



Management Strategy

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| Title | Risk Management Strategy | | | |
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| | Approved by | Risk Forum | | |
| | Department | Performance and Policy | | |
| | Service area | Central Services | | |
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| Date | Created | September 2009 | | |
| | Submitted | October 2009 | | |
| | Approved | October 2009 | | |
| | Updating Frequency | Annual | | |
| Status | Version 5.0 | | | |
| Contributor(s) | Christine Cleminson, Senior Performance Officer (Risk Management) | | | |
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| Mandate | Statutory/Mandatory | | | |
| | Legislation | Various, including Local Government Acts, Health and Safety at Work Act 1974, Local Government Finance Act 1988, Management of Health and Safety at Work Regulations 1999, Civil Contingencies Act 2004, Fraud Act 2006, Accounts and Audit (Amendment) (England) Regulations 2006, Corporate Manslaughter and Corporate Homicide Act 2007. | | |
| Identifier | | | | |
| Subject | | | | |
| Type | Strategy | | | |
| | Vital Record | Yes | EIR | N/A |
| Rights | Unclassified | | | |
| Publisher | Middlesbrough Council, Members Office, PO Box 99a, Town Hall, Middlesbrough, TS1 2QQ, Lotus Notes Performance Management Tile | | | |
| Coverage | Middlesbrough Council | | | |
| Language | English | | | |

Document Control

| Version | Date | Revision History | Reviser |
|---------|---------------|-------------------------|---------------------|
| 1.0 | December 2005 | Final version published | Joachim Adenusi |
| 2.0 | August 2006 | Final version published | Joachim Adenusi |
| 3.0 | October 2007 | Final version published | Christine Cleminson |
| 4.0 | October 2008 | Final version published | Christine Cleminson |
| 5.0 | October 2009 | Final version published | Christine Cleminson |

Distribution List

| Version | Date | Name/Service area | Action |
|---------|--------------|---------------------------------------|--|
| 0.1 | October 2009 | Risk Forum considered draft of v. 5.0 | Draft amended |
| 5.0 | October 2009 | Council wide | Publish to Members' Library, Lotus Notes and Council website |

Foreword

The management of risk is central to the successful delivery of public services.

It is critical that the Council can clearly demonstrate to local residents and other key stakeholders that all risks are fully considered in the delivery of services.

The Council is committed to an effective, systematic and proportionate approach that will minimise risk and so enable the Council to optimise its contribution to the achievement of the vision for Middlesbrough and improved outcomes for local communities.

Building on previous documents and progress to date, this strategy aims to promote continuous improvement in the effectiveness of risk management across the Council. It sets out the Council's aims and objectives for risk management and outlines the corporate framework established to identify and assess risks, decide on appropriate responses and track progress.

This strategy is supported by a risk management toolkit, with further guidance and assistance available from the Council's corporate risk manager.

We commend the strategy to all managers across the Council.

Signature...

Councillor David Budd
Deputy Mayor
Member Risk Champion

Signature...

Ian Parker
Chief Executive
Officer Risk Champion

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Introduction

Risk management is a critical element of corporate governance and is a statutory requirement for public sector organisations. The Council is required to provide for the health and safety of its elected members, employees and those that it serves. It has a duty to ensure effective planning for civil emergencies. It is required to protect its assets and to take steps to minimise losses and liabilities.

Risks must be reduced to an acceptable level, or if possible eliminated. Robust risk management will enable the Council to effectively discharge its responsibilities and deliver its various functions. The Council is committed to maintaining a systematic and cost-effective approach to the identification and management of risk that is consistent with best practice and complies with statutory and audit requirements.

The Council's Risk Management Strategy was developed in 2006 and is reviewed on an annual basis to ensure that it reflects best practice and promotes continuous improvement in the management of risk. It provides a comprehensive framework to support elected members and officers in their work to address risk and so enable the Council to discharge fully its responsibilities in this area.

The strategy identifies the objectives and benefits of managing risk, outlines responsibilities for risk management within the Council, and provides an overview of the process utilised to manage risk successfully.

Definitions

Risk

The Council defines risk as follows:

Risk is the probability of an event occurring and its consequences.

A brief explanation of the key words used in this definition is given below:

| | |
|---------------------|---|
| Probability | The likelihood of an event occurring. |
| Event | The occurrence of a particular set of circumstances. |
| Consequences | Outcomes arising from the event. There may be more than one consequence from the same event and consequences can be both positive and negative. |

Risk management

There are many definitions of risk management, but all cover essentially the same points. The Council's approach to risk management is based upon best practice and is defined as:

The process by which Middlesbrough Council manages threats, enhances opportunities and creates an environment that adds value to its activities.

The focus of good risk management is the systematic identification and treatment of risk, in order to reduce the probability of failure and increase the probability of success. It is a continuous process that runs throughout the Council's business strategy and the implementation of that strategy, methodically addressing all risks and opportunities influencing the Council's activities. It is critical to effective decision-making and performance management.

Aim, objectives and benefits

Aim

The aim of this strategy is to improve the Council's ability to optimise its contribution to the delivery of the vision for Middlesbrough by managing threats, enhancing opportunities and creating an environment that adds value to ongoing operational activities.

Objectives

- Ensure that risk management is embedded within the culture of the Council and is integral to the Council's business processes
- Ensure that the Council's approach to the management of risk is in line with best practice and complies with all statutory and audit requirements
- Ensure that the agreed risk management framework is implemented consistently and proportionately across the Council
- Communicate the Council's approach to risk management to all employees and stakeholders

Benefits

The potential benefits of effective risk management include:

- Reduction in failure, loss, damage and injury caused by risk
- Improvement in ability to achieve benefits and maximize opportunities
- Improvement in ability to adapt to change
- Achievement of strategic objectives
- Improvement in service performance and resilience
- Improvement in management of partnerships and contractors
- Improvement in financial performance/value for money
- Reduction in staff turnover and absenteeism
- Improvement in corporate governance
- Compliance with statutory and regulatory requirements

Approach

The approach adopted to deliver the aim, objectives and benefits identified above is summarised below.

Single, scaleable risk management process

A single, systematic approach to the management of risk will be used across the Council. The extent of risk treatment will be proportionate to the risk score identified and cost-effectiveness. Comprehensive records will be kept on the Council's performance management system, and progress in managing risks regularly monitored.

Embedded within core business processes

The risk management process will be a key component of the Council's core business processes. It will be integral to:

- Strategy and policy development
- Strategic and financial planning
- Service planning
- Performance management and monitoring
- Programme and project planning
- Report writing and decision-making
- Partnership development and working

Integration with performance management is key to the success of the Council's approach to risk management.

Roles and responsibilities clearly defined

Risk management is part of the day-to-day work of the Council and all elected members and Council employees have collective and individual responsibilities in the management of risk.

Continuous improvement

The Council's approach to risk management will be reviewed on an annual basis and revised as appropriate to ensure that it remains fit for purpose.

Supported by guidance and appropriate training

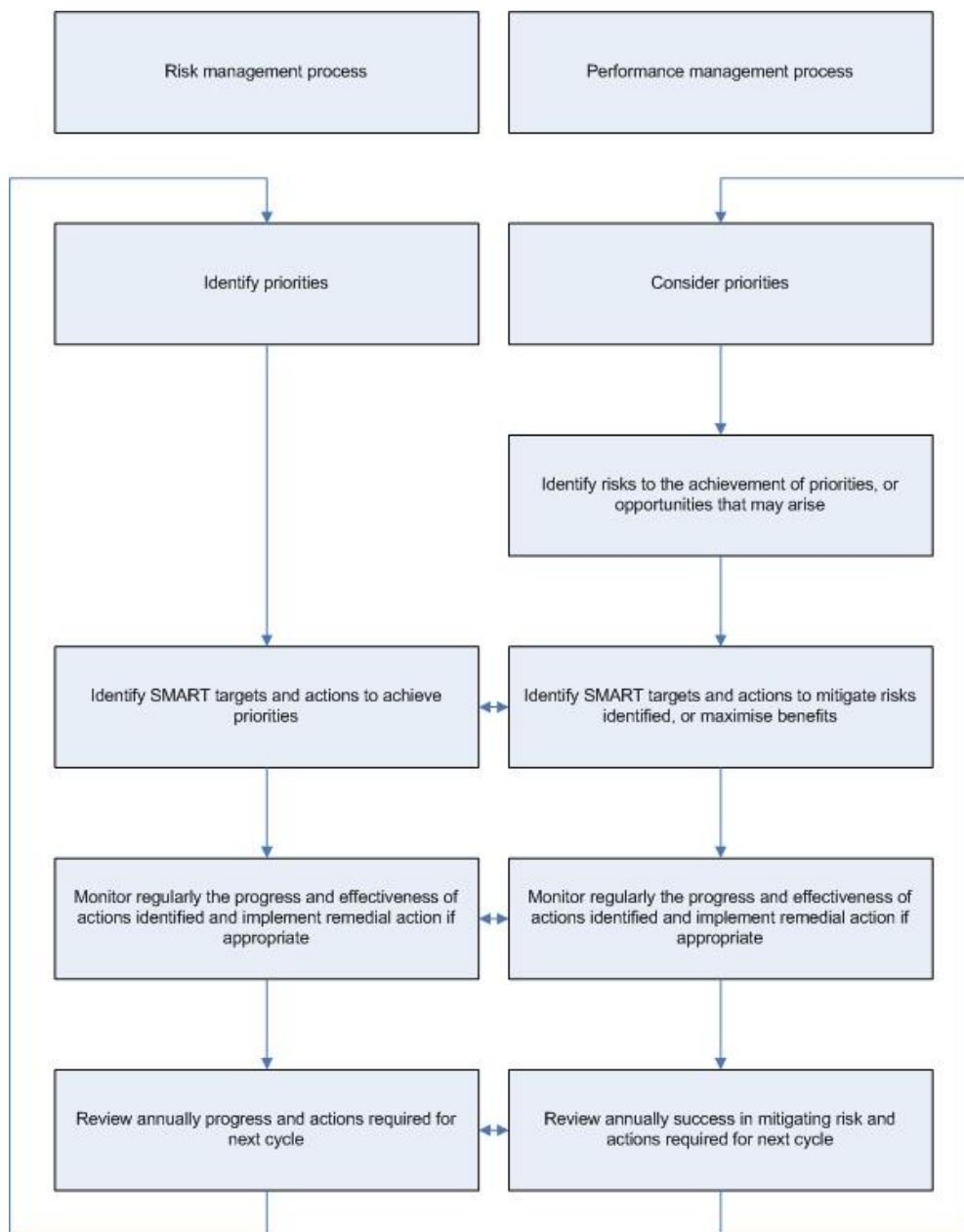
This strategy is supported by detailed guidance set out in a Risk Management Toolkit, with further guidance available from the corporate risk manager. Training and advice/support appropriate to their role will be offered to all of those involved in the management of risk.

Integration of risk and performance management

There is a clear similarity between the objectives and core processes of risk and performance management, which can essentially be viewed as two sides of the same coin. Both systems support the achievement of the Council's strategic priorities, with performance management identifying and monitoring what is required to achieve priorities and risk management addressing those hazards that may occur to prevent this.

As a result there is significant overlap and interdependence between the two processes, and the actions and targets arrived at through their application may in general be similar or in some cases identical.

For this reason, the Council has integrated its risk management process within the corporate performance management framework. There are significant benefits to be achieved through this, notably robust '360 degree' planning, addressing positive and negative factors, and significantly reduced bureaucracy. The diagram below illustrates the integrated approach.



Links to Corporate Governance and Audit and Inspection

Risk management forms part of the Council's corporate governance framework. The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the corporate governance framework and is designed to manage risk to a reasonable level. Internal financial control systems form part of the wider system of internal controls.

Managers will be responsible for ensuring that effective controls are in place to ensure that resources are used effectively in pursuit of the Council's objectives. The controls will be reported through the Council's Annual Governance Statement.

The Internal Audit function is a component, and custodian, of the Council's system of controls protecting its financial and non-financial assets. The risk management process will, in turn, serve the Internal Audit function by enabling it to identify areas of higher risk, and so target its resources more effectively.

The Council's corporate governance arrangements and their effectiveness are assessed by the Audit Commission as part of the annual Use of Resources assessment, which contributes to the Council's overall Organisational Assessment.

Scope

Risk management is something that **everyone** within the Council undertakes, to varying degrees, on a daily basis. It is difficult to define clearly distinct risk areas due to the crosscutting nature of risk, however risks to the Council generally fall into the six main areas set out below.

The risk management process outlined within this strategy applies primarily to business and programme/project risks, but could be used for any activity, if appropriate.

| | |
|------------------|--|
| Area: | Health and safety / Emergency planning |
| Lead service(s): | H&S: HR - Client (Central Services) and MBS (delivery) |

The Council has in place well-established and effective process for the management of health and safety risk. Everyone within the Council should be aware of this process and their specific responsibilities in this area. The health and safety process makes a critical contribution to the Council's management of risk and is not superseded by this strategy.

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| Area: | Emergency planning |
| Lead service(s): | Cleveland Emergency Planning Unit and Emergency Management Response Team (Environment) |

The Council has a statutory duty to ensure effective planning for civil emergencies in conjunction with relevant partners including local businesses, the emergency services, utility providers and the Environment Agency. The Cleveland Emergency Planning Unit (EPU) has delegated responsibility for managing emergency planning across Middlesbrough and the neighbouring unitary local authority areas of Hartlepool, Stockton, Redcar and Cleveland. Major Incident Plans are prepared for each area, with contingency plans for a range of hazards including large-scale events, industrial accidents and flooding. The Emergency Management Response Team in the Environment department works with the EPU in the preparation of these plans.

| | |
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| Area: | Business continuity management |
| Lead service(s): | Corporate Performance Team (Central Services) |
| | Emergency Planning Unit (Environment) |

Business continuity management (BCM) and risk management are closely aligned. Essentially, BCM is a specific risk management process that addresses the Council's ability to maintain critical service provision during an interruption event. Therefore any risks identified through the risk assessment process falling into this category are likely to be mitigated through the Council's BCM process.

The Council's approach to BCM is outlined in the Corporate Business Continuity Plan. In summary, a Council-wide business impact analysis has been undertaken and Business Continuity Plans are in place at corporate and at directorate levels. The Council has also ensured through its partnership with Mouchel Business Services that plans covering activities in high-priority areas (e.g. customer services) and high-risk areas (e.g. IT) are in place.

The Council's approach to BCM planning is to ensure that a generic response is in place to deal with the likely impact of an incident, regardless of the cause of the incident. However, the impacts arising from a pandemic flu scenario are sufficiently different to warrant a specific plan, and so the Council has also developed a Flu Pandemic Plan.

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| Area: | Programme/project risks |
| Lead service(s): | Corporate Performance Team (Central Services) |
| | Strategic Resources (Central Services) |

Programme and project environments pose specific risks, therefore all programmes and projects must undertake full risk assessments. Risk management is central to the Council's approach to programme and project management and is a key element of programme/project documentation. All formal programme/project training provided/commissioned by the Council will cover risk management.

Programme/project risks can be managed using one, or a combination, of the following processes:

- The Capital Bid Programme risk assessment pro forma
- Risk management techniques associated with the project management methodology utilised
- The Council's business risk management process

The size and scope of the programme/project will dictate the most appropriate way of managing the risks. Programme/project is closely aligned to and may overlap with business risk.

| | |
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| Area: | Business risks |
| Lead service(s): | Corporate Performance Team (Central Services) |

The process outlined within this strategy must be used to identify and manage all risks to the Council's ability to deliver its priorities. The term 'business risks' relates to risks that might prevent these objectives being achieved at all levels, including:

- Strategic priorities and planned actions identified in the Strategic Plan

- Service area priorities identified in directorate service plans
- Priorities and actions relating to core functions identified in team plans
- Individual objectives and actions

| | |
|------------------|---|
| Area: | Partnership risks |
| Lead service(s): | Corporate Performance Team (Central Services) |
| | Partnership, Strategy, Information and Communications Team (Central Services) |

A partnership is a joint-working arrangement in which the Council agrees to co-operate and/or collaborate with one or more legally independent organisations to achieve shared objectives and outcomes.

Partnerships include a variety of arrangements both statutory and non-statutory e.g. companies, partnering arrangements, trusts, charities, joint committees, joint boards, consortia and such other bodies as the Council may join or enter, from time to time, under, or by virtue of its statutory powers and responsibilities.

Working in partnership can bring significant rewards, but also significant risks and liabilities. Accordingly, any proposal for the Council to enter into a partnership arrangement will be subject to stringent analysis, including the analysis of risk, and secure appropriate approvals.

It is customary for the risk management process adopted by a partnership to be that of the lead partner. However all risk management undertaken by the Council's partnerships must meet the minimum standard set out in this strategy. Arrangements for partnership risk documentation and reporting must be agreed with the corporate risk manager.

Accountable Body status

The Accountable Body's role is to carry out the partnership's decisions, such as: -

- Administering and taking responsibility for the funding
- Providing resources (e.g. staff, facilities) to carry out the partnership's obligations
- Ensuring that the grant allocated is spent according to the agreed plan
- Establishing and maintaining effective systems for auditing and monitoring spend

In order to qualify as, or be appointed an Accountable Body, the organisation must be nominated to act on behalf of the partnership, a legal entity and capable of meeting legal obligations. Hence an Accountable Body may either be the partnership itself (if it has formed a company limited by guarantee) or one of the members of the partnership acting on behalf of the rest of the partners.

There are a number of potential risks and liabilities associated with Accountable Body status, particularly if a robust Accountable Body or Partnership agreement is not in place. In principle, the Council will consider being Accountable Body (or Applicant) on behalf of a Partnership only following a detailed risk assessment, an in-depth evaluation of systems and procedures to ensure that the Partnership is meeting the requirements of the relevant funding body and the Council and the development of a suitably robust agreement.

Roles and Responsibilities

Ultimate responsibility for risk management within the Council lies with the Mayor and Executive, and with the Chief Executive and Corporate Management Team. However, all elected members and Council employees have a role in delivering risk management and should be aware of their individual responsibilities in identifying and managing risks. Specific responsibilities are outlined below.

| Role | Responsibilities |
|--|---|
| The Executive | <ul style="list-style-type: none"> • Overseeing effective risk management across the Council • Appointing a member of Executive as the Council's Risk Champion • Ensuring delivery of effective risk management by the Chief Executive and CMT • Agreeing the Council's Risk Management Strategy • Ensuring that a Strategic Risk Register – including details of the actions taken to mitigate the risks identified – is established and regularly monitored • Ensuring that the Risk Management Strategy and Strategic Risk Register are reviewed at least annually |
| Elected members | <ul style="list-style-type: none"> • Facilitating a risk management culture across the Council • Ensuring that business risks are being identified and effectively managed • Scrutinising the Executive's decisions to ensure that they meet the requirements of effective risk management |
| Audit Committee | <ul style="list-style-type: none"> • Supporting and monitoring the implementation and continuous improvement of processes for identifying and managing the Council's key risks |
| Chief Executive and CMT | <ul style="list-style-type: none"> • Ensuring that the Council fully complies with all corporate governance requirements • Leading and coordinating risk management across the Council, with the Chief Executive as the designated CMT lead • Advising elected members on effective risk management and ensuring that they receive regular monitoring reports • Recommending a Risk Management Strategy to Executive • Identifying and managing the business risks and opportunities facing the Council and highlighting these in reports as appropriate |
| Section 151 Officer (Director of Resources) | <ul style="list-style-type: none"> • Ensuring the proper administration of the Council's financial affairs • Setting financial management framework and controls • Preparing revenue budget and capital programme • Delivering treasury management and managing pension and trust funds • Advising on safeguarding of assets including risk management and insurance |
| Directors | <ul style="list-style-type: none"> • Ensuring that risk management is implemented within directorates in line with the Council's Risk Management Strategy and the Minimum Standard for Performance Management • Identifying and managing risks within directorates and ensuring that mitigating actions are regularly reported • Appointing a Risk Champions authorised to progress effective risk management within the directorate |
| Heads of Service | <ul style="list-style-type: none"> • Ensuring that risk management is implemented within services in line with the Council's Risk Management Strategy and the Minimum Standard for Performance Management • Identifying, analysing, scoring and recording risks arising from areas of responsibility, and prioritising and initiating action on them • Balancing an acceptable level of operational risk against programme and project objectives and business opportunities • Reporting systematically and promptly to departmental management teams any new risks identified or failures of existing control measures |

| Role | Responsibilities |
|---|---|
| Risk Champions | <ul style="list-style-type: none"> Promoting the benefits of risk management within directorates, acting as the key contact for risk matters and ensuring that corporate requirements are communicated across the directorate Progressing within directorates effective risk management that adheres to corporate guidelines, including ensuring that all reporting requirements are met Providing support on risk management to Directors, Heads of Service and other managers Maintaining, on behalf of Heads of Service, a directorate risk database that complies with corporate guidelines Representing directorates within the Risk Forum |
| Risk Forum (Officer group comprising corporate risk manager, Risk Champions and other key officers) | <ul style="list-style-type: none"> Championing implementation of best practice and appropriate standards in risk and business continuity management Monitoring the implementation of the Risk Management and Business Continuity Strategies Reviewing risk registers and providing a conduit for the dissemination of best practice Reporting of any appropriate concerns and issues to Corporate Management Team Coordinating risk management across directorates, identifying and addressing crosscutting risks and risk management issues Providing support to Risk Champions in a blame-free learning environment Reporting appropriate information to Audit Committee |
| Corporate Performance Team | <ul style="list-style-type: none"> Providing strategic direction/guidance on and coordinating the Council's approach to risk management through the corporate risk manager Ensuring that the Council's risk work makes appropriate link to that undertaken by the Middlesbrough Partnership Development and monitoring of the Risk Management and Business Continuity Strategies Coordinating the Risk Forum and ensuring effective liaison between key risk areas Facilitating training to elected members and officers appropriate to individual roles |
| Internal Audit | <ul style="list-style-type: none"> Ensuring that internal controls are robust and operating correctly Auditing the key elements of the Council's risk management process Ensuring that risk work undertaken across the Council informs the overall internal audit plan |
| Insurance Unit | <ul style="list-style-type: none"> Providing advice and guidance on insurable risks |
| Partnership Strategy and Information Team | <ul style="list-style-type: none"> Providing advice on risks arising from generic partnership working, and possible mitigating actions such as the use of Service Level Agreements (SLAs) |
| Managers | <ul style="list-style-type: none"> Communicating to employees the corporate approach to risk management, seeking clarification from the Risk Champion when required Delivering/managing the delivery of activity to mitigate risk as appropriate Identifying risk management training needed by employees, and reporting this to the directorate Risk Champion |
| Employees | <ul style="list-style-type: none"> Understanding accountability for individual risks and delivering mitigating activity as appropriate Reporting systematically and promptly to management any new risks identified or failures of existing control measures |

Risk management process

The Council's risk management process is based on the best practice outlined in *A Risk Management Standard* (IRM/AIRMIC/ALARM: 2002), ISO31000 Risk Management principles and guidelines, and other associated documents. It consists of seven stages:

1. Knowing the strategic and operational priorities
2. Defining risks
3. Scoring risks
4. Treating risks
5. Compiling a risk database and register
6. Monitoring and reporting risks
7. Reviewing risks

An overview of each of these steps is provided below. Detailed guidance on each stage is set out in the Council's Risk Management Toolkit.

Stage 1: Knowing the strategic and operational priorities

Risk management is about managing the threats that may hinder delivery of strategic and operational priorities and maximising the opportunities that will help to deliver them. Therefore the starting point must always be to ensure that there is a clear understanding of what the organisation is trying to achieve. Risk management is integrated within the strategic and business planning cycles to facilitate this.

Stage 2: Defining risks

There are many methods of identifying risks, and some of the most common are outlined in the Risk Management Toolkit. As a **minimum**, the Council requires that a PESTLE(P) analysis should be undertaken. PESTLE(P) requires those involved in the risk management process to define the risks that might prevent a priority or objective being achieved under the following headings:

- Political
- Economic
- Social
- Technological
- Legislative
- Environmental
- Partnership

Consideration should be given as to whether the risk is internal or external, strategic, tactical or operational and short to long term.

Stage 3: Scoring risks

In order to determine the best treatment option and to prioritise the treatment of the risks identified, they must first be scored.

Risks are scored by identifying the likelihood of the event occurring and multiplying this by a factor representing the impact or consequences of the event if it did occur. The Council uses a 5x5 matrix to score risks. The impact scores have been weighted to differentiate between the significant changes in impact between "moderate", "major" and "extreme" risks.

| | | | | | | | |
|---|---|------------------------|---------------|----------------|----------------|----------------|----------------|
| Likelihood (Probability) | 5 | Almost Certain >80% | Low (5) | Medium (10) | Medium (15) | High (25) | High (35) |
| | 4 | Likely 51% - 80% | Low (4) | Low (8) | Medium (12) | High (20) | High (28) |
| | 3 | Possible 21% - 50% | Low (3) | Low (6) | Medium (9) | Medium (15) | High (21) |
| | 2 | Unlikely 6- 20% | Low (2) | Low (4) | Low (6) | Medium (10) | Medium (14) |
| | 1 | Rare <6% | Low (1) | Low (2) | Low (3) | Low (5) | Low (7) |
| | | | 1 | 2 | 3 | 5 | 7 |
| | | | Insignificant | Minor | Moderate | Major | Extreme |
| Impact (Consequences) | | | | | | | |
| Consider the impact on the following when scoring: <ul style="list-style-type: none"> • Achievement of strategic priorities • Council's reputation • Health and safety of employees, residents or service users • Ability to deliver services (in particular key services) • Financial e.g. budgets, claims, fines and penalties | | | | | | | |

Stage 4: Treating risks

Once defined and scored, all risks should be managed (treated) in accordance with the Council's risk appetite, set out below.

| Level of risk | Level of concern | Action required |
|---------------|------------------|--------------------------------------|
| High | Very concerned | Action required immediately |
| Medium | Concerned | Action required within three months |
| Low | Content | Accept – no specific action required |

There are four general approaches to risk: avoid, transfer, reduce or accept.

| Approach | Description |
|-----------------|---|
| Avoid | A decision is made to not undertake the activity that is likely to trigger the risk. This may be appropriate where risks outweigh the benefits of the activity. |
| Transfer | Transfer the risk either totally or in part e.g. to a partner or contractor, or through insurance. It is unlikely that a risk could ever be totally transferred to a partner or contractor as where the Council retains any involvement its reputation is at stake. |

| Approach | Description |
|---------------|---|
| Reduce | The most common approach is to take preventative actions to reduce/control the likelihood of the risk occurring and the impact if the risk does occur. |
| Accept | Acknowledge that the ability to take effective action against some risks may be limited or that the cost of taking action may be disproportionate to the potential benefits gained. |

Risk treatment is concerned with actions taken to reduce the impact or likelihood of risks not wholly avoided or transferred (retained risks). A brief options appraisal should be undertaken to determine the most appropriate approach treatment for each risk retained.

High and medium risks must be managed down to low if this is practicable and cost-effective. In exceptional cases, it may not be possible to reduce risks any further and so scores will remain at high/medium levels. Similarly, the requirement for action immediately, or within three months, may not be possible.

In such circumstances, any decision to simply accept the risk at the high or medium level will be documented in the relevant Strategic Risk Register if supported by CMT and approved by the relevant Executive Member (high risks) or Directors (medium risks).

Low risks do not require inclusion on either the Council's or the directorate's Strategic Risk Register, but they should be entered onto the risk management database and reviewed annually.

Risks that are 'unlikely' to occur or 'rare' but would have a 'major' or 'extreme' impact should they occur, are likely to score either 'low' or 'medium' on the scoring matrix. Many of these risks will fall within the Council's BCM process. In the unlikely event of such a risk being identified that is not covered by BCM, the corporate risk manager must be contacted for advice. In these circumstances bespoke arrangements will be agreed for controlling and monitoring the risk.

Stage 5: Compiling a risk database and a register

All risks identified must be risk-assessed and entered onto the corporate risk management database on the Covalent performance management system.

From this database, risk registers will be compiled at the corporate strategic and directorate levels.

Risks that could adversely impact upon the achievement of two or more of the Council's priorities and that score as medium or high on the Council's risk scoring matrix will be entered into the Corporate Strategic Risk Register.

Service-specific risks that score medium or high gross risk rating must be included in the directorate strategic risk register, which in turn will be appended to the directorate's service plan.

Stage 6: Monitoring and reporting risks

All risks on the Strategic Risk Register will be monitored quarterly via the quarterly corporate performance clinic process. Overview and Scrutiny and Executive consider the findings from these clinics on a quarterly basis.

Issues arising from risk monitoring and reporting will be presented to Risk Forum members via Corporate Performance Management Group meetings.

The Strategic Risk Register is also reported to full Council on an annual basis as an appendix to the Council's Strategic Plan.

Service-specific business risks must be included within directorate service plans and be monitored through internal performance management arrangements. This must include reporting, at least twice per year, to appropriate members of Executive.

Stage 7: Reviewing risks

All risks are reviewed annually as part of the corporate and directorate business planning process.

Measures of success

The ultimate measure of effective risk management is that the Council has the resilience to deliver its services and core objectives and is able to identify, and take maximum advantage of, opportunities.

The following measures will be used to determine the success of the strategy:

- Achievement of at least 85% of the planned actions set out in the Strategic Plan
- Achievement of at least Level 3 for the CAA Use of Resources assessment

Further information

Guidance to assist in the implementation of this strategy is provided in the Council's Risk Management Toolkit. Further guidance, support and training on risk management is available from the corporate risk manager on 01642 729582.