

Public Document Pack



North
Northamptonshire
Council

Democratic Services
The Corby Cube,
George Street,
Corby,
Northants,
NN17 1QG

I'Meeting: Audit and Governance Committee

Date: Monday 12th July, 2021

Time: 2.00 pm

Venue: Council Chamber, Cedar Drive, Thrapston

To Members of the Audit and Governance Committee

Councillors Andrew Weatherill (Chair), Kirk Harrison (Vice-Chair), Matt Binley, Ian Jolley, Richard Levell, Peter McEwan, Zoe McGhee, Mark Pengelly, Russell Roberts and Kevin Watt.

A G E N D A SUPPLEMENT

The following annex to item 8 has now been published which replaces an earlier draft of a document mistakenly issued at the time of agenda publication.

This supplementary agenda has been published by Democratic Services.

Contact: democraticservices@northnorthants.gov.uk

Item	Subject	Supplement Page no.
08.	Strategic Risk Register - Annex A –Risk Management Strategy 2021-22	5 - 22

NOTE:- This document replaces the draft version of the same name, contained in the original agenda report pack issued as at pages 63 to 78.

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(THIS STRATEGY WAS APPROVED ON 25 MARCH 2021 BY THE SHADOW EXECUTIVE)



North
Northamptonshire
Council

Risk Management Strategy 2021-22



RISK MANAGEMENT STATEMENT

The Council's vision statement is:

"We will work with the local community to make North Northamptonshire a place where everyone has the best opportunities and quality of life, driven by excellent public services. We will strive for an area that is safe and attractive with a thriving economy and green environment."

North Northamptonshire will seek to be creative in partnership working in order to gain maximum impact from the collective resources available; this includes a strategic focus on collaboration with our communities, businesses, VCSE sector and key public sector partners including health service organisations.

North Northamptonshire will demonstrate its vision and commitment in the way it plans, commissions and delivers services. This will involve doing new things and seeking opportunities for positive change. With such innovation and transformation, comes risk. The ways in which we seek to work and the partnership models we are embracing or seeking to embrace may be new and untested; and are being done in the context of constrained resources. Delivery of outcomes will always have to be based on an understanding of the risks entailed and a measured and proportionate approach to either embracing or mitigating risk. Our risk management approach ensures we support creativity and ambition by adopting a dynamic approach to assessing and managing risk.

Dynamic risk management is developed through active leadership, both corporately and within services. It is the responsibility of all Council staff to embrace the principles of risk management and our managers are required to ensure that risk scrutiny and risk mitigation are constant and ongoing, supported by risk reviews, reporting and escalation where appropriate. This will enable us to maximise the use of the resources available to us to focus on the achieving the priorities of the Council and support the delivery of innovation and transformation, improving the services to our residents.

***Rob Bridge,
Chief Executive***

***Janice Gotts,
Executive Director of Finance***

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1 Introduction - Why do a Risk Management Strategy?

- 1.1 A risk is an uncertain event which, should it occur, will have an effect on the achievement of objectives.
- 1.2 There are many factors which might prevent the Council achieving its plans. We therefore adopt a risk management approach in all of our key business processes. This approach is a fundamental element of the Council's Code of Corporate Governance. The process is designed to identify and prioritise risks to the achievement of the Council's policies, aims and objectives; to evaluate the likelihood and potential impact of those risks being realised; and to manage them efficiently, effectively and economically.
- 1.3 There is an ongoing requirement from the Accounts and Audit Regulations to produce an Annual Governance Statement which sets out the processes we have in place for managing the significant risks to the Council. This includes the Risk Management Strategy.
- 1.4 We are accountable to the Audit Committee for the way in which we implement risk management. We need to continue to demonstrate that we have a structured approach.
- 1.5 It is important to recognise that the Council is not seeking to eliminate all risk, as this would not be a cost effective use of scarce resources, but instead to manage risk in a proportionate manner relative to the severity of the risk.
- 1.6 This strategy set out the Council's risk management approach and the practices required to make it work.

2 Risk appetite statement.

- 2.1 Overall, the Council accepts that measured and proportionate risk taking is essential to delivering change, growth and reform. However, requires all officers considering changes to services and their operating models to act only after systematic consideration of the risk profile. The risk profile should be fundamental to decision making and the effective management of innovation and transformation.
- 2.2 The Council accepts that it is appropriate for managers to balance the scale of the risk and the opportunity for growth or reform. Growth may be assessed in terms of financial efficiency, service development or innovation in the enhancement of services to customers and stakeholders. The Council accepts some exposure to risk where the service can demonstrate accountability and that the opportunity and reward is commensurate to the level of risk.
- 2.3 The Council recognises that the value of risk management is only truly delivered if it is pursued as part of a sustained "business as usual" approach. Where service, project or programme planning cannot demonstrate a considered and thorough assessment of risks, they should not implement change programmes. It is incumbent on the Head of Service or Senior Responsible Officer to

demonstrate that effective risk management is embedded within all developmental and delivery activities.

- 2.4 The Council will take no risks that challenge ethical, legal and statutory responsibilities and will be cautious in pursuing aims and ambitions that may present risks to the safety or welfare of people or the achievement of Council priorities.
- 2.5 A dynamic risk management programme seeks to ensure that our decision making is “sound by design”. We consider the risks and vulnerabilities at the outset, allowing us to build mitigation activities into our work plans. In this way, our risk literacy assists us in demonstrating that we are disciplined, efficient and committed to making maximum use of the public resources entrusted to our care.

3 The Benefits of Risk Management

- 3.1 Risk management means more than preparing for the worst, it also means taking advantage of opportunities to improve services or to reduce costs. Benefits include:
 - Provides early warning on key / emerging matters to enable transparent, timely decision-making and intervention at appropriate levels;
 - Improves decision making at all levels of the organisation allowing intelligent ‘informed’ risk-taking;
 - Focuses efforts – helps prioritise;
 - Improves outcomes leading to the achievement of the Council’s objectives;
 - Protect assets, people and the Council’s reputation;
 - Supports consistent good governance and internal control;
 - Allows better informed financial decision making leading to greater financial and budget control;
 - Helps stakeholders understand those issues that the Council cannot control.

4 Risk Management Process

Risk Recording

- 4.1 In broad terms risks are split into three categories:
 - Corporate – strategic risks relating to the long-term goals of the Council.
 - Directorate – key risks specifically relating to the delivery of services within each directorate
 - Project – consideration of the risks occurring as a result of the Council’s involvement in specific initiatives.

Risk Identification

- 4.2 Identifying risk is often the most difficult aspect of risk management. Risk identification should include consideration of any factors, events or circumstances that may have an effect on the achievement of objectives.

- 4.3 Risks are best identified by means of a management level ‘risk workshop’ where each team member is able to identify their perspective of risk without influence from others, the outputs from this process are then subject to full team review to give a consensus on the main risks faced by that team. Other risk identification approaches can also be effective such as open discussion at team meetings.
- 4.4 Further guidance and support on the risk identification process can be obtained from the Council’s Chief Internal Auditor.
- 4.5 Officers and Councillors have various responsibilities in respect of risk management and these can be found in **Appendix 1**.
- 4.6 To assist risk identification, **Appendix 2** lists some examples of the types of risks which might be faced. It also gives an example of controls that could be applied to mitigate a risk. It is simply a guide and is not exhaustive.

Trigger, Consequence and Likelihood

Trigger

- 4.7 At the point when risks are being identified, the possible triggers and the likely consequences of each risk should be very clearly articulated. *A trigger is an event or condition that causes a risk to occur.* It is something specific, that if it happens causes either the risk to crystalise (ie impact the Council) and/or a need to re-consider our risk assessment of that area.
- 4.8 By identifying the triggers, we are better able to identify any controls or mitigating actions necessary to prevent the risk occurring and to recover quickly should that risk occur.

Consequence

- 4.9 This is the impact on the Council IF the trigger happens and/or if the issues, mitigations or controls within that area are not effectively managed. Consequences are mostly negative but can be positive, for example if we manage this well we will secure £x additional funding. These are scored.

Likelihood

- 4.10 Likelihood factors are those controls and processes that manage an area of risk. Examples include:
 - Budget management and forecasting
 - Pre-employment checks
 - Business Continuity plans
- 4.11 If these controls are robust and work effectively then they reduce the probability of a trigger or other factor causing the documented consequence. If these controls are absent or work ineffectively then the probability increases that the documented consequence will occur and cause greater problems.

Risk Ownership

- 4.12 The effective management of risk requires that each risk should have a named owner. Ownership should be at individual officer level (post title) and not team level.

Risk Escalation

- 4.13 Risk should be managed at the lowest appropriate level of management. If it is considered that a risk identified at one management level cannot be effectively managed at that level, the risk should be escalated up the management chain until it reaches the level at which it can be effectively dealt with.

Risk Scoring

- 4.14 In order to assess the impact of risk in a consistent manner a scoring methodology has been adopted which takes account of the 2 distinct aspects of risk:

- The likelihood of the risk occurring
- The consequence should it occur

NB Triggers are not scored because they either occur or not.

- 4.15 The scoring methodology is expressed in the corporate 5*5 scoring matrix (**Appendix 3** provides further detail). The matrix itself is supported by descriptors, over five elements, for the impact element of the risk (**Appendix 4**). The impact score selected will be the highest score for any of the descriptor elements.

- 4.16 The risk will be scored in two stages:

- at raw risk level, i.e. an initial base level which ignores any controls which might already be in place
- a residual level which will take account of any controls already in place.

- 4.17 The identification of raw risk provides the benefits of:

- Providing a listing of all major risks faced, regardless of how well they are being managed in practice
- Recording the key control framework for all major risks, which risk owners have responsibility for ensuring are operating effectively.

Risk Mitigation (Controls)

- 4.18 Any mitigation already in place and known to be operating effectively should be identified.

- 4.19 Risks can be mitigated in the following ways:

- **Tolerate** (do nothing as the risk impact is low or the cost of mitigation is not proportionate to the cost of the risk occurring)
- **Treat** (implement controls)

- **Transfer** (for example purchase insurance to transfer the cost of occurrence)
 - **Terminate** (stop the activity if it is too risky).
- 4.20 The net effect of these mitigation types against the raw risk level, is to reduce the risk score (and lower the Council's exposure) to a residual exposure of risk. That allows the risk owner (*and the Council*) to assess whether it is willing to accept that level of risk or needs to reduce exposure further.
- Action Planning (including risk appetite)**
- 4.21 The residual risk score should be evaluated and an assessment made if this level of risk is appropriate/acceptable. If it is an acceptable level of risk no actions are needed.
- 4.22 A target score should be agreed by the risk owner. This describes the 'risk appetite'. Each Department/Service Group/Project Board must define how much risk they are prepared to accept in order to achieve their objectives. This defined risk appetite will be recorded in the form of the target score.
- 4.23 Where that score is the same as the residual risk score, the level of risk is being assessed as appropriate / acceptable and no actions are needed.
- 4.24 Where that score is less than the residual risk, it is highlighting that further work is needed to mitigate / manage that risk to reduce the Council's exposure and Actions should be inserted that aim to achieve the target score / risk appetite.
- 4.25 Actions must be assigned to a named owner and an achievable specified target date for completion set. It is unacceptable to set a target date of 'ongoing' as this does not facilitate the effective management of action delivery.
- 4.26 Effective Risk Management is demonstrated (at its simplest) when:
- Risks are assessed accurately
 - Actions identified to improve / reduce risk to an agreed level (the risk appetite), or
 - It is evident the risk appetite is achieved via the documented controls.
- 4.27 In determining the mitigation required to manage a risk, regard must be had to the proportionality of the cost of the mitigation to the cost impact if the risk occurs, for example if the cost of the control exceeded the cost of the impact.

Risk Monitoring

- 4.28 A review of risk should be undertaken on a quarterly basis at all levels of management, i.e. CLT, directorates, services, etc to ascertain:
- If all key risks have been identified and included on the risk register
 - If any risks can be closed
 - Progress against agreed actions
 - If residual risk scores should be rescored, for example to reflect completed actions.

4.29 It is acknowledged that Managers are managing risks on a daily basis and this process is not designed to either replace that or add unnecessary bureaucracy to that. These measures are designed to ensure that periodically risks are reviewed away from the daily, operational pressures. This enables a better assessment of risks rather than a reactive approach to operational issues as they present to the service. If a potential risk arises at any time and the risk management approach is there to help analyse and manage risks at the point they are identified; not wait for the next formal quarterly review.

Risk Reporting

4.30 The Corporate Leadership Team will review the Council's risk profile on a quarterly basis at corporate and directorate levels (i.e. Strategic Risk Register and the key Directorate risks), and used as the basis for a quarterly report to be presented to the Audit Committee and to be presented to the Executive at least twice a year.

Annual Assurance

4.31 As part of the Directors Assurance statements to support the Council's Annual Governance Statement the Chief Executive and Directors will provide annual assurance in respect of the development, maintenance and operation of effective control systems for risks under their control.

Risk Management in other Business Processes

4.32 In addition to the above formal cycle of risk assessment, good risk management is evident where risks and their management are evaluated / reported within other Councils processes. The risk management processes defined in other business processes should be complied with. These include:

- Councillor decision making (standard Committee template provides for risk identification)
- Council and service planning (service plan document includes a section on Risk; budget, Medium Term Plan, individual growth and savings proposals include sections for risk assessment)
- Business Continuity Planning
- Emergency Planning
- Project Management
- Developing risk management links with key partners and contractors (who should be able / required to provide assurance to the Council that they have effective risk management processes in place)

Risk Management Awareness

4.33 The Council is committed to ensuring that all councillors, officers and partners where appropriate, have sufficient knowledge of the Council's risk management approach to fulfil their responsibilities for managing risk.

- New Risk Owners / Users are added to the Grace software and training provided.
- Additional support is available upon request
- Structured training can be provided to services if required.
- New members of the Audit Committee receive a training session on aspects of governance including risk management.

4.34 **Appendix 5** sets out an overview of the risk management process,

5 Outcome Measures

- 5.1 Overall success in progressing risk management will be assessed through consideration of the following:
- Services are able to deliver against Council priorities
 - Resources focused against areas of greatest corporate need and published priorities are delivered within the annual work programme
 - Enhanced working at North Northamptonshire area level with confidence over partnership risk and assurance frameworks
 - Risk Management priorities are embedded within both performance reporting and within the corporate assurance framework.
- 5.2 Support will be provided to enhance knowledge and skills in Directorates through training, coaching and consultancy.

6 Monitoring and Review

- 6.1 This Strategy will be reviewed and updated annually for presentation to the Audit and Governance Committee.

Appendix 1

RISK MANAGEMENT: ROLES & RESPONSIBILITIES

Who	Risk Management Role
Council	<ul style="list-style-type: none">• Reviewing the Annual Report of the Audit Committee as it pertains to Risk Management• Considering any specific major risk as highlighted by either Executive or Audit Committee
Executive	<ul style="list-style-type: none">• The lead councillor body responsible for ensuring corporate risks are identified and effectively managed• Considering risk in its decision making as part of every report• Receiving reports on significant risk issues
Audit Committee	<ul style="list-style-type: none">• The lead councillor body responsible for monitoring adherence to the Risk Management Strategy• Approving the Risk Management Strategy and ensuring regular review of the Strategy• Reviewing reports on the Council's risk management processes in order to provide independent assurance of the adequacy of the risk management framework and the associated control environment• Raising any concerns on risk management with Executive
Chief Executive	<ul style="list-style-type: none">• Overall responsibility and accountability for leading the delivery of an effective Council-wide risk management approach• Ensuring that the Corporate Risk Register and directorate risk registers are subject to regular review
Corporate Leadership Team	<ul style="list-style-type: none">• Owning and leading the corporate risk management process;• Reviewing corporate risks• Reviewing significant directorate risks• Receiving urgent risk reports as necessary• Ensuring risk is given due consideration in all management processes
Director of Finance	<ul style="list-style-type: none">• The development, monitoring and review of the Risk Management strategy, which is approved by Audit Committee each year• The principal risk management adviser and co-ordinator
Executive Directors	<ul style="list-style-type: none">• Reviewing directorate risk registers on a quarterly basis• Ensuring that risk is given due consideration in all management processes• Ensuring that risks identified within their directorate are managed at an appropriate level, including escalation to a corporate level where appropriate• Providing an assurance statement as to how risk is being managed as a contribution to the preparation of the Annual Governance Statement
Assistant Directors/ Heads	<ul style="list-style-type: none">• Undertaking a full review of risk registers

Who	Risk Management Role
of Service/ Managers/ Team Leaders (as far as cascade requires)	<ul style="list-style-type: none"> • Ensuring that risk is given due consideration in all management processes • Ensuring that risks identified within their division/service/team are managed at an appropriate level • Reporting on the adequacy of risk management arrangements to their Director on a regular basis
Chief Internal Auditor	<ul style="list-style-type: none"> • Providing guidance, advice and support on the Council's Risk Management approach • Planning and delivering Internal Audit reviews of the internal control environment which helps to provide independent assurance of the Risk Management process • Compiling reports as appropriate for the Corporate Management Team, Executive and the Audit Committee

Appendix 2

Risks and Control Examples

There is overlap between triggers, likelihood factors and potential consequences.

It is not essential these are exactly or perfectly listed under the 'correct' heading. It is more essential they are recognised and recorded. We have therefore provided some examples below that will hopefully help with the identification of these. Completion of the template is intended to lead an officer/team through a logical process to arrive at the necessary controls that are in place, or need to be put in place. This list is not exhaustive and is only intended to start you thinking about each heading.

Examples of Triggers:

An incident or event that happens

Breach of policies/procedures/standards	Project failure (eg overspend)
Providers/supplier failure	Data Breach / Loss
Serious Service Incident occurs	Budget Overspend
Reduction in government funding	

Examples of Likelihood Factors (Vulnerability):

Processes and controls - These are likelihood factors as the extent of their effectiveness influences the probability of a consequence being experienced.

Staff recruitment and retention processes	Effectiveness of business continuity arrangements
Contract management arrangements	Budget Management
Unexpected levels of demand	Spend / Income Controls
Legislation change management	Lack of stakeholder involvement
Training programmes	Staff morale

Examples of Potential Consequences:

Financial losses/overspends	Political fallout
Service failure	Supplier/Partner failure
Reputational damage	Staff stress and anxiety/sickness
Legal failure / breach	Poor customer service/complaints/bad press
Failure in Duty of Care	Failure to deliver Council Plan
Interventions (such as by Ofsted, CQC and/or Government)	Partner dissatisfaction/poor communication
Fines/Financial penalties/Compensation payments	

Control examples:

If these controls are good then the likelihood of negative consequences is reduced. If these are poor the likelihood of problems if increased.

Policy	<ul style="list-style-type: none"> • Quality checks to ensure adherence to policy and how the policy sets out the management of risks
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Control examples:

*If these controls are good then the likelihood of negative consequences is reduced.
If these are poor the likelihood of problems if increased.*

Resources	<ul style="list-style-type: none">• Regular budget monitoring• Authorisation controls
Capacity	<ul style="list-style-type: none">• Workforce planning• Training plans (and completion of)• Time management checks/management information (such as number of tasks completed per day/week per officer)
Assets	<ul style="list-style-type: none">• Access restrictions (safe/locked cabinet)• General building security• Asset ID and periodic physical checks
Accuracy	<ul style="list-style-type: none">• Check by a second officer• Review of error/exception reports and resolution of differences
Lone working	<ul style="list-style-type: none">• Start and end of shift/visit call-ins• Risk Assessments
Health and Safety	<ul style="list-style-type: none">• PPE• Risk Assessments
Fraud	<ul style="list-style-type: none">• Segregation of duties (such as segregation of processing and approval)

Note: Further guidance on risk identification can be obtained from Duncan Wilkinson, Chief Internal Auditor, Audit and Risk Management on 01908 252089

RISK SCORING MATRIX

VERY HIGH (V)	5	10	15	20	25
HIGH (H)	4	8	12	16	20
MEDIUM (M)	3	6	9	12	15
LOW (L)	2	4	6	8	10
NEGLIGIBLE	1	2	3	4	5
IMPACT	VERY RARE	UNLIKELY	POSSIBLE	LIKELY	VERY LIKELY
LIKELIHOOD					

Red (risk scores 16 to 25): Excess of Council's risk appetite

Amber (risk scores 5 to 15): Likely to cause the Council some difficulties

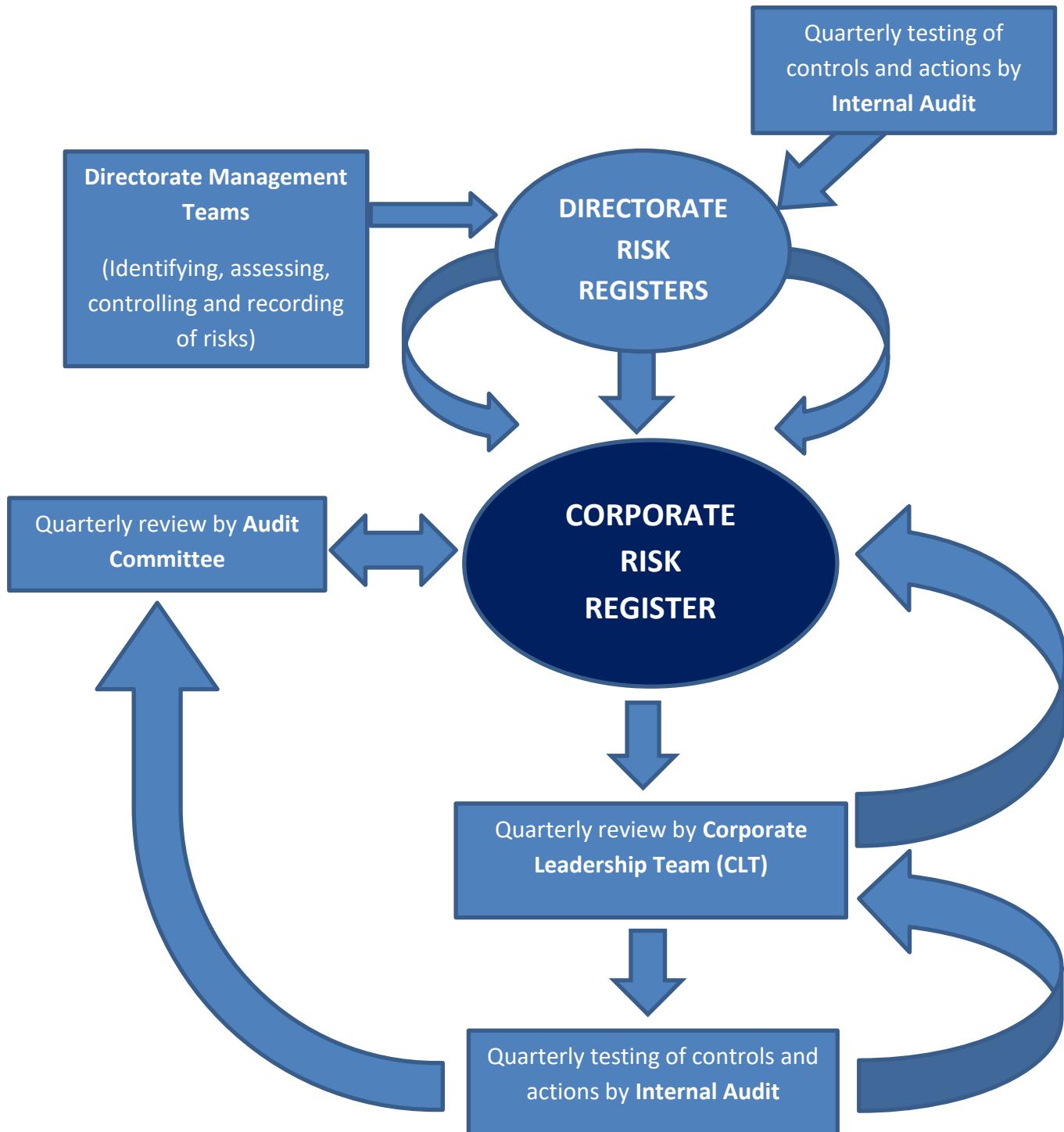
Green (risk scores 1 to 4) Monitor as necessary

IMPACT DESCRIPTORS

The following descriptors are designed to assist the scoring of the impact of a risk:

	Negligible (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Legal and Regulatory	Minor civil litigation or regulatory criticism	Minor regulator)y enforcement	Major civil litigation and/or local public enquiry	Major civil litigation setting precedent and/or national public enquiry	Section 151 or government intervention or criminal charges
Financial	<£0.5m	<£1m	<£5m	<£10m	>£10m
Service provision	Insignificant disruption to service delivery	Minor disruption to service delivery	Moderate direct effect on service delivery	Major disruption to service delivery	Critical long term disruption to service delivery
People and Safeguarding	No injuries	Low level of minor injuries	Significant level of minor injuries of employees and/or instances of mistreatment or abuse of individuals for whom the Council has a responsibility	Serious injury of an employee and/or serious mistreatment or abuse of an individual for whom the Council has a responsibility	Death of an employee or individual for whom the Council has a responsibility or serious mistreatment or abuse resulting in criminal charges
Reputation	No reputational impact	Minimal negative local media reporting	Significant negative front page reports/editorial comment in the local media	Sustained negative coverage in local media or negative reporting in the national media	Significant and sustained local opposition to the Council's policies and/or sustained negative media reporting in national media

RISK MANAGEMENT PROCESS



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