

APPENDIX 2



Working in partnership for local people

Risk Management Policy and Strategy

April 2010

## **Introduction**

1 In all types of organisations, there is the potential for events and outcomes to give rise to opportunities for benefits or threats to success. Good risk management concerns both positive and negative aspects of risk. It should maximise opportunities and encourage innovation. It is not about being risk averse. It is about helping the right people take the right risk at the right time.

2 A risk is: *The chance of something happening that will have an impact on achieving objectives.*

3 Risk Management is: *The process by which risks are identified, evaluated and economically controlled.*

4 The purpose of risk management therefore is to effectively manage potential opportunities and threats to the achievement of the Partnership's objectives.

## **Risk Management Policy**

5 The Partnership and its member organisations provides a wide range of services to the local community, all of which give rise to some level of risk. Our policy is to practice effective risk management to optimise the balance between risk taking and control.

6 The Partnership adopts a policy of being 'risk aware', thereby placing it in a better position to avoid threats and take advantage of opportunities. This is achieved through the proactive identification, understanding, managing and review of risks and opportunities which exist within our partner organisations and their associated with plans, strategies and projects.

7 The Partnership is fully committed to ensuring that risk management is embedded into its corporate business processes, including strategic planning and priority setting across the Partnership region, allocation of responsibility to each partner organisation, and performance management and reporting activities against agreed objectives and outcomes.

8 The Partnership aims to demonstrate a positive risk culture and improved outcomes through effective partnership risk management across all our members.

## **Risk Management Strategy**

9 To ensure the benefits of risk management are realised, the Partnership's risk management strategy is to:

- **Embed and integrate** risk management into its culture and day-to-day operations at both the strategic and operational levels;

- Adopt a **systematic methodology** to risk management, in accordance with best practice;
- Provide the LSP Steering Group and Thematic Leads with evidence to support **resource allocation** decisions;
- Identify clear **roles, responsibilities** and reporting arrangements, particularly between the organisations which make up this Partnership; and
- Work in **partnership** with each member of West Cheshire Together, by taking advantage of existing risk management practices within each partner organisation to ensure the Partnership as a whole has sufficient assurance that risk is being managed across our region.

### **Risk Management Methodology**

10 The Partnership's methodology for assessing and managing risk adopts the following principles:

- Risk management focuses in a positive manner on the achievement of objectives, and aims to support this achievement;
- The risk management process is an embedded part of the management of the Partnership, rather than a bolt-on activity which is considered separately to management decision-making – the process must enable and support, rather than hinder, the business of those who use it;
- The Partnership will use the outcomes of the risk management process as a factor in deciding where to allocate their available resources so as to achieve their stated objectives and outcomes.

11 It is essential to recognise that the Partnership does not seek to impose additional risk management processes on our partner organisations. Rather, each member of the Partnership should take advantage of their existing risk management policies and processes to ensure they can provide the Partnership with assurance that the risks assigned to each partner are being managed effectively.

12 The diagram at **Appendix A** provides an overview of the framework and process by which risks are assigned by the Partnership to our partner organisations, and by which assurance is provided by those organisations to the Partnership.

13 The table at **Appendix B** provides a list of roles and responsibilities required to ensure this framework operates as described.

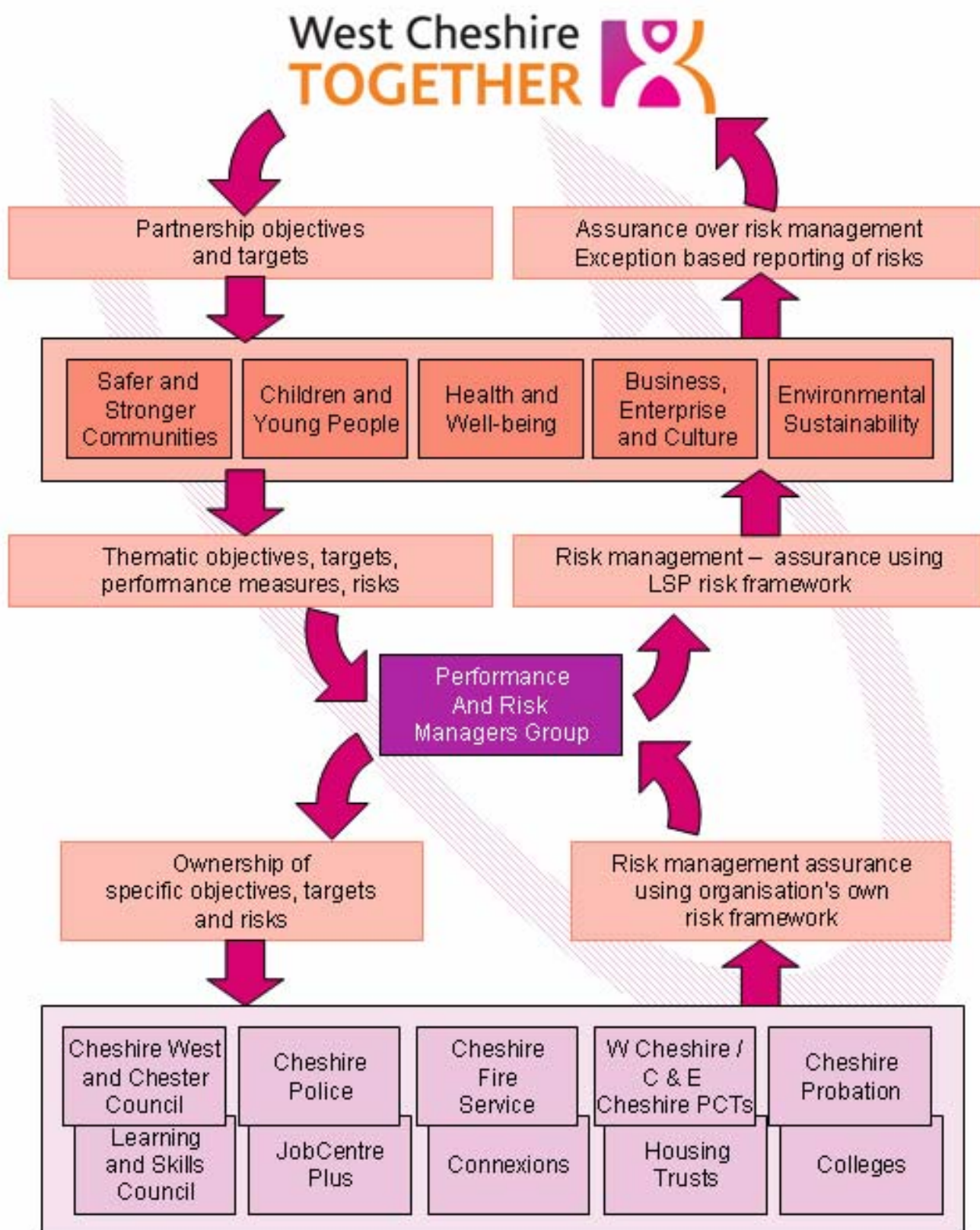
14 **Appendix C** describes in tabular format the step by step process for delivering the risk management framework set out in this policy, and provides further explanation for the overview provided in **Appendix A**.

15 **Appendix D** provides a template for the LSP to use when documenting objectives, outcomes and risks, whether at the strategic level, for Thematic Partnerships, or for another aspect of the Partnership's activities.

### **Approval and Review**

16 This policy and strategy will be owned by the Performance and Risk Managers Group and will be reviewed annually by the LSP Steering Group. Any proposed revisions and amendments will be submitted for agreement by the Performance and Risk Managers Group before being approved by the LSP Steering Group.

**Appendix 2A**  
**LSP Risk Management Framework**



**Appendix 2B**  
**LSP Risk Management Roles and Responsibilities**

Responsibility	Role
West Cheshire Together LSP Steering Group	<p>Overall responsibility for determining the Risk Management Policy and Strategy and reviewing its effectiveness as part of the corporate governance framework.</p> <p>Identification and evaluation of strategic Partnership risks and ultimate responsibility for their effective management (supported by partner organisations)</p>
Thematic Leads	<p>Identification, evaluation and monitoring of LSP Risks on behalf of the West Cheshire Together LSP.</p>
Thematic Partnerships	<p>Identification and evaluation of Thematic risks and responsibility for their effective management (supported by partner organisations)</p>
Performance and Risk Group Members	<p>Implementation and monitoring of the LSP Risk Management Policy and Strategy.</p> <p>Ensure the principles of risk management are adopted into partnership planning and performance management.</p> <p>Facilitation of risk management activities led by the Steering Group and the Thematic Leads.</p> <p>Support partner organisations' risk management specialists in providing assurance to the Thematic Leads and Steering Group on risk management outcomes.</p>
LSP Risk Manager	<p>Supports the West Cheshire Together LSP Steering Group and the Thematic Leads in advising on the Risk Management Policy and Strategy.</p> <p>Lead and promote risk management throughout the LSP.</p>
Partner organisations – Risk specialist / manager	<p>Lead and coordinate the management of risks delegated by the LSP to their organisation.</p> <p>Lead and coordinate the provision of assurance to the LSP on the management of risks delegated to their organisation.</p> <p>Evaluate and manage risks within their organisation in accordance with their existing risk management policy and strategy.</p>

**Appendix 2C**  
**LSP Risk Management Process – Overall process**

What?	Who?	How?
1. Identify strategic partnership objectives, actions, performance targets,	West Cheshire Together LSP - facilitated by Performance & Risk Group	Identified on the Performance and Risk Templates
2. Identify and assign risks and actions to Thematic Leads	West Cheshire Together LSP	Recommended by the Thematic Leads Group
3. Define thematic objectives and actions	Thematic Partnerships	Identified on the Performance and Risk Template
4. Identify and assign risks and action to Partner Organisations	Thematic Leads	Identified on the Performance and Risk Template
5. Incorporate into partner organisation corporate planning and risk management frameworks	Partner organisations	Organisations' own planning, performance and risk management frameworks
6. Deliver objectives, complete actions, manage risks	Partner organisations (one organisation responsible for management of each objective / indicator, and co-ordination of activity by other partners where necessary)	Organisations' own planning, performance and risk management frameworks

What?	Who?	How?
<p>7. Review organisation actions and risks. Identify:</p> <ul style="list-style-type: none"> <li>• where assurance can be given.</li> <li>• risks that require escalation to Thematic Group</li> </ul>	<p>Partner organisations</p>	<p>Organisations' own risk management frameworks</p>
<p>8. Report to Thematic Partnerships</p> <ul style="list-style-type: none"> <li>• High and new risks.</li> <li>• Consider changes to actions and risks to be escalated</li> </ul>	<p>Partner organisations – supported by Performance &amp; Risk Group</p>	<p>Identify on the Performance and Risk Template</p>
<p>9. Report performance on an exception basis to West Cheshire Together LSP highlighting:</p> <ul style="list-style-type: none"> <li>• High risks</li> <li>• Risks that require escalation to partnership level.</li> </ul>	<p>Thematic Leads</p>	<p>Identify on the Performance and Risk Template</p>
<p>10. Consider reports from Thematic Leads:</p> <ul style="list-style-type: none"> <li>• Review Strategic Risk Register.</li> <li>• Determine and assign additional actions.</li> </ul> <p>Return to the beginning of the process</p>	<p>West Cheshire Together LSP</p>	<p>Performance and Risk Template</p>

**RISK MANAGEMENT POLICY AND STRATEGY**  
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**Appendix 2D**  
**LSP Risk Assessment Template and Methodology**

**Template**



- launch Excel file to view Performance and Risk Assessment Template

**Definitions**

Column	Template Term	Definition
1	<b>Objectives</b>	A goal which, when achieved, will contribute to the overall vision for the Partnership and region.
		<i>All stakeholders should agree what it is they are aspiring to achieve and deliver for their customers and communities.</i>
2	<b>Measure of success / Outcome</b>	How will we know when we have achieved each objective? What will be different? What will success look like?
		<p><i>The performance measure should be “SMART” (specific / measurable / achievable / realistic / timely).</i></p> <p><i>Each outcome <b>should be assigned to one of the partner organisations</b>, to take responsibility for delivery of the outcome, either directly or through the co-ordination of other organisations.</i></p>
3	<b>Essential activities / actions</b>	What are the things we know we must do to achieve our stated outcomes?
		<i>These are the critical non-negotiable tasks which must be completed to meet the objectives</i>
4 & 5	<b>Action owner and timescale</b>	Essential actions and deliverables <b>should be assigned to one of the partner organisations.</b>
		<i>The owner organisation is responsible for managing the delivery of those actions and for providing assurance to the LSP as part of the performance and risk framework.</i>

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Column	Template Term	Definition																						
6	<b>Risk</b>	A risk may be a negative or positive i.e. something that prevents or facilitates the objective being achieved. Positive risks are often referred to as opportunities.																						
	<b><i>Risks should not be listed if existing essential actions will mitigate it. Only the residual risks still needing to be addressed after essential actions have been completed should be listed.</i></b>																							
7	<b>Current mitigating activities</b>	Existing controls that are already in place (over and above our essential actions) to manage the risk. These controls may make it less likely to occur, or to lessen the impact if it does occur.																						
	<i>This information is important as it informs any decision about whether further effort is required to manage the risk.</i>																							
8	<b>Current activity owner</b>	Current controls <b>should be assigned to the partner organisation which owns the relevant risk.</b>																						
<i>This organisation is responsible for ensuring the correct operation of the current control, and for providing assurance for this to the LSP.</i>																								
<p><b>Risk score</b></p> <p>For each risk we identify, ask the following questions:</p> <ul style="list-style-type: none"> <li>• How likely is the risk to occur?</li> <li>• What is the impact if risk occurs?</li> </ul> <p>A score of 1 to 4 should be applied to each question (with 4 being the highest). The two scores are multiplied together to get the overall risk rating:</p> <table border="1" data-bbox="236 1547 738 1823"> <tr> <td rowspan="4" style="writing-mode: vertical-rl; transform: rotate(180deg);">IMPACT</td> <td>4</td> <td>8</td> <td>12</td> <td>16</td> </tr> <tr> <td>3</td> <td>6</td> <td>9</td> <td>12</td> </tr> <tr> <td>2</td> <td>4</td> <td>6</td> <td>8</td> </tr> <tr> <td>1</td> <td>2</td> <td>3</td> <td>4</td> </tr> <tr> <td colspan="5" style="text-align: center;">LIKELIHOOD</td> </tr> </table> <p>Use the table at Appendix E to help you determine the score</p>			IMPACT	4	8	12	16	3	6	9	12	2	4	6	8	1	2	3	4	LIKELIHOOD				
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Column	Template Term	Definition
9 10 11	<b>Current risk score</b>	Score the risk considering existing “essential actions” plus existing controls which help to mitigate the risk.
12 13 14	<b>Target risk score</b>	<p>This is the level of risk we are aiming for when taking into account the risk actions.</p> <p><i>How much risk are we prepared to live with? Do we want to reduce the risk either by making it less likely to occur, or lessen the impact if it does occur, or both? Are we happy with the current level of risk? Could we live with a greater level of risk, allowing us to reduce the level of control being applied?</i></p>
15	<b>Risk actions</b>	<p>If the target risk score is different to the current risk score, action is required to change the way we manage the likelihood or the impact</p> <p><i>There are 4 options for treating a risk</i></p> <p><b>a) ACCEPTANCE</b> (an informed decision to accept the consequence and likelihood of a risk) – no risk actions</p> <p><b>b) AVOIDANCE</b> (an informed decision not to become involved in a risk situation)</p> <p><b>c) TRANSFER</b> (shifting the responsibility or burden for loss to another party through legislation, contract, insurance or other means)</p> <p><b>d) TREATMENT</b> (deciding on suitable and proportionate actions with a realistic implementation timescale)</p>
16	<b>Risk action owner</b>	<p>Additional controls <b>should be assigned to the partner organisation which owns the relevant risk.</b></p> <p><i>This organisation is responsible for carrying out the action or co-ordinating the actions of others to provide assurance for the risk mitigation to the LSP.</i></p>
17	<b>Timescale</b>	<p>The target date will be the date at which the target (desired) level of risk becomes the actual level of risk.</p> <p><i>Partner organisations’ management processes should ensure that agreed actions are delivered by the agreed target date to bring the actual level of risk down to the target by this point in time.</i></p>