Risk Management Implementation Plan

EXECUTIVE SUMMARY

Torbay Council has acknowledged the need to implement an holistic and structured process for assessing and managing corporately its exposure to risk. To this end a draft Policy statement summarising the aims and objectives of the Council and a draft strategy document outlining a possible organisational and procedural framework for managing risk within the Council have already been produced and adopted.

This action plan seeks to explain how and when these documents will be translated into practical effect through processes which as far as possible actively involve Torbay Council’s internal and external stakeholders.

Context

In July 2001 the Audit Commission produced a management paper entitled “Worth the Risk: Improving Risk Management in Local Government”. This paper reiterates the principles of corporate governance set out in the Turnbull Report. It states that:

“Risk management is an integral part of good governance and is a process whereby:

• There is a shared awareness and understanding within the authority of the nature and extent of the risks it faces; the extent and categories of risks regarded as acceptable; the likelihood and potential impact of the risks materialising and its ability to reduce the incidence and impact on the organisation of the risks that do materialise

• There is regular and ongoing monitoring and reporting of risk including early warning mechanisms

• An appropriate assessment is made of the cost of operating particularly controls relating to the benefit obtained in managing the related risk

• The authority conducts at least annually a review of the effectiveness of the system of internal controls in place and

• The authority reports publicly on the results of the review and explains the action it is taking to address any significant concerns that it has identified”
The process outlined above has to be an ongoing culturally-embedded activity, positively contributing to the performance improvement of the organisation. The focus is expressly not limited to the areas of health and safety and insurable risk that historically it was widely perceived to focus solely upon within the Council. For this reason weaknesses in the Council’s risk management procedures were identified as part of the Corporate Governance inspection completed by the Audit Commission in February 2003.

The Audit Commission’s report stated that the Council needed to ensure that it took decisions and deployed resources having an explicit regard to risk assessment. The report made the following recommendations:

- To develop and articulate clearly an approach to risk management to be employed in both its decision and policy-making process

- To demonstrate the use of risk management as an integral process in determining priorities across Directorates and to free up resources in those areas where a higher level of risk is deemed acceptable.

- To re-launch the whistle-blowing policy and identify a programme to embed an anti-fraud and corruption strategy.

In response Torbay Council has set specific targets within its Change Management Implementation Plan for 2003-4 with the objective of achieving good stewardship of resources with risks identified, assessed and planned for to minimise their impact.

An agenda was set to achieve this objective which led to the formulation of a working draft risk register; policy and strategy developed with risk management specialists, Willis. Adopting a Risk Management Implementation Plan including clear risk assessment procedures is the next step required to achieve the above objective.

Management Arrangements

The Council’s Risk Management Strategy document sets out general and specific roles and responsibilities regarding risk management for both Members and officers. It also uses new designations connected with the development of a framework for consultation and communication involving a senior officer responsible for “risk”, a risk management co-ordinator, Directorate risk management co-ordinators and Council and Directorate risk management forums. Once implemented, the Strategy must be complementary to making risk management not a periodic compliance issue but an everyday business approach.
As part of the implementation process, the Council will seek to ensure that risk management is not seen as a separate exercise to be completed by staff and will use feedback generated through the consultation and training processes entailed by the implementation plan to review the appropriateness of the proposed management arrangements. In terms of their practicality and how complementary they are to introducing a culture where there is an understanding of risk management as an integral part of management.

Alternatives such as the use of the existing management and team meeting structures for communication and the co-opting of necessary specialist officers for relevant portions of these meetings will be considered.

Constraints

The Council has recognised risk management as a priority in achieving effective corporate governance and will address practical constraints upon effective implementation accordingly. The chief constraint is availability of officer time at all levels, particularly in management tiers and divisions of the Council attributed special responsibility for risk management in the Strategy document.

I.T. staff resources will also be an issue in connection with the commissioning and training of users of the risk element of the Council’s performance and risk database programme.

This and the Risk Register will also require a systems administration role to monitor and review content and access.

Outcome

The Council aims to implement risk management procedures which will achieve, in the terms of the Audit Commission paper “Worth the Risk: Improving Risk Management in Local Government” – “a shared awareness and understanding within the authority of the nature of risk” – enabling it to become a “risk aware organisation”.

These procedures should:
- avoid unnecessary complexity and the addition of cost
- be accepted, understood and utilised by all stakeholders
- contribute positively to the achievement of Corporate objectives
**INTRODUCTION**

The Council’s Risk Management Implementation Plan seeks to ensure that the Council has fully addressed all areas of risk management implementation including:

1. Discussion about the need for better risk management

2. Identification and prioritisation of areas of change, business objectives, critical success factors and risks that may be significant

3. Identification of related significant risks that could undermine:
   i. the quality of service provision
   ii. the reputation of the Council
   iii. the reliability of internal and external reporting
   iv. the safeguarding of assets from inappropriate use, loss and fraud
   v. liabilities being identified and managed properly

4. Identification of key tasks to be completed in order to:
   i. continue the development of risk management strategies and the Risk Management Policy Document
   ii. Consult with all internal and external stakeholders
   iii. Develop a risk culture
   iv. Provide members and senior management with early warning mechanisms
   v. Monitor and report on the system of internal control

5. Set out the role of Members, officers and committees

6. Allocation of:
   i. resources including nominated Champions
   ii. responsibility for each stage of the plan
   iii. responsibility for the management of each significant risk

7. An achievable timetable.
PLANNED IMPLEMENTATION STRATEGY

The Council is committed to becoming a “risk-aware organisation”. The Audit Commission’s management paper “Worth the Risk: Improving Risk Management in Local Government” identifies a risk-aware organisation as follows:

- Staff understand the nature of risk
- Possesses the tools it needs to gather and assess risk information
- Actively considers risk information when planning and decision-making
- Plans its activities to mitigate impact of or minimise likelihood of adverse consequences and improve likelihood of successful outcomes.

It is the intention of the Implementation Strategy to enable these key features to develop within Torbay Council.
Key Output 1

Members and officers understand the nature of risk

Needs:

All participants in the Council’s operations need to understand the risk management processes available to them and understand why the processes should be consistently used. The processes used should be appropriate to the diverse nature of the training recipients and their different exposures to risk.

Key Activities:

1. WORKSHOPS – TRAINING/CONSULTATION

   See Activities 1 and 2 of the Activity Summary, Appendix 6, for details of the initial programme to be effected by the end of November 2003.

   a. Training workshops to present the following:

      • Information on the nature of risk including the issues of pure complete negative risk and speculative risk

      • Information on the types of risk that might affect Torbay

      • Explanation for the reasons for and benefits accruing from implementing the risk management process

      • Information on the mechanisms, structures and tools that are being implemented to support the process

      • Emphasis on the value that Torbay Council places on the successful implementation of the process including presentation of the Risk Management policy and strategy working drafts

   b. Risk Management Workshops will achieve not only training but also consultation on the processes as outlined in the policy and strategy document and on the content of the draft Risk Register.

      • Identification of key risks in achieving the Council’s revised strategic objectives.

      Note the six high probability, high impact strategic risks identified against priorities of the previous administration.
Key operational risks following from revised Corporate objectives of the new administration.

Note: Identify through analysis of and comparison with contents of draft Risk Register; revised business plans and latest RADAR; press coverage, liaison with public and private sector organisations and the community.

The programme will commence with training and consultation workshops for the following groups:

- Directors and Executive monthly
- Members
- Managers
- Change Champions

From these workshops further routes to disseminate information and to consult with the widest possible cross-section of staff and other stakeholders will be identified. These will supplement the use of an all-staff InfoExpress discussed at and with information fed back from team meetings within all operational areas.

**Desired Output**

- **Increase staff awareness and understanding of risk**
  - A revised matrix of risks
  - Information regarding current perceptions of information flow and responsibility for control.

2. **AVAILABILITY OF CONTINUING ACCESS TO GUIDANCE**

   See Activity 3 of the Activity Summary, Appendix 6, for details of the initial programme to be effected by the end of November 2003.

- Access to personnel with specific responsibility for Corporate risk management
- Access to externally-produced guidance documents including the Audit Commission’s Management Paper “Worth the Risk”
- Creation of a library of hard copy internal and external materials relating to risk management and corporate governance with contents and borrowing procedures published to all staff.
- Access to an on-line intranet page making available the Policy, Strategy and Implemented Plan together with the Council’s Guide for Assessment of Risk Appendix 1) which will be introduced as part of the training and consultation process and revised and ratified and adopted subject to the feedback from this process.
3. DEVELOPMENT OF APPROPRIATE RISK IDENTIFICATION AND EVALUATION TOOLS FOR STAFF:

Staff need to participate in the development of a consistent and practical methodology for assessing risks and a clearly understood means of transferring their assessments of risk to:

- A central register which includes an authorisation and verification process
- Other staff whose activities may be affected by that risk

Key Activities:

1. UTILISE EXISTING RISK ASSESSMENT METHODOLOGY

This is set out in the “Guide to Assessment of Risks” (attached as Appendix 1 in summary and full text versions). The initial review of the existing risk identification and evaluation methodology is planned to have taken place using feedback from the training and consultation programme and to be completed by the end of November 2003.

Alternative risk identification methods will be explained as part of the training process and feedback received to review and extend the recommended methodology as necessary. In particular it is recognised that consistency needs to be achieved regarding the assessment of likelihood and severity of consequence. The Guide’s assessment process results in a placement within a 3x3 matrix to produce a risk rating. Consideration could be given to:

- the use of a 5x5 matrix to provide a more precise evaluation
- whether and how opportunities (as opposed to threats) are evaluated

The use of alternative processes will also be explained and considered. Examples: HAZOPS (Hazard and Operation Studies) - Risk Mapping – Benchmarking – Scenario Analysis – Risk Assessment Workshops – Incident Investigation - Questionnaires – Auditing).

2. APPROACH FOR TRANSFERRING FINDINGS OF RISK ASSESSMENTS TO A CENTRAL RISK REGISTER

a. Current position:

The Council has identified and set out roles and responsibilities in connection with risk management generally and specifically in the Strategy. It has also proposed a framework for communication regarding risk. The Council needs to clarify its approach both for identifying new risk emerging through this communication process (as informed by the RADAR and business planning processes as well as operational developments) and for reviewing and editing the existing contents of the draft Risk Register, which is in Excel spreadsheet format.
The Council currently lists 108 risks on a Risk Register describing the first 50 as strategic and the remaining 58 as operational. As indicated above, these risks can be reviewed at the training and consultation workshops.

The Council’s Risk Register identifies threats. These are placed within a category if strategic, political, economic, social, technological, legislative and environmental; if operational, professional, financial, legal, physical, health and safety/disaster/emergency planning; contractual, technological and physical assets.

Whilst there is a description of risk (in terms of threat, e.g. under environmental, “inability to meet demand for additional housing”, and underlying cause – “lack of available space, inability to attract investment, e.g. brown field regeneration”) there is no express identification of the scope of the risk in terms of a qualitative description of what events, activities it affects; their size, nature, number and interdependence with other activities and functions, nor any indication of other internal/external/stakeholders affected. The responsibility for control mechanisms is not attributed nor is the potential for improvement and the responsibility for developing strategy and policy in this regard.

b. Development

Through the implementation process the Council will develop and clearly define the processes relating to revision of the existing Risk Register to produce a practical working interactive information system which informs decisions at all appropriate levels. The following issues have yet to be resolved:

1. Content of the Register – via consultation and feedback upon the effectiveness of the programme of education regarding risks
2. The format of the Register
3. The activation of the risk element of the Service Performance and Risk database
4. Access to and frequency of reporting upon the SPAR system
5. Responsibility for (a) authorising and (b) effecting the transfer of information from the SPAR system to the central register if this is to remain distinct.

It is proposed by end of March 2004 to simply review the existing risk register by way of:

- The initial training and consultation process
- The integration of risk management as an agenda item into management team meetings at all levels thereafter as a monthly item with information produced to be cascaded upwards to the Directors Management Team/Executive.

See Activities 5-8 inclusive of the Activity Summary, Appendix 6, for details.

Thereafter the Council will pilot the use of the risk element of the Service Performance and Risk (SPAR) database. This window-based system allows for entries on strategic operational and project risks allocated to designated responsible officers identified as “addressed” or “outstanding” with risks described, categorised and rated, a description of
the risk mitigation or control method and a further assessment of the residual risk or likelihood with that control. The use of this system would facilitate central monitoring generally and allow for rapid analysis of particular categories of risks corporately to assist decision-making.

This pilot will commence in March 2004 for a six-month period. It will be restructured to one or two key operational areas within which responsibility for access on an editorial basis will be allocated in accordance with the Risk Management strategy and feedback received from the training and consultation workshops and management teams to ensure that data reflects the responsibilities of the risk owner and the agreed risk of the organisation.

The success of the pilot will be formally reviewed by the end of the six-month period and appropriate software modification work carried out during the currency of the pilot. If considered appropriate, there will be a full corporate roll-out of the system, supported by training sessions and guidance material, commencing in September 2004.

3. DEVELOP PROTOCOLS FOR USE OF RISK REGISTER INFORMATION IN DECISION-MAKING

The purpose of the risk register is to inform decision making regarding existing day to day activities and forward plans and to inform the development of future strategies. Access needs to be provided to the Register to achieve this. There needs to be clear understanding on the part of decision-makers of the expectation that reference has been made to the available information. This needs to be reflected in the Council’s wider policies and procedures.

Guidance regarding access and use will be developed as part of the programme addressing the format and contents of the Risk Register to be compiled by the end of March 2004.

4. DEFINED APPROACH FOR PRODUCING EXTRACTS OF HIGH AND/OR VERY HIGH RISK FOR STRATEGIC REVIEW

The Executive/Directors training consultation session will address the information received by Members and Directors on the existence and control of key risks. The treatment of strategic risk will be specifically considered when protocols for interfacing and co-ordinating sources of risk information are formalised. This will occur by the end of March 2004 (See Activity 7 of the Activity Summary, Appendix 6, for details of the initial programme) and a review of this specific aspect of the information flow processes will occur by September 2004.

5. REFINE APPROACH FOR UNDERTAKING ACTION PLANNING

Development of the planning sheet attached, Appendix 2. For all key risks a plan should be prepared to target risk reduction. This will be auditable/traceable and subject to monitoring and review over time.
Use of the SPAR system will allow for the creation of a more extensive control database than the Risk Register format currently in existence. The windows-based system allows for more detailed analysis of “control” data fields. Consideration will be given to the development of risk action planning as part of the protocol development and SPAR-trialling programmes effected by September 2004.

6. DEVELOP RISK MANAGEMENT STANDARDS FOR EACH MAJOR RISK AREA

Once risk management processes are in operation corporately consideration could be given to refining and detailing complementary processes for addressing key risks. For example, more specific guidance could be given regarding risk analysis and evaluation and approaches to risk treatment, viz. control, mitigation and/or avoidance and/or transfer and/or financing, should there be a variation to the protocol on reporting and communication of such risks in relation to the frequency or content of reports. The Council will develop Risk Management Standards for key risk areas and directorates as appropriate by the end of 2004/5 financial year.
Key Output 2

An organisation which possesses the necessary tools to gather and assess risk information

Needs:

Staff need to be provided with a consistent and practical methodology for assessing risks and a clearly understood method of transferring their assessments of risk to

- A central register which includes an authorisation and verification process
- Other staff whose activities may be affected by the risk

Key Activities:

1. **FINALISE THE COUNCIL’S “GUIDE TO THE ASSESSMENT OF RISKS”**

   This document attached as Appendix 1 (full text and summary) outlines the methodology the Council has decided to adopt to date. The methodology is reliant upon users having received the training necessary to apply their analytical ability appropriately. The current draft Risk Register has been prepared using the outlined method of risk assessment.

   The process of training and consultation will review whether this form of qualitative evaluation is appropriate and whether sufficient information is recorded to cross-check subjectivity. As indicated above, a formal review of the methodology will occur by the end of November 2003.

2. **FORMALISE FEEDS OF RISK INFORMATION TO THE RISK REGISTER**

   As part of the implementation process, the method frequency and content of inputs from the following sources will be defined:

   - The Service Performance and Risk system (see above)
   - The communication processes, i.e. management teams and groups at all levels
   - The formal reporting process, i.e. to the Executive, Directors, Scrutiny and the Committees
   - Business planning
   - Project planning
   - Forward planning
   - External sources – private/public partners; press; the community.

   This will be discussed during the initial training and consultation programme. Protocols detailing procedures will be developed by the end of March 2004.
Key Output 3

An organisation that actively considers risk information when planning and decision-making

Needs:

Suitable structures and arrangements to facilitate and require use of existing information and to identify further risk information as part of planning processes and decision making. In particular to ensure that the Risk Register does not become a sterile document separated from the normal activities and operations of the Council but to ensure an effective interface between staff and the Register which allows risk information to flow in both directions as the Risk Register is reviewed as a preliminary part of all strategic and operational planning processes.

Key Activities

1. **FINALISE PROTOCOLS FOR THE USE OF RISK REGISTER INFORMATION IN DECISION MAKING**

   See Activity 7 of the Activity Summary, Appendix 6. This will occur by end of March 2004.

2. **FINALISE APPROACH FOR PRODUCING EXTRACTS OF HIGH AND/OR VERY HIGH RISKS FOR STRATEGIC REVIEW.**

   The following issues regarding the Risk Register remain to be resolved –

   - Relationship with information feeds, especially SPAR and communication forums
   - Accessible by Intranet only or available in complementary or alternative formats
   - Universally accessible or with restrictions on access
   - Allocation of read-only or editing access
   - Guidance as to which documents, plans and proposals must have risk assessments undertaken to support them
   - Consideration of the format for documents and plans to allow for revision to incorporate risk information (a) to be made public and (b) to remain confidential.

   These issues will be considered during the consultation programme with an initial approach introduced by the end of March 2004 and formally reviewed by September 2004.
3. **FINALISE ALLOCATION OF RESPONSIBILITY FOR SUPERVISION AND FACILITATING RISK INFORMATION EXCHANGE AND CO-ORDINATION.**

An initial nomination will be made as soon as re-structuring processes permit.

The Annual Implementation Progress Report will include a review of this position within the organisation and the appropriateness of role of risk co-ordinator(s) will occur including a review of access/interfaces with management structures and participation in categorising risk for strategic review.
**Key Output 4**

**An organisation which responds to risk by planning its activities to mitigate or minimise adverse consequences and improve the likelihood of successful outcomes**

**Needs:**

Long-term planning incorporating ongoing risk mitigation through the operation of a cyclical process. Risks are identified and assessed, fed into the Risk Register for wider examination. The assessed risk information is used in service activity and budget planning, thereby applying controls. Controls are monitored and reviewed and risks re-assessed.

**Key Activities**

1. **FINALISATION OF A STRUCTURED APPROACH TO RISK PLANNING PROCESSES.**

   This must ensure information exchange and co-ordination must complement and interface with existing planning processes. Protocols will be developed for incorporating risk appraisals into corporate strategic plans and service plans and for transferring risk information generated into the Council’s risk register. Procedures will also be devised to ensure these plans are informed by existing risk action planning information.

   Initial protocols will be developed by the end of March 2004. They will be subjected to formal review by September 2004. (See Activity 7 and 10 of the Activity Summary, Appendix 6).

2. **ALLOCATION OF RESPONSIBILITY FOR EFFECTING TRANSFER OF RISK INFORMATION** from planning processes to the central register and for reporting cumulatively on exposures and control measures.

   The following issues remain to be resolved:

   - The role of the Risk Co-ordinator(s)
   - The timing and means of regular reporting on risk exposure and control measures
   - Identification of the appropriate individuals/groups to receive reports

   The communication processes and the framework of roles and responsibilities outlined in the strategy document will be refined as part of the implementation process.

   Development of protocols for reporting in exceptional circumstances will need to occur to supplement routine periodic reviews and assessments ensuring that long-term
planning, whether occurring as part of the annual planning cycle or on a separate project timetable can incorporate the latest information regarding key risks.

The introduction and review schedule will be as for (1) above.

3. **A RISK CONTROL ACTION PLAN WILL BE CREATED AND REVIEWED ANNUALLY**

This will track the implementation of controls identified by the Risk Register. This plan ensures that controls have been identified and effected by a named officer with responsibility for the relevant area by a specific date. A specific performance indicator should be identified and cross-referenced to the service plan where the control is of ongoing relevance.

The risk management co-ordinator role proposed in the draft Risk Management Strategy includes overall monitoring of the Council’s risk control action plan targets. However the relevant Director is accountable for ensuring that risk control actions are taken. A suggested risk control self-assessment report form is attached at Appendix 3. On a directorate level these forms should be reviewed periodically, e.g. on a quarterly basis.

**Desired outcome**

- The Director in a position to sign an annual statement each year for the risks identified endorsing satisfaction with the controls in place to mitigate the risk. (Example self-audit form attached at Appendix 4)
- Auditable evidence to support the Statement of Internal Control to be signed by the Managing Director and Leader (example attached at Appendix 5)
- Similar documents to be produced by relevant individuals within the **partner organisation** to affirm that risk is being appropriately mitigated within parts of the processes identified through risk assessment as being within their operational remit.

The effectiveness of this system will be considered as part of the initial Implementation Progress Report to be prepared by the Risk Co-ordinator by 31 March 2004.

4. **FINALISATION OF AN ANNUAL FORMAL REVIEW PROCESS TO MONITOR AND EVALUATE THE EFFECTIVENESS OF THE COUNCIL’S SYSTEM OF RISK MANAGEMENT.**

Procedures and responsibilities to be clearly defined and responsibility for production and approval of the annual review report to be developed. An holistic review of the monitoring and reporting systems will occur by end of December 2004 and inform end of financial year reporting and evaluation processes.
**Management of the Implementation Plan**

This is recognised as the responsibility of the Council (Members and Officers) as a whole but delegated to the Senior Officer Responsible for Risk (the Assistant Managing Director) supported by the Council’s Risk Management Group and external consultants PricewaterhouseCoopers as appropriate. The Council will however need to ensure that the necessary time and resources are allocated to the achievement of the planned outputs.

It should also be noted that many of the factors which will affect the success of achievement of the above outputs are outside the direct control of the senior officer responsible for risk and the risk management group. To achieve the successful integration of risk management techniques and procedures into the Council’s day to day and long-term decision making processes will require commitment from all staff and in particular senior managers and Members.

The attached Implementation Plan Activity Summary (see Appendix 6) is intended to outline the initial stages of the implementation plan. This will however be a two-year programme of initial development to put in place the basic procedures for corporate management of risk. If this stage is validly implemented thereafter continual evolution should occur.

In 2003/4 the Council should have made the necessary decisions regarding the basic implementation schedule with practical targets to ensure that by the end of the financial year, training and consultation has occurred and the modified processes outlined in the revised Policy Strategy and Guide to Assessment of Risks are being translated into action corporately. A process for corporate consideration of risk will have been adopted in a preliminary form to be further refined.
**Measuring Performance**

The primary objective of embedding risk management is identified in the Council’s Change Management Plan as “good stewardship of resources with risks identified, assessed and planned for to minimise their impact”. The implementation programme outlined will produce tangible results in terms of, for example, risk appraisals incorporated into the Risk Register; into business and strategic plans and into management, executive and committee reports.

Measurable outputs will include the currency of these appraisals, i.e. if a previously formulated appraisal is used, has it been cross-referenced to the latest available risk information? Further measurable would include evidence of application of controls tracked through the Action Planning sheets and through numbers and location within the organisation of staff and Members who have received training in risk management.

Success in improving staff awareness of existing or potential risk exposures and the risk management process will be assessed through surveys of targeted groups, feedback from meetings and workshops and follow-up research.

Documentation of activities and outputs supported by the programme will include an Annual Implementation Progress report prepared by the Risk Co-Ordinator approved by the senior officer responsible for risk. The annual report will include:

- A description of the implementation plan as amended by feedback through consultation processes
- A description of overall development status and activity details
- Outcomes achieved implemented
- Case studies for each Directorate and each key risk area.

By the end of financial year 2003/4 the Council will have embedded, in an initial form, processes to enable the cyclical flow of risk information as outlined on the flow diagram attached as Appendix 7.
Plan Assessment and Revision

As indicated by the flow chart attached at Appendix 7, this process is not a one-off event, it is rather a continuum of ideas assessments, planning, implementation, evaluation, re-adjustment and revision.

This plan sets out an approach to address the implementation of effective risk management throughout Torbay Council. The approach will evolve as the programme progresses. As new information comes to light, the content of the plan may change in terms of activities and timescales. To respond to this the senior officer responsible for risk will ensure that the plan is reviewed throughout the implementation phase and any amendments are reported to the Directors/Executive.

As acknowledged above, it will be essential that a formal and comprehensive review is in any event performed on an annual basis. This may result in a substantial rather than incremental change to the process.