Report to:	Audit and Best Value Scrutiny Committee
Date:	4 March 2011
By:	Deputy Chief Executive and Director of Corporate Resources
Title of report:	Strategic Risk Management
Purpose of report:	To update the Committee on current Strategic Risks faced by the Council, their status and mitigating actions and to introduce the revised Risk Management Strategy.

The Committee is recommended to:
- **note the current strategic risks, the update of their status, and the mitigation actions being proposed and implemented by Chief Officers; and**
- **note the revised Risk Management Strategy 2011 - 2014**

1. Financial Implications

1.1 There are no direct additional financial implications resulting from this report. There are, however, significant financial implications that could arise from a failure to operate a sound risk management regime.

2 Introduction

2.1 The Strategic Risk log is reported to Cabinet and the Audit and Best Value Scrutiny Committee each year as an appendix to the Annual Risk Management Report. In addition to this, the Strategic Risk Log will periodically be reported to Cabinet and the Audit & Best Value Scrutiny Committee, to provide a continuing insight into the council's strategic risk profile. This includes a description of the mitigation actions taken to manage the identified risks.

2.2 For this review, Chief Officers were requested to pay particular attention to risks and mitigations with a view to the impact of the prevailing economic climate and the subsequent 'savings agenda'.

3 Overview of the Strategic Risk Log

3.1 A majority of the risks noted on the Strategic Risk Log (appendix 1) have been updated or amended and these are noted by a star (*) in the 'New or Revised' column. A majority of these relate to new or updated mitigation actions.

3.2 One risk, relating to, 'Transfer from NHS to ESCC of responsibility and fund for commissioning Learning Disability Services for adults', has been removed from the Strategic Risk Log for this review.

3.3 One new risk, Risk 19, has been added to the Strategic Risk log for this review. This is titled, 'Concessionary fares : Financial risks relating to grant income', and is scored at 4 for both Inherent risk and Impact

3.4 Risk 1, relating to staffing issues has been reworded, and rescored to 3 for both Inherent Risk and Impact. The mitigations have also been revised.

3.5   Risk 14, relating to Waste Disposal facilities has also been reworded and several new mitigation actions added.

3.6   The following risks have been noted as scoring 4 for both Inherent Risk and Impact, and therefore should be considered as the council primary strategic risks at this time;

- **Risk 11** – relating to the implementing the NHS White Paper including effective engagement with GP's.
- **Risk 13** – relating to securing approval and funding for the Link Road.
- **Risk 19** - relating to Concessionary fares.
- **Risk 26** – relating to the increasing number of referrals to Children's Social Services.

4.   Risk Management Strategy 2011 – 2014

4.1   The revised Risk Management Strategy 2011 – 2014, (appendix 2) replaces and updates the existing Risk Management Strategy 2008 – 2010. This revised version maintains the successful structure of the management of risk within East Sussex County Council, including the retention of the 4 tier system of risk and mitigation action and the facility to escalate risk.

4.2   Previous reference to the Corporate Risk database and the CAA regime has been removed. Further emphasis has been placed on the importance of dynamic risk monitoring and the link to performance monitoring.

4.3   The revised Risk Management strategy will build on the solid foundation created by previous Risk Management Strategies and assist with the further embedding of sound risk management practice and procedure into the culture of the council.

SEAN NOLAN
Deputy Chief Executive and Director of Corporate Resources

Contact Officer :   Rawdon Phillips, Insurance & Risk Manager 01273 481593

Local Member: All

BACKGROUND PAPERS
None

New and Revised Strategic Risk Log for 2010/11

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised '*'
1.	Failure to effectively manage staffing implications of budget reductions.	3	3	Bill Murphy	*
	Mitigating Actions • **Use of HMRB to provide overview of HR aspects of the implementation process** • **Regular reporting to COMT on progress and issues arising** • **Introduction of new techniques to ensure there is a good understanding of the current state of staff morale and motivation**				
2.	Failure to implement effectively key departmental restructuring exercises (as well as ensuring a sound response to 'single status', and equal pay issues).	2	3	Bill Murphy(relevant department lead)	
	Mitigating Actions • **Implement options to achieve completion of Single Status. Negotiations with Unions now underway.** • **Provide appropriate training for personnel case workers on current legal requirements** • **Provide briefing sessions and training programmes for managers, headteachers and governors** • **Mediation now successfully implemented as a first step to resolve workplace disputes**				
3.	Failure to meet the ongoing challenge of improving performance in the context of rising expectations, uncertain resources, efficiency expectations and the tension between vulnerable and universal services.	3	4	Becky Shaw	
	Mitigating Actions				

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised '*'
	• **Continued operation of Reconciling Policy and Resources** • **Active involvement of Scrutiny** • **Continued focus on robust data quality and performance management (especially on low performing indicators)** • **Establishment of future cash limits and 4 year service planning** • **Communications and lobbying strategy** • **Focus on benchmarking efficiency and comparative value for money** • **Strong partnership arrangements (inc the voluntary and community sector)** • **Consultation and strong evidence base of residents' views and needs used to influence policy decisions**				
4.	Failure to put in place effective Medium Term financial planning linked to service priorities to deliver sustainable outcomes and deliverable savings plans – in the context of the severe funding constraints now expected allied to existing spending pressures and other risks.	**3**	**4**	Sean Nolan	*
	Mitigating Actions • **Operation of Reconciling Policy and Resources for 2011/12** • **Realistic Medium Term Resource assumptions for 2014/15** • **Links to Risk Management Protocols** • **Operation of capital planning methodologies** •				
5.	Failure to manage adequately volatile budget areas (e.g. social care, special needs, home to school transport etc) to the extent they impact sufficiently on other priorities.	**3**	**4**	Sean Nolan	*

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised '*'
	Mitigating Actions • **Formal monthly monitoring and reporting** • **Enhanced budget monitoring processes** • **Risk management arrangements** • **Medium Term planning** • **Expanded Saving Tracking to be put n place**				
6.	Reputational damage and lack of confidence from failure to maintain or deliver increased service standards.	**2**	**3**	Becky Shaw	
	Mitigating Actions • **Robust performance management and risk regimes in place** • **Continued strengthening of customer focus and equalities work** • **Strong partnership arrangements** • **Clear communications and consultation strategy and infrastructure**				
7.	Failure to manage successfully the quality, relationships and outcomes from the increasingly complex partnership agenda including the various aspects of locality working.	**3**	**3**	Becky Shaw	
	Mitigating Actions • **Strong relationships with local partners** • **Integrated sustainable community strategy showing joint priorities** • **East Sussex in Figures providing robust evidence base.**				

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised '*'
8.	Failure to manage effectively the key strategic relationships with, and performance of, key commercial partners (e.g. BT, Serco, Veolia, key care providers etc).	2	4	All Chief Officers	*
	Mitigating Actions • **Relationship strategies in place** • **Review of contract management arrangements** • **Council wide review of commissioning and procurement approach**				
9.	Failure to secure an effective revised 'Agewell' Scheme in line with business objectives.	3	3	Keith Hinkley	*
	Mitigating Actions • **Full link to corporate capital planning.** • **Care needs linked with Commissioning Strategies.** • **Business cases to be considered by Cabinet before decisions are made on whether to proceed.** • **Monitor market developments and hold provider forum to meet with providers to inform them about ASC priorities**				
10.	Failure to put in place an effective medium term service plan consistent with commissioning strategies, "Putting People First", whole system challenges, and drivers with maximum efficiencies and resources available.	2	4	Keith Hinkley	*
	Mitigating Actions • **Objectives for Putting People First agreed and integrated into the Council Plan and Adult Social Care Business Plan. Joint commissioning strategies for older people, mental health and learning**				

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised '*'
	disabled completed. Implementation monitored through core performance management processes within the County Council. • **Implementing the change agenda through robust programme and project management arrangements.** • **Lean project focuses on cultural shift needed to provider services to those most in need.**				
11.	Risks from implementing the NHS White Paper including effective engagement with GP's, delivery of savings targets across health and social care and assumption of public health duties.	**4**	**4**	Becky Shaw	*
	Mitigating Actions • **Robust partnership working with PCT and development of joint approach with GP consortia.** • **Successful 'early implementer' status for Public Health given to East Sussex by Department of Health** • **County wide conference promoting the development of an effective public health delivery system 3 Feb 2011** • **Transfer of Public Health commissioning staff to Count Hall April 2011 to allow for supported transition to Council, earlier joint planning focused n delivery of saving targets** • **Development of proposals for consideration by Cabinet for early adoption of a fully integrated approach to strategic commissioning health and social care, including shared organisational arrangements.** • **Delivery through robust programme management arrangements of the agreed plan.**				
12.	Failure to sustain current improved performance on our priority performance indicators within Adult Social Care	**2**	**4**	Keith Hinkley	*

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised '*'
	Mitigating Actions • **Continue with the DMT led Performance Board.** • **Develop our benchmarking for the National Indicator Set.** • **Enhance performance through programme arrangements for Putting People First.** • **Lean project to develop efficient and effective care assessments, care planning and reviews**				
13.	Failure to secure appropriate approval for the Link Road and expected external funding support and to ensure that the same remains affordable and deliverable.	**4**	**4**	Rupert Clubb	*
	Mitigating Actions • **Negotiate funding with DfT on basis of Expression of Interest submitted** • **Continue to identify opportunities to reduce costs** • **Complete feasibility work on alternative funding** • **Continue lobbying independently and through A21 Reference Group** • **Continue to use expert legal advice and press for early ministerial decisions on both funding and confirmation of CPOs**				
14.	Failure to deliver ERF as final element of network of waste disposal facilities	**3**	**4**	Rupert Clubb	*
	Mitigating Actions • **Work with Veolia and their sub-contractors to minimise delays**				

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised '*'
	• **Identify alternative arrangements for energy recovery if needed** • **Contract governance through Joint Project Board** • **Waste reserve based on modelled prudential scenarios** • **Continuous development and scrutiny of modelling** • **Maintain partnership approach with BHCC and Veolia**				
15.	Failure to deliver benefits of a joint working on waste authority with Districts.	**3**	**3**	Rupert Clubb	*
	Mitigating Actions • **Identify benefits of and options for joint working, including wit SE7 partners, and continue to develop business case(s)** • **Continue officer, Chief Officer and Member level meetings.** • **Continue governance through Joint Waste Partnership and Joint Waste Committee if agreed with WCAs** • **Joint procurement of collection contracts** • **Operate Waste Recycling Cost Sharing Agreement with districts through the Waste Resources Strategy Group** • **Revise and implement Joint Municipal Waste Management Strategy**				
16	Failure to reduce numbers of Killed and Seriously Injured on East Sussex roads.	**2**	**3**	Rupert Clubb	*
	Mitigating Actions • **Work with Safer Sussex Road Partnership (SSRP) partners to identify and implement pan-Sussex measures** • **Joint working with Police and Fires & Rescue Service on Road Safety Education**				

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised '*'

	• **Deliver specific East Sussex initiatives through East Sussex Casualty Reduction Steering Group (ESCRSG) action plan by:**
	   o **Identifying measures where there is evidence of success**
	   o **Piloting these measures in East Sussex**
	   o **Rolling out successful pilots more widely**				

17.	Failure to achieve the required improvement in highway condition after the additional investment of £8.5m	**3**	**3**	Rupert Clubb	∗
	Mitigating Actions • **Two-year road improvement programme drawn up and currently being undertaken** • **Reporting & Governance Regime Established** • **Laser Surveys arranged for Autumn to check progress** • **Consultation with Utility Companies to Co-ordinate Works** • **Programme to be re-evaluated January/February 2011 based on SCANNER results and winter damage**				
18	Failure to plan effectively for the disposal of the county's waste	**3**	**3**	Rupert Clubb	∗
	Mitigating Actions • **Agree revised timetable for completion of Minerals and Waste LDF** • **Develop and implement communications plan, tying in with waste disposal activity** • **Ongoing community consultation and engagement** • **Identify and test alternatives to land disposal** • **Agree revised Core Strategy, taking into account revised government policies**				
19	Concessionary Fares Financial risks relating to grant income	**4**	**4**	Rupert Clubb	∗

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised '*'
	Mitigating Actions • **Engage with Bus Operators to negotiate reimbursement levels** • **Promote the benefits of the bus pass and the need to focus resources effectively to the public**				
20	Failure to deliver major property projects – on cost, to specification and to time – but including failure to deliver effective client or sponsor role.	**3**	**4**	Sean Nolan	
	Mitigating Actions • **New model in place** • **Involvement of Scrutiny** • **Implementation of PID approach** • **Challenge / training for project sponsors** • **Partnering arrangements with specialist project management** • **More structured work on key client roles** • **Review of forward planning skills and capabilities with key departments (eg Children's)**				
21	Failure to deliver economic regeneration aspirational progress in key areas, (including Hastings, Bexhill, Newhaven and Eastbourne / South Wealden area) and to fail to maximize benefit of any new Sub-Regional economic governance structures.	**3**	**4**	Becky Shaw	*
	Mitigating Actions • **Robust planning processes and partnerships in place** • **New Local Economic Assessment & East Sussex Economic Strategy** • **Annual business survey** • **Development of a LEP**				

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised '*'
	• **Development of robust Regional Growth Fund bid**				
22	Failure to deliver improved standards at Key Stage 3 and 4 in Hastings as Filsham valley refused to agree to a 'hard federation'.	**2**	**4**	Matt Dunkley	**∗**
	Mitigating Actions • **Quarterly monitoring of the implementations of Ninestiles Plus contract by the Deputy Director, L&SE.** • **Regular contact between the Executive Headteacher and the Joint Committee.** • **Significant investment of resources from the County Council and the Standards Fund grant to facilitate a range of strategies to improve core subjects.** • **Joint Committee established following Filsham Valley against Hard Federation.** • **Establish two academies in Hastings to replace Filsham Valley, The Grove and Hillcrest Schools**				
23	Failure to respond effectively to the growing number of young people being classed as vulnerable and potentially requiring support and services.	**3**	**4**	Matt Dunkley	**∗**
	Mitigating Actions • **Ensure that services for young people are targeted, integrated and aligned effectively within available budget to minimise duplication and promote effective planning and early intervention for individual young people who are most at risk of offending, becoming NEET, homeless etc.** • **Develop a new Targeted Youth Support Service for 900 vulnerable young people.**				

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised '*'
24	Failure to secure new capital investment for Academies and PCP phases 3 & 4 following Coalition Governments Emergency budget and subsequent announcements.	3	4	Matt Dunkley	*
	Mitigating Actions • **Ensure all stakeholders are briefed on emerging issues and risks** • **Ensure continued communications with DfE in order to clarify our strategy and requirements (maintain priority in national picture)** • **Minimise/stop any expenditure commitments until funding is secured (any expenditure to be approved either by SMT or the respective board)** • **Capital Programme prioritized accordingly**				
25	Failure to articulate effectively and commission major school re configurations requirement over the short and long term – including primary capital programme 1 and 2.	3	4	Matt Dunkley	*
	Mitigating Actions • **Children's Services Capital Strategy Team restructured.** • **Additional investment in feasibility studies.** • **Capital Strategy Board and PCP Board established.** • **Consultation on primary reorganisation in Bexhill and Eastbourne.** • **Academies Board Established** • **Proactive and continual review & assessment of school places pressures and reorganisation opportunities** • **Review and assess use of assets for different purposes where opportunities are identified**				
26	Failure to respond appropriately to the increasing number of referrals to children's social services and to the increasing number of children with Child Protection Plans and Looked After Children.	4	4	Matt Dunkley	*

KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised '*'
<u>Mitigating actions</u> • **Strengthened QA and auditing framework with input from AD, HoS and OMs to maximize potential to surface any issues in a timely way.** • **Recent Ofsted announced inspection of safeguarding and LAC concluded that staff teams were managing the increased pressures well and services were rated as goods for both with some outstanding features for LAC. An action plan will be pulled together to address outstanding areas for development and will be managed via SMT and the LSCB.**				

East Sussex County Council
Risk Management Strategy 2011 - 2014

CONTENTS

1. Introduction.

1.1   Risk Management should always be seen as part of the Council's core business planning processes. In that context the aim of this strategy is to build on and further develop the framework of sound risk management practice through out the Council. The council's risk profile is dynamic and consequently this strategy must be flexible enough to meet new and evolving challenges, while providing a solid foundation on which to build and enhance existing risk management practice. This is particularly relevant in the light of the current savings agenda.

1.2   Risk Management is both a statutory requirement and an essential element of good management and will enhance the council's ability to deliver services effectively and efficiently. The Reconciling of Policy and Resources, the council's key strategic planning process, requires all planning to involve the identification, analysis, control and monitoring of risk. It is essential that Risk Management be viewed as a fundamental part of day to day, core activity, linked to Service planning and the Reconciling of Policy and Resources.

1.3   Risk Management is also a key element of Corporate Governance and is recognised as such by CIPFA in their Corporate Governance Framework. It is also recognised by ISO31000 which sets a standardised framework for the implementation of sound risk management practices.

The council is required to establish and maintain a systematic strategy, framework and process for managing risk which applies to all elements of the council's activity, and for risk management to be embedded within the culture of the council to such an extent that it is considered simply as a fundamental element of the management process itself.

1.4   Traditionally, risk management has focused on the negative, by concentrating on the elimination, or reducing the impact of events that threaten the ability of the council to achieve its targets and fulfil its obligations. However, this approach fails to recognise the positive aspect of risk management, enabling the council to take maximum advantage of business opportunities, based on a sound insight to the risks involved.

'Risk arises as much from failing to capture business opportunities when pursuing strategic and operational objectives as it does from the threat that something bad will happen' (IPF Ltd)

There are two essential themes that underpin this strategy;

- Risk Management is an essential element of good management and not simply a compliance issue.

- Risk should not be viewed purely in negative terms but can be viewed as 'opportunity'.

2. Definitions

2.1   There are many definitions of 'Risk' and 'Risk Management'. However, in the simplest terms, these can be defined as follows;

- **RISK :** 'is the probability of an event occurring and its consequences'

- **RISK MANAGEMENT :** 'an integral element of an organisation's culture which supports processes and structures that enable the effective management of potential opportunities and the elimination / reduction of threats.'

2.2   Risk is unavoidable. The council's ability to recognise and treat risk and to maximise the opportunities that are created by a solid risk management culture play an increasing role in the council's ability to achieve its business objectives at all levels. Risk Management is not simply a compliance issue. It is a continuous process that addresses risk at strategic and operational levels with a view to enhancing the council's ability to meet and develop business opportunities.

3. Risk Management Policy

3.1 The Chief Officers Management Team (COMT) are responsible for ensuring the council manages risk effectively through regular ongoing reviews of the risk management strategy and through developing a risk awareness culture throughout the Authority.

It will also be responsible for identification assessment and management of the key strategic risks faced by the Council and will report to The Cabinet and Audit & Best Value Scrutiny Committee on these issues.

Departmental Management Teams will be responsible and accountable for identification, assessment and management of risks associated with their service areas.

The Deputy Chief Executive and Director of Corporate Resources, in conjunction with the Insurance and Risk Manager, will monitor the effectiveness of the Risk Management Strategy.

4. Revised Strategy

4.1   The council's risk profile is dynamic. Consequently Risk Management must be a continuous and developing process to ensure that the council is always in the best position to take full advantage of business opportunities, as

and when they arise, and to ensure that resources are utilised to maximum benefit.

4.2 The Revised Risk Management Strategy 2011- 2014, builds on the council's Risk Management Strategy for 2008 – 2010, and aims to further develop the established basis for the operation of risk management within the council while remaining flexible enough to address any changes in the council's risk profile and enabling the council to optimise the opportunities presented over the next few years. This flexibility is particularly relevant in light of the savings agenda currently before the Public Sector, helping to ensure that East Sussex County Council can maintain service delivery and community leadership while continuing to deliver value for money.

5. The Risk Management Process

5.1   In order to appropriately and effectively manage risk it is necessary to adopt a systematic approach to the identification, analysis and control of risk. This approach is referred to as the 'Risk Management Process' and provides a system that can be applied to risks at all levels with in the council, irrespective of risks being 'strategic' or 'operational' in nature. This process is based on good practice and is in line with guidance provided the Institute of Risk Management (IRM), ALARM, The National Forum for Risk Management in the Public Sector, and The Association of Insurance and Risk Managers (AIRMIC).

5.2   The Risk Management Process,
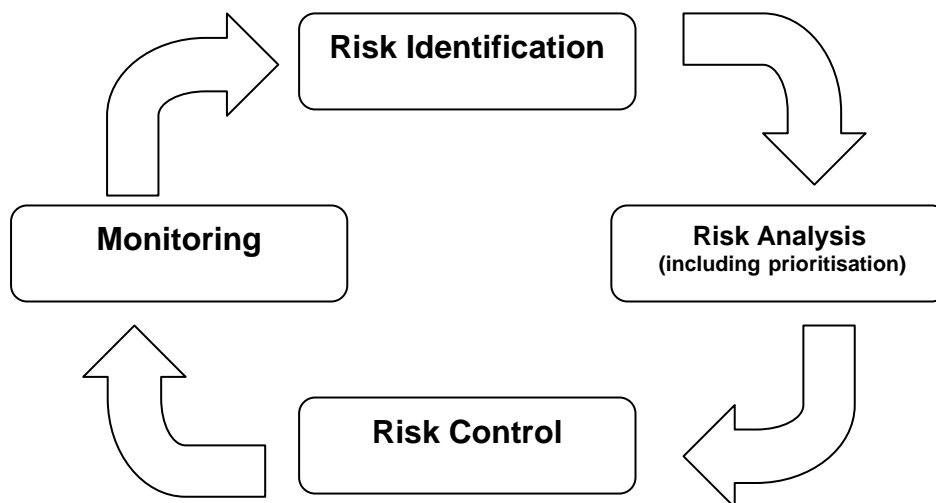
5.3   Risk Identification.

5.3.1   The first element of the Risk Management Process is the identification of risks. This will link in to the Business Planning process, where objectives and targets relating to key business processes are identified, along with

associated risks. Risks associated with specific Projects and Partnership working should also be identified at an early stage in the planning process.

There are many types of risk that can be identified. The following lists of risks type and examples are not exhaustive;

5.3.2 Strategic type risks

Risk	Definition	Example
Political	Delivery of central or local political commitments	- Inability to deliver strategies - Wrong priorities - Inability to meet expectations
Economic / Financial	Ability to meet the council's financial commitments	- Missed business opportunities - National / regional economic issues - Funding deficit.
Social	Impact on service delivery due to social factors	- Crime and disorder - Demographic changes such as aging population
Technological	Impact of technology on service delivery	- Major, long-term loss of IT systems. - Inability to deal with changing technological demands - Obsolescence
Environmental	Risk relating to environmental factors	- Impact of planning and transport policies - Pollution - Environmental change
Legal / compliance	Changes to UK / EU law / guidance	- Inadequate response to legislative change - Breaches of the law - Inability to comply with requirements / guidance
Customer	Changing needs / expectations of customers	- Image / reputation issues - Lack of consultation with stakeholders.
Reputation	Risks relating to the council's reputation.	- Loss of image - Failure to enhance the council's image

5.3.3 Operational type risks

Risk	Definition	Example
Financial	Risk associated with financial planning, control and the adequacy of internal funds. Alterations to external funding	• Poor internal financial control • Missed funding opportunities • Fraud and corruption • Funding shortfall
Professional / Managerial	Risks associated with professional and management issues	• Failure to recruit and retain professional staff • Poor management practice • Poor service provision • Loss of key staff
Physical	Risks related to material damage, health and safety, security.	• Loss of / damage to assets • Non compliance with work place / Health & Safety legislation.
Environmental	Risks relating to pollution, noise, energy efficiency	• Noise • Contamination • Pollution
Contractual	The failure of a partner to meet obligations or expectations	• Over reliance on a key supplier • Failure of a partner to deliver service to an acceptable standard
Technological	Risks relating to ICT or other systems	• Loss of ICT systems • Spread of computer virus • Hacking

5.3.4   Many risks can be seen as having both a strategic and operational aspect. Also, many types of risk show a high degree of interrelation. Consequently, any identified risk should not be viewed in isolation.

5.4 Risk Analysis.

5.4.1 Once risks have been identified they should be assessed in terms of:

• The likelihood / frequency of the identified risk event occurring.
• The severity / impact should the identified risk event occur.

5.4.2   Risks can be analysed via the Risk Matrix.

IMPACT

LIKELIHOOD		Low 1	Medium 2	High 3	Extreme 4
Unlikely / Rare	1	1 (Low)	2 (Low)	3 (Low)	4 (Medium)
Moderate	2	2 (Low)	4 (Medium)	6 (Medium)	8 (Medium)
Likely	3	3 (Low)	6 (Medium)	9 (High)	12 (High)
Almost certain	4	4 (Medium)	8 (Medium)	12 (High)	16 (High)

5.4.2   The impact of a risk can be classified as follows;

- **Extreme (4)** : Total service loss for a significant period / fatality / loss of 50% or more of budget / Ministerial intervention / attainment of key objective rendered impossible.
- **High (3**) : Significant service disruptions / serious injury / loss of 25% or more of budget / adverse national media coverage / attainment of key objectives rendered difficult.
- **Medium (2)** : Noticeable service disruption / injury resulting in loss of work time / loss of more than 5% of budget / adverse local media coverage / many customer complaints / minor impact on key objective.
- **Low (1)** : Minor service disruption / minor injury / loss of less than 5% of the budget / isolated customer complaints / minimal impact on key objectives.

5.4.3   Once the level of risk has been ascertained by plotting on the risk matrix, the prioritisation of risks can be identified and informed decisions taken as to how best to manage or control the risk concerned. This scoring system is based on existing practice with in the council.

Score of 9 to 16	Risks requiring urgent attention and close monitoring.
Score of 4 to 8	Risks requiring attention and monitoring but less time critical.
Score of 1 to 3	Low level risks which require monitoring and attention as considered necessary.

5.5   Risk Control

5.5.1   The aim of risk control is not necessarily to move all risks to the low category, since this would create a 'risk averse' culture, which may not be best suited to benefiting from innovation and new, untried initiatives. Also, some risks, by their nature, will remain significant.

5.5.2   The key to risk control is to manage the identified risk with appropriate control measures, based on a sound understanding of the risk itself and the effect that it has on the council's key business processes.

5.5.3   Risks can either be accepted, where the potential rewards of an activity outweigh the potential risk, or controlled. However, where risk is accepted this decision can only be taken based on a sound understanding of the risk itself.

5.5.4   Control measures taken should be appropriate and proportionate to the likelihood, impact and potential consequence of the risk event. The following are examples of control strategies / risk mitigations, although in practice it is likely that risks will be controlled by using a combination of strategies.

5.5.5   Control strategies / risk mitigations include;

- Transferring the risk : Passing the risk to another party via a contractual arrangement.
- Eliminating the risk : Ceasing to carry out the activity with which the risk is associated.
- Controlling the risk : Building in appropriate controls and processes in the operational process to reduce the impact or likelihood of the risk.
- Planning : Having agreed strategies in place to limit and reduce the impact of a risk event
- Insurance : Mitigate the financial impact of a risk by transferring the risk to an external organisation, or self-funding via an identified reserve. However, insurance is simply a financing solution and the level of residual risk will be reflected in the required premium payment.
- Contingency : Where no other control strategies are appropriate and where the risk is considered significant, it is essential to have a contingency plan in place to limit / manage the consequences of the occurrence of a risk event.

5.6   Risk Monitoring

5.6.1   The council's risk profile is dynamic and continually changing due to the influence of external factors and / or internal influences. The level of risk can alter in terms of both potential impact and likelihood of occurrence and consequently identified risks should periodically be re assessed to address and combat the impact of these changes. In addition to this, new risks will periodically emerge which must be identified and analysed as quickly as possible to either reduce the council's exposure to adverse risk or enable the council to take advantage of business opportunities, as they arise.

5.6.2 The success of mitigation actions should be monitored to ensure that the most effective actions are utilised as appropriate. It is also essential not to view any risk in isolation, since mitigation actions taken in relation to one risk, could potentially have an impact on another risk. For example, addressing a

risk relating to access to improved technology by increasing computer resources can increase the security risk associated with a specific location. Consequently, where ever possible, a holistic view should be taken in relation to the council's risk profile.

5.6.3 In practical terms identified risk should be monitored in conjunction with the quarterly Performance monitoring process. This insures that monitoring takes place on a regular basis and provides a facility for risk reporting.

6.   The Risk Management Structure at East Sussex County Council.

6.1   The council currently records Strategic risks on the Strategic Risk Log. This document is periodically reviewed by COMT, ABVSC and Cabinet. The Strategic Risk Log is, in effect, the council's Strategic / Corporate level Risk Register. This document details strategic risks, scores them according to impact and severity, identifies appropriate mitigation actions, and identifies specific Chief Officers who assume ultimate responsibility for each identified risk. To support the Strategic Risk Log, COMT also regularly discuss and record 'Risk Events' to further highlight risk awareness at a strategic level.

6.2   In addition to the Strategic Risk Log each Department maintains their own risk information, which is controlled by the Departmental Resources AD and administered by an identified Risk Coordinator. This information is passed to the council's Risk and Insurance Manager to ensure Corporate consistency, although this approach does allow for an element flexibility to accommodate the differing managerial and operation approaches adopted by Departments.

6.4   The council's risk management system is based on, a 'Four Tier' approach. The four tiers are as follows;

- Corporate level risks
- Departmental level risks
- Divisional level risks
- Team level risks

Risks that impact at each level will be identified, analysed and recorded, along with appropriate mitigation actions and an assigned responsible officer.

6.5   Escalation of Risk

6.5.1   The level at which the appropriate mitigation action can be taken should determine the level at which an identified risk should be recorded on the system. Any risk that is identified at a level where no appropriate mitigation action can be taken, or where an awareness of a risk is required at a higher level, will be escalated up to a level where appropriate action can be taken. This will prevent risks identified at a level where no appropriate action can be taken, being recorded several times on the system. Each identified risk

should appear only once, but at the correct level. This system provides a solid foundation for the recording and monitoring of risk at all levels, facilitates communication, enabling information and knowledge sharing, and provides a mechanism for risks to be recorded and managed at an appropriate level.

6.6   In practice, the four tier system operates as follows;

- **Team level** : Each team to identify the major risks that relate to their area of operation and that can be managed locally. Risks are recorded on the Team Business Plan, in association with Team targets, and along with the mitigation actions that can be instigated locally. Risks that cannot be managed locally to be escalated to Divisional level. Team Business plans to be reviewed quarterly and risk issues to be discussed at team meetings. These risks should be held locally by appropriate service managers and need **NOT** be passed to the Departmental Risk Co-ordinator, unless the need to escalate the risk has been identified.

- **Divisional level** : In conjunction with Management Teams, each Assistant Director will identify risks that impact at a Divisional level, including risks escalated from Team level. Risks and mitigations to be identified and recorded in conjunction with Divisional Business / Service Plans. All risks being associated with a specific, named officer. Identified risks that cannot be managed at a Divisional Level to be escalated to Departmental level. Risks to be reviewed quarterly at Managers meeting level (after team meetings above). Particular attention should be paid to Risk Management of Contracts and Partnerships.

- **Departmental level** : DMT's to identify risks that impact on a Departmental level, including risks escalated up from Divisional level. Risks and mitigation actions to be formulated and agreed by DMTs. All risks should be associated with a specific, named officer. Identified risks that cannot be mitigated at a Departmental level to be escalated up to Corporate level. Risks to be reviewed quarterly at DMT's (after Managers meetings above). In practice, the Departmental level risks may comprise entirely of Divisional Level risks which have been escalated to the Departmental level.

- **Corporate level** : COMT to identify risks that impact on a Corporate level, including Risks escalated up from Departmental Level. Risks and mitigation actions should be recorded on the Strategic Risk Log. All risks being associated with a specific, named officer. Risks to be reviewed at least quarterly at COMT, or as and when specific risk issues arise. All Corporate risks and any other risks considered appropriate, to be reported to Cabinet on a quarterly basis.

6.7   Team level risks should be recorded in Team Business plans, and reviewed regularly as part of the ongoing Business Planning process. This will enhance the embedding of Risk Management within the culture of the Council and highlight Risk Management as part of the management process at all levels within the council, including individual team level.

6.8   Identified risks can also be passed down through the system, and recorded at the appropriate level depending on where appropriate mitigation action can be taken.

6.9   To facilitate the operation of the system, Managers should be aware of the risks that are recorded at each level within their Department and at the Corporate level. This can be achieved via the Departmental Risk Co-ordinators.

7.   Links to other Corporate processes.

7.1   The Risk Management process has clear linkages to other Corporate processes. The following details some examples of processes which are either informed by Risk Management or work closely with Risk Management to create a holistic approach to the management of risk across the council and to further embed Risk Management into the culture of the council.

7.2   Reconciling Policy and Resources.

7.2.1   The Reconciling of Policy and Resources is the council's key strategic Business planning process. This requires all business planning to include the identification, analysis, control and monitoring of risk and consequently sound Risk Management practice is essential for the council to recognise and take maximum advantage of business opportunities.

7.3   Corporate Governance.

7.3.1 Corporate Governance can be described as, 'the system by which Local authorities direct or control their functions and relate to their communities' and 'the way in which organisations manage their business, determine strategy and objectives and go about achieving those objectives'. Risk Management is an essential part of good governance in that it supports transparent decision-making and accountability.

7.4   Internal Audit

7.4.1   The Internal Audit function is a component of the council's system of internal control, and will be in a position, via a planned program of audits, to assess and evaluate the effectiveness of the Risk Management process across the council. The independent perspective offered by Internal Audit will provide assistance to managers in relation to the appropriate identification and management of risk, and further assist in the process of embedding Risk Management in the culture.

7.5   Health and Safety Management.

7.5.1   Health and Safety considerations will be an important feature of any risks identified as part of the Risk Management process, since the health, safety and welfare of council employees, service users, contractors, partners and the general public should be paramount. Therefore the effective management of all health and safety issues will be an integral element of any Risk Management strategy.

7.6   Project Management

7.6.1   The council's Project Management Toolkit provides a framework for the successful conduct of all project based activities across the council. This tool kit emphasises the need for Risk Management issues to be addressed at the commencement of the project planning process and continuously reviewed at all stages thereafter, as the project develops. It is essential that risks are appropriately addressed to ensure that the council is in a position to take full advantage of the business opportunities that may arise from successful project management. Departmental risk lead should decide when a specific identified risk from a defined project should be escalated within the framework described in this strategy.

7.7   Partnership working

7.7.1   Many of the services the council provides are done so in partnership with external organisations, and the council is increasingly reliant on these organisations to fulfil its statutory duties. These relationships are usually defined either by statute or by contract and it is essential that the nature of these relationships and the ability of the partner to fulfil their obligations is subjected to the scrutiny of the Risk Management process, in order to maximise the opportunities offered by this form of service delivery. The ability of a partner organisation to deliver services in conjunction with, or on behalf of, the council should be subjected to rigorous risk analysis. This should include specific joint risk registers, agreed sharing or transfer of risk, as appropriate, and ongoing monitoring.

7.7.2   As more services are delivered in partnership the risks associated with partnership working, contractual relations, shared services and supply chain management take on a particular significance to the successful delivery of council services.

7.8   Fraud and corruption

7.8.1In administering its responsibilities the Council is set against fraud and corruption, whether it is attempted on the Council from the outside or inside, and is committed to an effective Anti-Fraud and Corruption Strategy designed to:

- encourage prevention;
- promote detection;
- identify a clear pathway for investigation and;
- show that all appropriate sanctions will be taken where fraud or corruption has been found.

Identifying and addressing the risk of fraud and corruption are a key element within this Risk Management Strategy.

8. Embedding Risk Management

8.1   The process of embedding Risk Management at East Sussex County Council has been ongoing for a number of years. This process needs to continue until Risk Management is considered a natural element of the management process at all levels within the council.

8.2   This Strategy will build on the foundation set by previous Risk Strategies to further enhance the embedding process, particularly via the operation of the four tier risk reporting system, and the anchoring of risk management within the Business / Service planning process at all levels within the council's structure.

8.3   The embedding of Risk Management practice will be further supported by appropriate training, to enhance training previously made available, which will initially be targeted at Members and Senior Officers. It is envisaged that further advice and support will be made available to managers via intranet based fact sheets, toolkits and online training, as appropriate.

9. Risk Management Reporting Framework

9.1   The Strategic Risk Log, which represents the Corporate level strategic risks will be reviewed by COMT and reported to Cabinet and Audit & Best Value Scrutiny Committee on a quarterly basis. In addition to this an Annual Risk Management Report will be submitted by the Insurance & Risk Manager. This will detail significant changes in the council's risk profile, and highlight actions taken in the previous year and proposals to develop the council's risk strategy for the coming year. The Annual Risk Management Report will also detail Departmental and Divisional level risks.

9.2   The Risk Management Strategy will be kept under permanent review and any alterations reported to COMT, Cabinet and ABVSC. The Risk Management Strategy will also be subject to a regular fundamental review to ensure that it is fit for purpose.

9.3   To successfully embed Risk Management in the culture of the council it is essential that risk issues are addressed on a regular basis at management meetings at all levels across all council services, and anchored in the Business Planning process.

9.4   The role of Members

9.4.1   Members are responsible for setting the strategic policies of the council. Consequently, they have a responsibility to fully understand the strategic risks that the council faces and ensure that adequate and appropriate action is taken to mitigate risk and maximise opportunity.

9.4.2   Members will be provided with appropriate training to support their role in relation to policy making and also in relation to the scrutiny of Committee reports to ensure that all Risk Management issues are appropriately addressed.

9.4.3   In order to facilitate the scrutiny of Reports and to further embed Risk Management in the culture of the council, it is essential that risk management issues are addressed within Committee reports to further emphasise the importance that the council places on the management of risk, and to ensure risks are appropriately treated and reported across all council activities. This will highlight risk management issues and give Members an opportunity to scrutinise and question risk issues in all aspects of the council's activities.

10.   Conclusion

10.1 The appropriate management of risk is a crucial element of the council's management process, and is essential if the council is to successfully deliver services and provide strong community leadership.

The aim of this Strategy is to provide guidance to managers on the risk management process and to assist with the further embedding of risk management within the culture of the council.

In light of the current 'savings agenda' and the associated service reviews, it is essential that the risk management process be used as an effective management tool to ensure that service delivery matches available resources while ensuring that the council continues to appropriately manage the risks it faces and continues to benefit from opportunities as they arise.
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