategic risk management processes and make recommendations on the corporate strategic risk register.

5.13 Heads of Service / Line Managers

- Manage risks on a day to day basis;
- Identify, analyse, monitor and review service risks (likely to be both strategic and operational);
- Report upon performance in implementing controls and reducing risk, or increasing positive risk;
- Incorporate the requirements of risk management within day to day processes and ensuring compliance with the risk appraisal process; and
- Escalate risk management issues within their group as necessary.

5.14 Staff

- Maintain an awareness of the need to manage risks when making decisions, and in everyday work;
- Participate in the formal risk management process as required, to provide input on specific risks; and
- Advise line managers of any new and emerging risks, to allow issues to be escalated as necessary.

5.15 Risk Manager

- Develop Northumberland County Council's risk management approach, including setting of policy, strategy and methodology;
- Lead on and co-ordinate Northumberland County Council's risk management approach, ensuring that a consistent approach is adopted throughout the organisation;
- Facilitate and provide support to the organisation's risk management process, giving advice and guidance on best practice;
- Report regularly to Audit Committee and Executive / Strategic Management Team on progress; and
- Ensure that managing risk is integrated with other corporate processes, principally relating to the service planning and performance management frameworks.

5.16 Internal Audit

- Provide support to the risk management methodology, sharing findings on key risk issues, and having input into the risk assessment process;
- Provide assurance on key controls identified;
- Work to align the risk management and internal audit approaches;
- Periodically review the risk management process and arrangements for adequacy and effectiveness; and
- Undertake an annual assessment of the Council's internal control mechanisms as part of the review of corporate governance arrangements.

6 MANAGING RISKS THROUGHOUT THE COUNCIL

6.1 Corporate risk identification and analysis

Risks that may prevent the Council from, or assist in, achieving its objectives are identified and evaluated. This is a two-way process so that identification of risks can influence objectives set. Information relating to corporate strategic risks feeds into the medium term financial planning and service planning processes.

The corporate strategic risk register is a dynamic document and is maintained under continual review.

6.2 Group and service risk identification and analysis

A consistent approach is adopted across the authority aligned to the service planning process. The approach mirrors the approach adopted at a corporate level by carrying out risk assessments against the objectives as contained in service plans.

With risk assessments in place at service level, groups are required to identify their group level risks and they, in turn, are considered for potential inclusion within the corporate risk register. The process integrates the corporate strategic risk register and service risk registers and risk management process.

A little more detail regarding where risk is managed is attached as appendix 5.

Below service level, there can sit operational risk registers for sub-divisions of service and project risk registers that adopt the same systematic approach as above.

However, there can also sit individual service-specific risk management processes. Examples include the Fire and Rescue Service and highways management and maintenance. Whilst attempts are made to ensure alignment to the corporate process, the specific requirements of their processes may demand different methodologies.

6.3 Integration with the performance framework

In addition to integration with the corporate planning framework, the risk management framework integrates with the corporate performance framework. Risk owners are required to review their risks in line with the corporate performance reporting cycle. The Chief Executive and each Head of Service are required to report upon their performance in reducing risk, or increasing positive risk, within the corporate performance reporting process. Each has a corporate performance indicator relating to risk and should report additional relevant descriptive information as appropriate. Appendix 6 shows where risk fits within the overall performance framework mind map.

6.4 Cross-cutting risk management work

Functional risk management groups are established to look at key areas of cross-cutting risk. Such groups are established on a task and finish basis. Groups that have been in place, with their leaders, include the following:

Health and Safety – John Froud;
Business Continuity Plans – David Wheatley;
Partnerships – to be re-launched;
Public liability issues – Lynne Brown / Nicola Johnson;
Asset related risks – Ian Hay /Martin Hay;
Transport related risks – Davey Robertson;
Stress management – Sue Milner; and
Cash in transit – Sandra Sawyer.

6.4.1 Partnerships

Key partnerships in which the authority engages have been identified, and owners allocated to each. A generic risk assessment has been prepared and used with them. The assessment of risks associated with entering into a new partnership has been introduced into the risk appraisal process.

The approach to managing risk associated with the whole range of partnerships and collaborative working arrangements across the County Council is under review.

6.4.2 Health and Safety

The Central Health and Safety Team provide advice in relation to the management of health and safety risk. The Corporate Health and Safety Group, comprising representatives from all groups and chaired by the identified Strategic Management Team Health and Safety champion, exists to look at cross-cutting issues and implement action to reduce levels of corporate risk.

The council has adopted industry best practice in relation to risk assessment methodology and has various assessment types which are designed to suit the specific activity.

6.4.3 Business Continuity

The Northumberland County Council Civil Contingencies Team co-ordinates preparation of business continuity plans at a corporate level and for each group. Such plans aim to minimise the likelihood and/or impact of a business interruption by identifying and prioritising critical functions and their resource requirements.

6.5 The Risk Appraisal Process

The risk appraisal process has been streamlined and covers risk in:

- Reports requiring a decision by Strategic Management Team/Executive/Council;
- Projects; and
- Partnerships.

The process seeks to be proportionate to the level of risk involved. Referral to Risk Appraisal Panel is generally required where there are a number of serious and very severe risks.

A flowchart summarising the risk appraisal process is attached at appendix 7. The risk management function offers support to this process, providing a review mechanism, guidance and, for example, facilitation of risk workshops.

7 INTEGRATION & DEVELOPMENT OF AN EMBEDDED METHODOLOGY

7.1 Staff involvement

For the risk management process to become fully embedded, it is important that staff at all levels across the organisation are engaged within it. This will be achieved through involving staff in the process, to identify the risks within their area of work. Risk support officers may facilitate team workshops in identifying, assessing and managing risks associated with achieving their service objectives, project objectives, partnerships or other decisions. Other staff may be involved as control owners.

7.2 Communication

A greater use of the intranet should help to better embed the risk management process. Documents such as this framework, the policy and strategy and tool kit are made available to all staff through this medium.

Visits by the Risk Manager to group management teams are used to update managers on developments, consider group risks and enable discussion of any issues.

Regular progress update reports to Audit Committee are available on the internet. However, consideration will be given to communicating risk management issues more directly with managers and staff, for example, keeping them informed of progress with risk management through development and communication of an implementation plan and timetable. As with the policy and strategy, this will be shared via the intranet.

7.3 Training and awareness

A training programme has been developed for members and staff.

Member training has been targeted to Audit Committee, Risk Appraisal Panel, the Executive and all members. Training for members is drawn up in conjunction with the members' risk champion, to ensure that all areas of concern are addressed fully.

Training for heads of service and members of their management teams is provided to prepare them for risk assessment of their services and raise awareness of what is required of them in relation to risk management within Northumberland County Council.

A more detailed training programme is also in place for risk support officers. This is facilitated in-house and aims to arm them with the tools necessary for facilitation of risk assessment workshops and provision of a source of guidance and support to service managers. It includes on-the-job shadowing in facilitation and documentation of risks.

Periodic training is provided on key risk issues by, for example, Northumberland County Council's insurers or brokers.

Where information is received within the risk management function which has relevance to a wider audience, this is distributed to interested parties.

7.4 Central resource and support

The risk management function provides expertise, advice and support to any risk management associated work throughout the organisation. This aims to ensure that a consistent approach is adopted as far as possible. Members of the Strategic Risk Management Group and risk support officers are also able to advise on risk management issues within their group.

A risk management tool kit has been developed to assist managers and staff and is available on the intranet. It includes various templates and guidance, details of the risk appraisal process, the meetings schedule for risk appraisal panel linked in to reporting deadlines for Executive, and copies of the training slides.

7.5 IT solutions

A software package called Magique is used to support the risk management process. The Magique database is populated with corporate strategic, group and service risks, along with information relating to mitigating controls and may include more detailed actions planned to further reduce the level of risk.

The system has the facility to extract and feed controls into Galileo, the internal audit database, to be incorporated within audit testing as appropriate.

The use of Magique within groups will assist in managing the data and in providing appropriate management information. It will help to ensure that the risk management process becomes cyclical and iterative, rather than being a one-off exercise.

8 REPORTING AND ESCALATION

The risk assessment is not a one off exercise; it must be subject to regular monitoring and review.

As driven by our corporate risk appetite, Northumberland County Council is happy to accept risks which are classified as "acceptable" (i.e. those in the green segments of the matrix) without the need for action. The management of "manageable" risks (i.e. yellow on the matrix) rests with the risk owner. "Serious" and "very severe" risks (orange and red) both require action plans and regular monitoring and reporting.

Whilst the classifications may be applied at any level within the organisation, the escalation procedures for reporting upon risks will clearly be different.

A fully embedded risk management approach will identify risks at all levels throughout the organisation. These risks will be assessed according to the effect on the relevant area. For example, a risk which is of minimal impact at a corporate level may have a significant effect to an individual service. Conversely, there may be an issue within a service which has not been identified at a corporate level, but is sufficiently significant to merit consideration centrally.

Risks should be reviewed and updated in accordance with the following protocol; and the identification of new and emerging risks considered at every review stage:

Risk rating	**Corporate, Group and Service; linked into performance management reporting:-**	**Project; subject to particular circumstances of each project but as a minimum:-**
Acceptable	Listing of risks and gradings reviewed annually.	Listing of risks and gradings reviewed half yearly.
Manageable	Listing of risks and gradings reviewed and updated half yearly.	Listing of risks and gradings to project board half yearly, for review and update.
Serious	Listing of risks and gradings reviewed and updated quarterly.	Listing of risks and gradings to project board quarterly for review and update.
Very severe	Listing of risks and gradings reviewed and updated quarterly.	Listing of risks and gradings to project board quarterly, for review and update.

More details relating to the risk reporting protocol are attached as appendix 8 and a flowchart depicting the escalation process is attached as appendix 9.

In addition to the routine reporting protocol, there is provision for dynamic escalation of risks. Risks identified within services that may have a group impact should be taken immediately to the group management team for consideration and approval of controls and the action plans to manage them. If they may have a corporate impact, they should be referred immediately to an ad hoc meeting of the Strategic Risk Management Group. Consideration by this Group may result in referral to Strategic Management Team.

Where a risk has identified stakeholders with which it is associated, it is considered appropriate to share information on risk management with these stakeholders. It is proposed to undertake an exercise to share information on the risk management approach and output of the assessments with stakeholders on a regular basis, through the distribution of an annual report.

9 BEST PRACTICE

9.1 Benchmarking

Northumberland County Council undertakes periodic benchmarking exercises. Examples of criteria used to benchmark our approach are:

- the Use of Resources Key Lines of Enquiry previously used under Comprehensive Area Assessment;
- the risk management standards BS and ISO 31100; and
- the CIPFA/ALARM Performance Model for Risk Management in Public Services combined with the HM Treasury Management assessment framework.

This work has been supported where necessary with reviews undertaken by the Council's insurers.

9.2 Joint working

As a member of ALARM, the Public Service Risk Management Forum, (formerly the Association of Local Authority Risk Managers), Northumberland County Council is able to attend regular seminars to learn from best practice and to participate in relevant workshops, along with other public sector organisations, in developing risk management relating to specific areas of risk. It also provides an on-line internet forum for seeking advice on any new issues as they arise.

In addition, Northumberland County Council participates in the Tyne and Wear (City Region) Risk Management Group, comprising North Tyneside Council, Newcastle City Council, South Tyneside Council, Sunderland City Council, Tyne and Wear Fire and Rescue Service, Durham County Council and Darlington Borough Council. The aim of the group is to share, seek and learn from best practice and exchange ideas and information regarding common risks and their mitigation.

Under shared services arrangements with North Tyneside Council, the respective risk managers are seeking to share, seek and learn best practice from each other at a more detailed level. A structured approach, undertaking a joint benchmarking exercise using the CIPFA/ALARM Performance Model for Risk Management in Public Services combined with the HM Treasury Management assessment framework, is being adopted with a view to both authorities being able to implement improvements as a result.

Through professional membership of the Chartered Institute of Public Finance and Accountancy, (CIPFA), the Risk Manager is a member of the Technical Information Service On-Line Support, (TISOnline), Risk Management Board, along with other public service and private sector organisations, developing best practice guidance material for use by fellow professionals.

9.3 Action plans

The risk management approach has been assessed against various checklists to benchmark our performance and is subject to external review. Where shortfalls are identified, action plans are developed and implemented to address them.

9.4 Ongoing review

Whilst ownership of the risk management framework rests with Strategic Group, it has been agreed that risk management will be formally considered within the remit of the Audit Committee, with a progress report on the implementation of the framework being made on a quarterly basis. Reporting through Audit Committee allows a greater degree of focus on the process than would otherwise be achieved, and ensures an appropriate degree of member involvement.

CATEGORIES OF RISK

Strategic risks

Political - associated with failure to deliver either central or local government policy or meet manifesto requirements

Economic – affecting the ability to meet financial commitments (include internal budgetary pressures, adequacy of insurance cover, macro level economic changes, investment decisions)

Social – relating to changes in demographic, residential or socio-economic trends

Technological – associated with ability to deal with pace of change, and consequences of internal technological changes

Legislative – relating to current or changes in national or European law

Environmental – associated with environmental policies and practice, and dealing with environmental consequences of progressing strategic objectives

Competitive – affecting competitiveness of service, including ability to deliver value for money

Customer / citizen / stakeholders – failure to meet current or changing needs and expectations. Hazards that can impact upon reputation or goodwill

Operational risks

Professional – associated with the particular nature of each profession

Financial – associated with financial planning, accounting and reporting, control and delegation, and e.g. the adequacy of insurance cover

Legal – relating to possible breaches of legislation

Physical – connected to protection of property and assets and health and safety

Contractual – failure of contractors to deliver services or products to agreed cost / specification

Reputational – relating to the organisation's reputation and the public perception of the organisation's efficiency and effectiveness

Technological – relating to reliance on operational equipment

Environmental – associated with pollution, noise or energy efficiency of day to day operations

Human Resources – relating to recruitment and retention, health, safety and welfare of people, sickness rates and personal development

Processes – inspection compliance, project management, performance management etc.

RISK MANAGEMENT POLICY STATEMENT

Northumberland County Council provides a diverse range of services, involving the community of, and visitors to the county. It is essential that we protect and preserve our ability to provide these services and achieve our long-term strategic goals.

We recognise that risks are inherent within our service delivery, and that these risks must be appropriately managed, whether they arise at a strategic or an operational level. Uncontrolled risks can result in a drain on resources that could be better directed to front line service provision, and to the meeting of the Council's objectives. A culture of risk management can therefore enhance our drive for value for money and quality in the provision of services, and support the achievement of corporate goals. It is noted that the management of risk is equally concerned with managing upside potential and downside threats.

Only by adopting a holistic approach to risk management will the Council properly recognise the concept of risk. Risk management must be an integral part of all aspects of the Council's business, embedded throughout the organisation. A structured and focussed approach is facilitated through the Council's linked risk management strategy.

This policy has the full support of the Council members and Chief Executive. It is recognised that the co-operation and commitment of all employees is required to ensure that Council resources are utilised effectively.

Leader of the Council:

Chief Executive:

RISK MANAGEMENT STRATEGY

The Council's Risk Management Policy Statement sets out the rationale behind the introduction of risk management. This document aims to set the direction, scope and priorities for risk management.

Further details of the policy and strategy are embodied in the risk management framework. It forms a key part of the corporate governance process to generate assurance that a sound system of internal control is in place.

Risk management priorities:

- The corporate strategic risks facing Northumberland County Council are identified and assessed by officers and members to inform the medium term financial plan and service planning processes. Key corporate risks are the focus of risk management priorities with action plans developed and monitored on a quarterly basis through the performance management framework.

- Service risks are identified and assessed by managers to inform the service planning process. Key service risks are the focus of risk management priorities with action plans developed and monitored. Heads of Service should review their risks and report upon performance in reducing the level of risk on a quarterly basis through the performance management framework.

- Service risks and corporate strategic risks are considered by group management teams who determine headline risks that are the focus of risk management priorities at a group level. Action plans are developed and monitored on a quarterly basis through group performance management processes.

Embedding risk management:

Northumberland County Council seeks to embed risk management throughout the organisation.

- The Council's corporate planning framework incorporates the consideration of risk at an early stage, at a corporate strategic, group and service level. The risk appraisal process formalises the consideration of risk within projects, proposals as contained in reports going to Strategic Management Team/Executive, and partnerships.

- The organisational hierarchy provides for the dynamic escalation and de-escalation of risks between service, group and corporate level so that they are always being managed where they are best able to be managed.

- Escalation within the risk appraisal process ensures that the consideration of risk is not unduly onerous for less significant issues. The process is underpinned by a risk appraisal workshop, involving all interested parties identifying and assessing the risks within the project and, where appropriate, approval by Risk Appraisal Panel.

- The issue of risk should be considered in all planning, ranging from significant projects to setting objectives for individual staff. However, focus on risk must continue beyond the planning stages of a project, through to implementation and subsequent operation. The risk management function will provide support and guidance as required, to assist with the management of risk within projects.

- Monitoring of performance in managing risks is integrated with the corporate performance framework. Review and update of risk registers is undertaken in line with, and reported upon within, performance reporting processes.

- To assist in embedding risk management, a risk management tool kit is provided including full details of Northumberland County Council's methodology, templates, the risk appraisal process, and other relevant reference material. The risk management policy, strategy and framework, along with the tool kit, are available on the intranet for officers and members, and on the internet for reference by external stakeholders.

- A training programme exists to ensure that everyone involved understands the principles of risk management and their particular responsibilities in this regard. Training is available for members and officers to ensure an understanding of the risk management process and provide them with the necessary skills and knowledge to fulfil their responsibilities. Training will be provided each year based upon demand.

Resources required:

- The County Council, through the Executive, is ultimately accountable for the adequacy of internal controls and corporate governance. This responsibility is effectively delegated via the Chief Executive to the Strategic Management Team on a day-to-day basis. As such, it will monitor performance and give guidance where appropriate.

- However, everyone is required to play a part in the management of risk across Northumberland County Council. Managing risk is an integral part of good management.

- In addition, each group has identified 'risk champions', responsible for co-ordinating and communicating the group's response to, as well as promoting an awareness of, risk issues. Together, they sit on the

Strategic Risk Management Group that meets on a quarterly basis to develop the Council's approach to risk management.

- Further group resource is available in a network of nominated risk support officers. Within groups, they are able to facilitate workshops and provide a point of contact for guidance and advice.

- The risk management function will provide support and guidance on risk related issues, drive forward the embedding of processes and ensure a consistent approach is adopted across the Council.

- The Council's risk management software, Magique, is used by services to record risk details and for monitoring and reporting purposes. In general, service risks are input by risk support officers, or their nominated administrative officers. They can then run reports for heads of service and corporate directors. The risk management function is able to run Council-wide reports and those required to monitor periodic updating of risks and controls.

Reporting and monitoring arrangements:

- Internal Audit will review the implementation of the risk management strategy and, linking into performance monitoring, seek to introduce review of controls self-assessment. External Audit will continue to review the implementation of the strategy and embedding of risk management across the Council thus providing independent assurance that the risk management process is operating effectively. As stakeholders in the Council's risk management arrangements, other inspection and regulatory bodies will also make a contribution to the monitoring process.

- There will be quarterly update reports to the Audit Committee on progress in the embedding of risk management and the implementation of controls to reduce the level of key strategic risks.

- A process for comparison with other organisations is being established. At an operational risk level, this is done through CIPFA benchmarking arrangements. For corporate risks, a less formal review is periodically carried out, comparing the risks of the Council with those of its peers. Further benchmarking opportunities are taken when available, for example through the insurance company or the insurance brokers. Detailed benchmarking of approach is undertaken through opportunities presented by membership of the Public Risk Management Association, (ALARM), and the Tyne and Wear (City Region) Risk Management Group.

- This strategy document, together with the risk management policy statement, is subject to annual review and update. This last update of the strategy was approved by Executive in December 2011.

Risk Management Action Plan – Key Milestones:

Action	Timescale
Approval of key strategic risks and the risk management framework, incorporating the policy and strategy.	
Updated risk management strategy and framework approved by SMT	November 2011
Key strategic risks signed off by SMT	November 2011
Risk management framework and key strategic risks signed off by Strategic Group	November 2011
Risk management framework approved by Executive	December 2011
Managing group and service risks.	
Risk registers in place for all services and groups	November 2011
Regular monitoring, review and update of corporate, group and service risk registers in place. Consistent approach allowing for the identification of new and emerging risks and the timely escalation and de-escalation of risks. Implementation linked to the performance management framework and reporting of performance indicators.	November 2011 - March 2012
Taking feedback from 2011/12, improved integration with the performance management framework.	February - September 2012
Improved embedding of risk management through integration within the business intelligence framework.	November 2011 - March 2013
Business assurance risk and controls self-assessment	
Pilot	October - December 2011
Commence roll out to services with partial implementation for 2011/12 annual governance statement	January - April 2012
Completion of roll out of robust process to all services for 2012/13 annual governance statement	April 2013

Gradings Guidance for the Quantification of Risks APPENDIX 4

Identified risks must be assessed in terms of likelihood and impact. In the opinion of ALARM (the Public Risk Management Association), risks should be quantified against a scale with an even number of options. This removes the temptation to opt for the "middle" score, and forces the assessment to be more decisive in terms of impact & likelihood.

The initial assessment is of the gross risk. To establish this, no consideration is given to any controls which may be in place to mitigate the level of risk.

The current net risk is then assessed taking into consideration the status of controls and their effectiveness.

The measures for status and effectiveness are:

Status	Definition
Ongoing	Implementation of the control is complete. However, it requires to be done on e.g. a cyclical basis. It is reducing the level of risk.
Complete	Implementation of the control is complete. It has reduced the level of risk.
In Progress	Work is in progress to implement the control. It may have begun to reduce the level of risk.
Planned	There is a plan to implement the control. It cannot be viewed as reducing the risk as it may not be actioned or completed.
Not in Place	A possible option for control. It is not yet reducing the level of risk

Effectiveness
High
Medium
Low

Grading of likelihood

The likelihood of a risk materialising is measured on a scale of 1 to 4, where 1 is low and 4 is high. More detailed definitions of each grading are as follows, and are as stated in the ALARM guidance:

ALARM grading	Definition	Likelihood of circumstances which may lead to a crystallisation of risk	Indicator
1	Very unlikely	Less than a 10% chance of circumstances arising	Has happened rarely / never
2	Unlikely	10% to 40% chance of circumstances arising	Only likely to happen once every 3 or more years
3	Likely	40% to 75% chance of circumstances arising	Likely to happen at some point in the next 1-3 years. Circumstances occasionally encountered
4	Very likely	More than a 75% chance of circumstances arising	Regular occurrence. Circumstances frequently encountered.

The above definitions are intended as a guide, and a degree of flexibility may be appropriate in their application.

Grading of impact

Grading of the impact is less straightforward, since there are a variety of impact types which a risk may have, for example reputation or financial. To provide guidance, a description has been provided for some of the more common impacts, as set out on the following page. It should be noted that an impact may occur in only one of these categories, and a grading does not indicate that all impacts will arise. In cases where other impact types arise, the gradings must be interpreted appropriately.

Negative / Threat / Downside risk impacts

Alarm grading	Reputation	Staff	Governance	Financial	Project delivery	Service provision	Legislative / contractual	Health & Safety
1. Minor	Short term adverse local public opinion.	Damage to staff morale, minor increase in staff turnover	Some elements of governance framework ineffective	Budget base exceeded by less than 10%	Delay to project	Short term disruption to minor service	Failure to meet minor terms of contract	Minor injury, short term, sickness less than 3 days.
2. Moderate	Adverse local publicity / local public opinion	Staff dissatisfaction, increase in staff turnover	Some elements of governance framework criticised by external body	Budget base exceeded by 10% - 50%	Significant delay to high profile project, or failure to deliver target	Major element of service not provided for 1 day, minor element not provided for 1 week	Breach of minor contract; failure to meet significant contract terms	Serious injury or extensive minor injury, semi-permanent, sickness more than 3 days.
3. Serious	Persistent adverse local media coverage	Major staff dissatisfaction, short term strike action, staff turnover including key personnel	Criticism of all governance arrangements by external body	Budget base exceeded by 50% - 100%	Failure to deliver high profile target	Major element of service not provided for 1 week, longer term disruption to minor element	Breach of significant contract; element of legislative requirement not achieved.	Extensive serious injury, permanent injury or harm, long term sickness over 4 weeks.
4. Major	Persistent adverse national media coverage	Major staff dissatisfaction, long term strike action, significant key staff turnover	Ineffective governance arrangements	Budget base exceeded by over 100%	Failure to deliver several high profile targets	Longer term disruption to major service element.	Statutory requirement not achieved	Death of staff / public

Scoring grid

Once risks have been graded, they may then be reflected on a risk scoring grid, which acts as a useful aid to provide focus on key risk areas. By plotting impact and likelihood on the grid, an assessment of the overall risk can be made. Northumberland County Council's risk scoring grid is as follows (the colour coding is explained below, under "risk classification"):

IMPACT (as defined by ALARM)				
4	11	12	15	16
3	7	10	13	14
2	3	6	8	9
1	1	2	4	5
	1	2	3	4

LIKELIHOOD (as defined by ALARM)

Risk classification

Northumberland County Council has agreed broad classifications reflecting the risks which it faces and the priority that must be placed upon actions. These are as follows:

Acceptable	Risks where any action to further reduce the level of risk would be inefficient, i.e. the cost in time or resource outweighs any potential impact of the risk materialising. Such risks include infrequent events with low impact. These risks are being effectively managed, and are coloured green on the scoring grid, scored as 1 – 3.
Manageable	Risks which can be reduced within a reasonable timescale, in a cost effective manner. Any mitigating actions must be monitored and recorded. Manageable risks are coloured yellow on the scoring grid, scored as 4 – 7.
Serious	Risks which have a serious impact, and detrimental effect on the achievement of objectives. Action plans should be developed to reduce the level of residual risk, and reviewed periodically. Serious risks are shown as orange on the scoring grid, scored as 8 – 11.
Very Severe	Risks which could have a potentially disastrous effect on the organisation without immediate comprehensive action to reduce the level of risk. Very severe risks are those on the scoring grid coloured red, scored as 12 or more.

Positive risk

Positive risk is measured in a similar way to negative risk but the desired direction of travel is reversed.

In managing positive risk, we are aiming to see the risk rating increase, from the gross grading (without any controls in place) to the current net grading (with controls at their current status and effectiveness).

Likelihood

Negative Impact / Positive Impact	1	2	3	4
4	11	12	15	16
3	7	10	13	14
2	3	6	8	9
1	1	2	4	5
1	1	2	4	5
2	3	6	8	9
3	7	10	13	10
4	11	12	15	16

Denotes desired direction of travel

Grading of positive likelihood
Grading of the likelihood of positive risks is the same as for negative/general risks.

Grading of positive impact
Grading of the impact of positive risks is similar to negative risks and, to provide guidance, a description has been provided for some of the more common impacts, as set out on the following page. It should be noted that an impact may occur in only one of these categories, and a grading does not indicate that all impacts will arise. In cases where other impact types arise, the gradings must be interpreted appropriately.

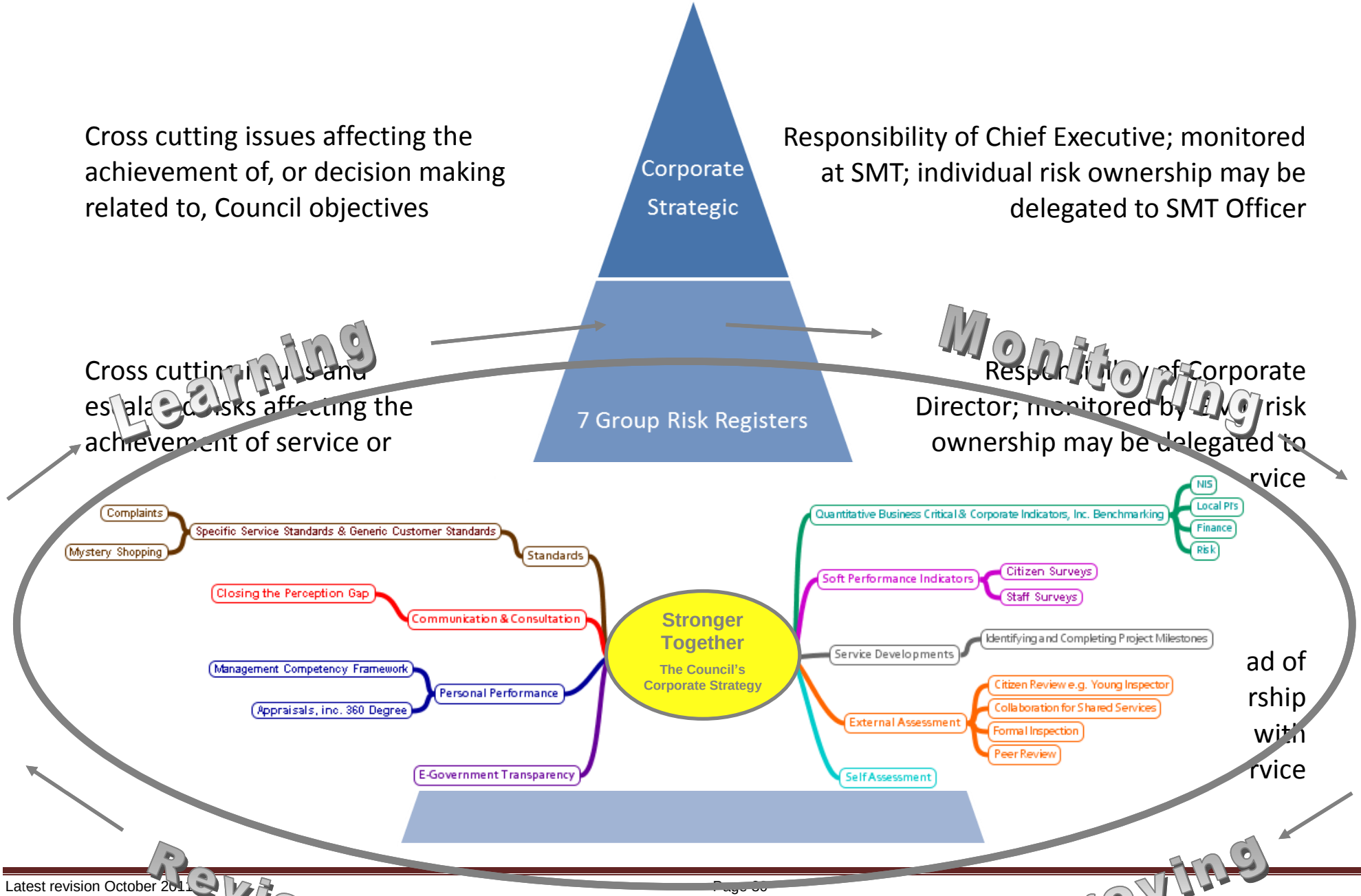
Positive / Opportunity / Upside risk impacts

Alarm grading	Reputation	Staff	Governance	Financial	Project delivery	Service provision	Legislative / contractual	Health & Safety
1. Minor	Short term positive local public opinion.	Raising staff morale, minor reduction in staff turnover	Improvement in some elements of governance framework	Budget base savings of up to 10%	Minor improvement, e.g. minor completion ahead of schedule	Improvement to minor service	Ensures meeting minor terms of contract	Prevents potential minor injury, short term, sickness less than 3 days
2. Moderate	Positive local publicity / local public opinion	Staff satisfaction, moderate reduction in staff turnover	Improvement in some elements of governance framework, commended by external body	Budget base savings of between 10% - 50%	Significant improvement to delivery of high profile project, or over-achievement against target	Major element of service improved; significant improvement to minor service	Assists in meeting minor contract; ensures meeting significant contract terms	Prevents potential serious injury or extensive minor injury, semi-permanent, sickness more than 3 days
3. Serious	Persistent positive local media coverage	Significant staff satisfaction, reduction in staff turnover particularly key personnel	Commendation of all governance arrangements by external body	Budget base savings of between 50% - 90%	Over-achievement against delivery of high profile target	Major element of service significantly improved	Assists in meeting significant contract; ensures element of legislative requirement is achieved.	Prevents potential extensive serious injury, permanent injury or harm, long term sickness over 4 weeks
4. Major	Persistent positive national media coverage	Major staff satisfaction and long term retention in key staff	Governance arrangements working effectively and efficiently	Budget base savings in excess of 90%	Over-achievement against several high profile targets	Step change in improving major element of service	Ensures statutory requirement is achieved	Prevents potential death of staff / public

Where does risk management take place?

Cross cutting issues affecting the achievement of, or decision making related to, Council objectives

Responsibility of Chief Executive; monitored at SMT; individual risk ownership may be delegated to SMT Officer



Cross cutting issues and escalated risks affecting the achievement of service or

Responsibility of Corporate Director; monitored by SMT; risk ownership may be delegated to service

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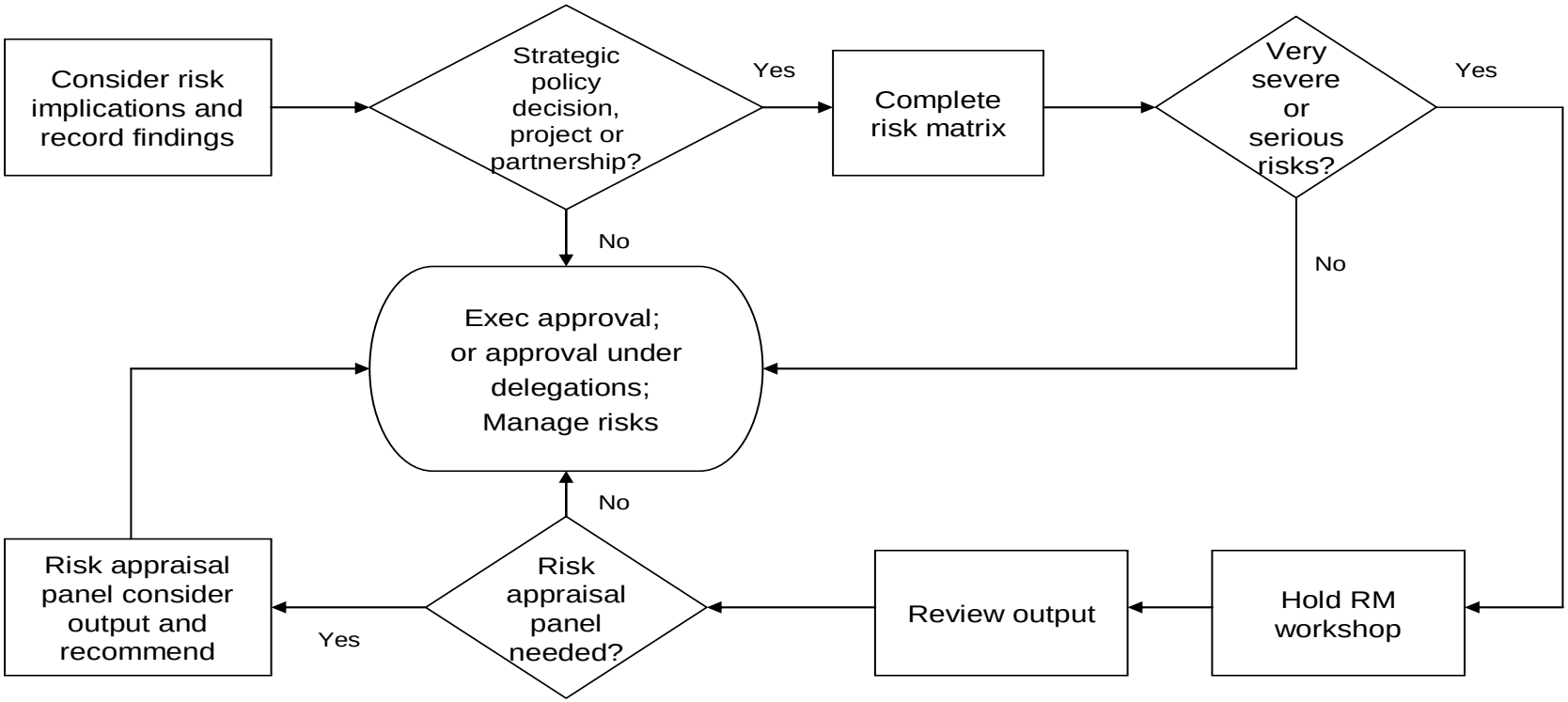
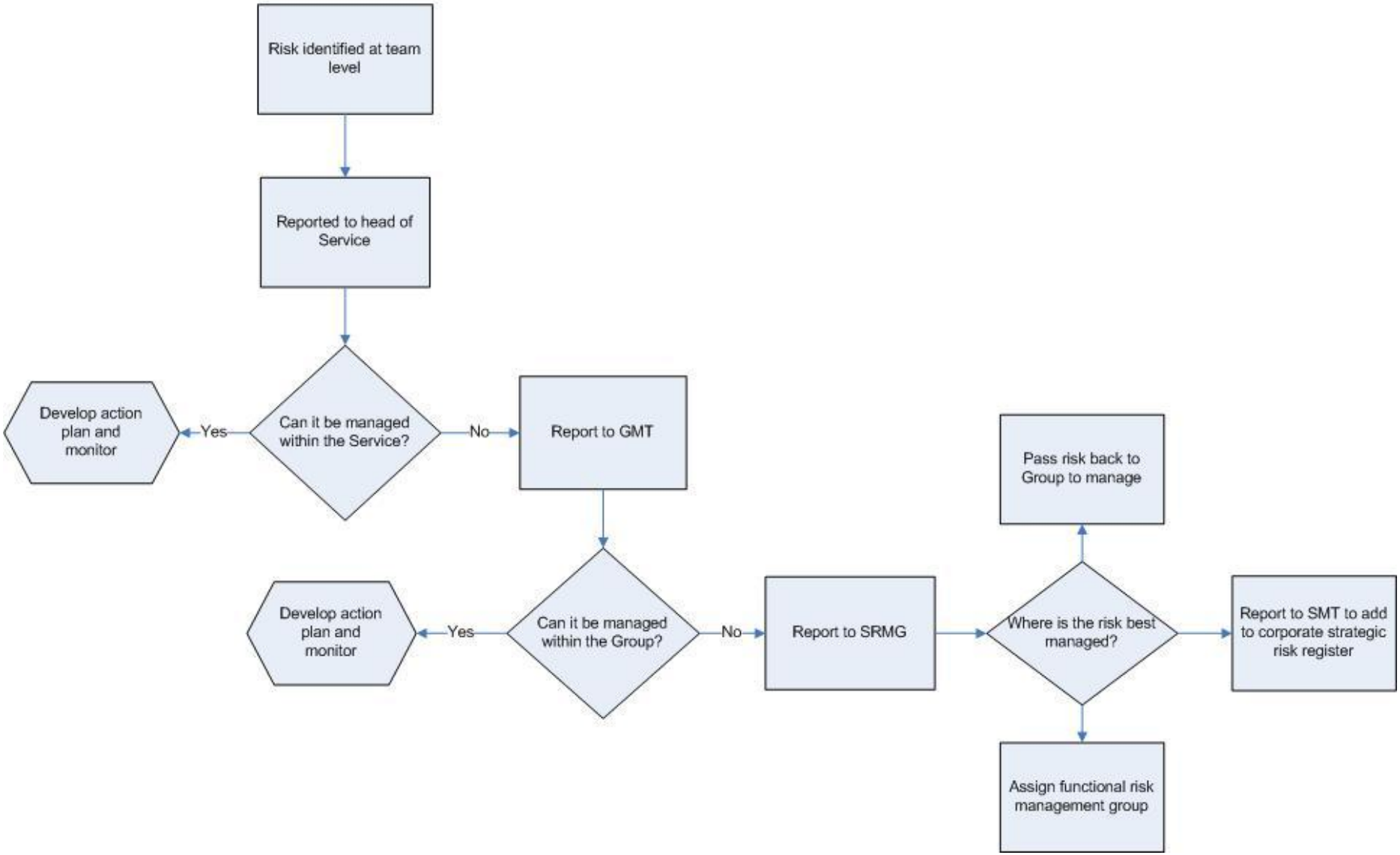
Risk Appraisal Process



Reporting Protocol

APPENDIX 8

Risk area	Identified by	Grading	Progress report	Frequency	Listing for review	Frequency	Sign off by	Frequency
Corporate;	Review of key objectives within the overall context of the corporate planning framework, led by Risk Manager.	Very severe	Audit Committee	Twice annually	SMT	Quarterly	Strategic Group	Annually
		Serious						
		Manageable			SMT	Twice Annually		
		Acceptable						
Service;	Service teams, led by RSO, within service planning process	Very severe	SMT	Twice annually	GMTs	Twice annually	GMTs	Twice Annually
		Serious						
		Manageable			GMTs	Annually		
		Acceptable						
Projects; (similar for Strategic policy Decisions & Partnerships)	Workshop	Very severe	Initially Risk Appraisal Panel	As required	Project Board	Quarterly (as a minimum)	Project Board	Quarterly (as a minimum)
		Serious						
		Manageable			Project Board	Twice annually		
		Acceptable						
Other risks	e.g. Audit process, flagged to risk management directly. General awareness	Very severe	SRMG	As required	SRMG	As required	SRMG	As required
		Serious		Annually				
		Manageable			SRMG	As required		
		Acceptable						
Functional risk groups	Workshop, run by identified lead	Very severe	SRMG	As required	SRMG	As required	SRMG	As required
		Serious						
		Manageable			SRMG	As required		
		Acceptable						

A paper providing an update on general progress with the Risk Management Strategy will be presented quarterly to the Audit Committee

Escalation of Risk Reporting