

SUBJECT RISK MANAGEMENT STRATEGY

REPORT OF THE LEAD OFFICER

PURPOSE OF THE REPORT

To report on the current evaluation of risk and to seek approval of a Risk Management Strategy which will underpin the future management, monitoring and reporting of risk to the Joint Committee.

RECOMMENDATIONS

The Joint Committee is recommended to:

- [i] Approve the Risk Management Strategy and summary of the Joint Committee's Risk Appetite (Appendix 1)
- [ii] Report any Member training needs in relation to Risk Management
- [iii] To receive a Risk Report at each meeting.

FINANCIAL CONSEQUENCES TO THE REVENUE BUDGET

None

CONTACT OFFICERS

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1. BACKGROUND

1.1 The Joint Committee established a Risk Register in 2010. The Risk Register was reviewed by External Audit during their 2009/10 audit and a recommendation was made to review the identified risks.

1.2 Follow-up work on risk management has been undertaken by Internal Audit as part of their annual audit plan for 2010/11. A recommendation from Internal Audit is for the Joint Committee to approve a Risk Management Strategy upon which future risk management and reporting will be undertaken.

1.3 The Joint Committee is asked to approve the following summary of its risk appetite:

We will avoid risks that threaten our ability to undertake our principal objectives in a way which provides quality and value. We will maintain a sufficient level of reserves to support liquidity and absorb short term fluctuations in income and expenditure beyond our control.

2. RECOMMENDATIONS

The Joint Committee is recommended to:

[i] Approve the Risk Management Strategy

[ii] Report any Member training needs in relation to Risk Management

[iii] To receive a Risk Report at each meeting.

BUS LANE ADJUDICATION SERVICE JOINT COMMITTEE

APPENDIX 1

RISK MANAGEMENT STRATEGY

1. PURPOSE

The Joint Committee recognises that effective risk management is an important element of a robust corporate governance framework and is therefore committed to:

- Developing and maintaining a systematic approach for the identification, evaluation and cost effective control of the risks that threaten the achievement of corporate objectives.
- Ensuring that effective risk management is embedded in the business processes

2. OBJECTIVES

The objectives of this strategy are to:

- Ensure that risks to the achievement of the corporate objectives are eliminated or reduced to an acceptable level.
- Ensure other risks to reputation, assets, finances and people are appropriately managed.
- Raise awareness of, and integrate risk management into the culture of the organisation.
- Manage risk in accordance with best practice by identifying roles and responsibilities.
- Maintain effective stewardship of funds and demonstrate good corporate governance.

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3. IMPLEMENTATION

The Joint Committee will achieve these objectives by:

- Approving this strategy
- The Head of Service establishing and maintaining the risk management review framework identified within this strategy.
- Including risk management as a standing agenda item at each Joint Committee/Executive Sub Committee and Advisory Board meeting supported by reports from Officers.
- Continuing to demonstrate the application of risk management principles in practice.
- Establishing the training requirements of Members and Officers
- Maintaining documented procedures for the control of risk.
- Monitoring risk management arrangements on an ongoing basis and periodically reviewing risk.
- Embedding risk management into business processes.

4. DEFINITIONS AND CATEGORIES

a. DEFINITIONS

RISK is a combination of the LIKELIHOOD of something happening and the CONSEQUENCE for business objectives.

RISK MANAGEMENT is the process by which risks and potential opportunities are identified, evaluated and controlled.

b. CATEGORIES OF RISK

The Audit Commission and CIPFA identify two categories of risk namely strategic and operational. Strategic are those risks to the medium and long term goals and objectives of the organisation. Operational are those risks and hazards encountered in the daily course of work affecting managers and staff.

c. RISK APPETITE

In defining the risk appetite, consideration should be given to:

- The level of risk which an organisation or individual is prepared to tolerate without introducing further risk mitigation measures or controls.
- Identifying the point where the Joint Committee accepts that a risk exists and that to put in place further measures aimed at reducing the risk to a more acceptable level is not possible, practical or not cost effective.
- The wider context of risk and tolerance levels of other parties who may be affected by the risk, including members of the public and other stakeholders.

The Joint Committee summarises it's risk appetite as follows:

We will avoid risks that threaten our ability to undertake our principal objectives in a way which provides quality and value. We will maintain a sufficient level of reserves to support liquidity and absorb short term fluctuations in income and expenditure beyond our control.

5. RISK MANAGEMENT PROCESS

Key questions in risk management include:

- What can go wrong?
- What is the likelihood of it going wrong?
- What is the impact should it go wrong?
- What can be done to eliminate the threat?
- What should be done to reduce the threat's likelihood or impact?

The risk management cycle involves

- a) Identifying Risk
- b) Analysing and Evaluating
- c) Prioritising
- d) Taking Action
- e) Monitoring and Review

6. MEASUREMENT OF RISK AND REPORTING**Risk Matrix**

		Consequence				
		5	4	3	2	1
Likelihood	5	25	20	15	10	5
	4	20	16	12	8	4
	3	15	12	9	6	3
	2	10	8	6	4	2
	1	5	4	3	2	1

Legend:

Score of 25 equates to **Extreme Risk**: Immediate escalation to Head of Service for urgent consideration by Joint Committee.

Scores of 20-15 **High Risk**: Risk to be escalated to the Joint Committee/Executive Sub Committee with mitigating action plan. Risk to be actively managed by Head of Service and Advisory Board.

Scores of 12-6 **Medium Risk**: Risk to be captured on Risk Register and progress with mitigation to be tracked by Head of Service and Advisory Board/Joint Committee/Executive Sub Committee.

Scores of 5 and below **Low Risk**: Risk to be removed from register and managed by identified lead.

Risk Impact Details

Name	Description
Immaterial	Loss of up to £5k; examples include little effect on operational delivery; no health and safety impact; no damage to reputation.
Minor	Loss of £5 to £25k; examples include minor disruption to effective operational delivery i.e. staff in unplanned absence for up to one week; minor injury; no requirement for professional medical treatment; slight damage to reputation.
Moderate	Loss of £25k to £50k; examples include delays in effective operational delivery i.e. adjustments to work programmes in up to one week or staff long term absence; injury to an individual(s) requiring professional medical treatments; reputation damage is localised and minor.
Significant	Loss of £50 to £100k; examples include effective operational delivery is disrupted in specific areas of the business; multiple serious injuries requiring professional medical treatment;

	reputation damage occurs with key stakeholders.
Major	Loss of £100k +; examples include effective operational delivery is no longer achievable, fatality of staff, visitor or public; reputation damage is irrecoverable i.e. regulatory body intervention.

Likelihood

Description	Probability	Indicators
5. Highly Probable	> 80%	<ul style="list-style-type: none"> Is expected to occur in most circumstances Circumstances frequently encountered – daily/weekly/monthly/annually Imminent/near miss
4. Probable/ Likely	> 60% - 80%	<ul style="list-style-type: none"> Will probably occur in many circumstances Circumstances occasionally encountered but not a persistent issue (e.g. once every couple/few years) Has happened in the past or elsewhere
3. Possible	> 40% - 60%	<ul style="list-style-type: none"> Not expected to happen, but is possible (once in 3 or more years) Not known in this activity
2. Unlikely	> 20% - 40%	<ul style="list-style-type: none"> May occur only in exceptional circumstances Has rarely / never happened before Force majeure
1. Remote	< 20%	<ul style="list-style-type: none"> The risk will not emerge in any foreseeable circumstance

5.4 The evaluation process will highlight the key risks that require urgent attention. However, all the risks need to be considered and action agreed, even if this is to take no action at the current time. The options are either to: Tolerate, Treat, Terminate or Transfer each risk.

- **Tolerate the risk (accept it)** – some low scoring risks may be considered as acceptable, but these need to be reviewed on a regular basis to confirm that the circumstances have not changed.
- **Treat the risk (reduce by control procedures)** – the risk can be considered acceptable provided the control mechanisms work.
- **Terminate the risk (cease or modify the method of delivery)** – where risks are unacceptable and control mechanisms will not provide adequate security, the activity or the method of delivery must be modified.
- **Transfer the risk** – through insurance of financial contingency provision.

- 5.5 The risk register will be monitored and reviewed by a Risk Management Group and reported to Members and the Advisory Board. New risks will be added to the register where appropriate and assigned an individual risk owner. An updated risk register will be provided as a standard report to the Joint Committee.

RISK MANAGEMENT ROLES AND RESPONSIBILITIES

6.1 The Joint Committee

The roles and responsibilities of the Joint Committee are:

- to ensure that a comprehensive approach to risk management is developed and implemented on behalf of the Joint Committee.
- to oversee and obtain assurance over the effective management of the risks by the Head of Service.

6.2 The Head of Service

- To support and develop the risk management culture of the Risk Management Group which helps support the Joint Committee's strategic leadership and corporate governance roles.
- To develop and maintain a risk management framework.
- To maintain effective links with stakeholders on risk management issues and to report as appropriate to the Joint Committee or Executive Sub Committee and the Advisory Board.

6.3 Risk Management Group

The risk management framework established by the Head of Service allocates the following responsibilities to the Risk Management Group:

- Initial identification and evaluation of risks.
- Registration of risks.
- Evaluation of effectiveness of controls.
- Action planning to mitigate the impact of risks on the achievement of the Joint Committee's objectives.
- Reporting to Joint Committee and/or Executive Sub Committee and Advisory Board.
- Preparing changes to this policy.
- Providing guidance and training for staff on risk awareness.

7. MONITORING AND REVIEW

The Joint Committee will monitor the effectiveness of this policy and will receive a copy of the latest risk register and a report from the Head of Service at each Joint Committee meeting.

