

## Report for Resolution

**Report to** Mousehold Heath Conservators

11 March 2011

**Item**

**Report of** Head of Local Neighbourhood Services

**5**

**Subject** Risk planning

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### **Purpose**

To brief Conservators on the work required to develop a risk plan

### **Recommendations**

It is recommended that the Conservators:

1. Endorse the proposals to develop a risk plan for Mousehold Heath and report this for consideration at the next meeting

### **Financial Consequences**

There are no budgetary implications that arise from the report at this stage.

### **Strategic Objective/Service Priorities**

The report helps to achieve the corporate objectives to achieve safe and healthy neighbourhoods and strong financial management and stability

### **Contact Officers**

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### **Background Documents**

None

## Background

1. The Mousehold Heath Conservators requested that a report on financial risk management be prepared for this meeting.
2. However, in taking this work forward, Conservators are requested to consider that a broader approach is taken and that a risk plan is developed for the Conservators work as a whole which incorporates financial risk management.

## What is risk?

3. Risk can be defined as an event, or set of events which, should they occur, may have a negative or detrimental impact upon the Conservators (or Council's) aims, objectives or activities. When considering risk, an event is one which may happen rather than one which will definitely happen or is happening already.

4. The Council has adopted the following definition

*"Risk is a condition, an act, situation or event with the ability or potential to impact on units/departments by either enhancing or inhibiting corporate/departmental performance, attainment of corporate/departmental objectives or meeting stakeholders' expectations."*

5. Each risk has two dimensions

- Likelihood or probability which relates to the probability that an event will occur
- Impact or consequences, which relates to the impact the event will have on objective(s) or activities

6. Risk management is a key part of corporate governance, which is essentially the way an organisation manages its business, develops and agrees strategy and objectives and goes about achieving those objectives. Good risk management will help identify and deal with the key risks facing an organisation in the pursuit of its goals.

7. For risk management to be truly effective, it needs to be a key part of good management and not simply a compliance exercise.

8. It is important that organisations analyse the risks which may jeopardise or impact upon the achievement of aims, objectives and activities including the probability of this happening and the consequences of the event, in order that appropriate controls and mitigation measures can be put in place to minimise the likelihood of the event happening or reduce its impact.

9. The benefits of successful risk management include:

- **Effective operational performance**  
Corporate policies are enhanced, fewer surprises, increased level of positive feedback from stakeholders, improved number of targets achieved, improved internal controls, consistent management of risk resulting in improved service delivery.

- **Improved financial performance**  
Increased percentage of objectives achieved, reduced level of fraud, increased capacity through reduction in decisions that need reviewing or revising, decreased number of and impact of critical risks, improved income generation and reduced financial losses.
- **Improved human resources management**  
Reduced staff turnover, absenteeism and stress.
- **Improved corporate governance and compliance systems**  
Reduction in legal challenges, improved governance, increased public satisfaction.
- **Improved insurance management**  
Reduced number and cost of claims and uninsured losses, reduced insurance premiums and funding provisions

## **Roles and responsibilities**

10. Whilst the Mousehold Conservators are a body created under the City of Norwich Mousehold Heath Scheme Confirmation Act 1884 (repealed by the Norwich Act 1984), the management of the heath is undertaken by and through its owner Norwich City Council.
11. Therefore, whilst the Conservators, who have a general duty under the act to maintain and preserve the heath, set and oversee the management plan and priorities for the heath, the activity is discharged through the Council allowing the Conservators to work under the umbrella and policy framework of the Council including that for risk management.

## **The Council's risk management strategy**

12. The Council's risk management strategy identifies that everyone in the Council is involved in and has a responsibility for risk management and should be aware of their responsibilities in identifying and managing risk. However, the ultimate responsibility for managing risk lies with:
  - the Cabinet
  - the Chief Executive and Corporate Leadership Team (CLT)
17. However, in the context of Mousehold Heath, the Conservators retain a role to oversee, monitor and review risk management that relates to their responsibilities and work.
18. To ensure the risk management process is effective and consistent it must occur within an overall framework, and be supported by set processes and procedures.
19. Norwich City Council's risk management framework consists of six steps, these are:
  - Knowledge of strategic/operational priorities

- Identifying and assessing risks
- Compiling a risk register
- Risk treatment
- Monitoring and reporting
- Reviewing

20. Identifying risks involves the identification of the potential risk and the source of the risk, as well as assessing its likely impact. Norwich City Council uses a five by five matrix to determine the level of risk, see table 1.

**Table 1 – Norwich City Council risk matrix**

		<b>Impact / Consequences</b>				
		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	5	7
<b>Likelihood / Probability</b>	5 Very High	Medium (5)	High (10)	High (15)	Very High (25)	Very High (35)
	4 Likely	Medium (4)	High (8)	High (12)	Very High (20)	Very High (28)
	3 Possible	Low (3)	Medium (6)	High (9)	High (15)	Very High (21)
	2 Unlikely	Low (2)	Medium (4)	Medium (6)	High (10)	High (14)
	1 Rare	Low (1)	Low (2)	Low (3)	Medium (5)	High (7)

21. Once all risks have been identified and the likely impact assessed, a decision needs to be taken about how to manage or mitigate the risk.
22. To give consistency in the way in which risks are quantified across the Council, the following table gives an indication of the possible levels of severity

**Table 2 – example severity levels**

<b><u>Impact</u></b>	<b><u>Service Delivery</u></b>	<b><u>Human</u></b>	<b><u>Financial</u></b>	<b><u>Project</u></b>	<b><u>Reputation</u></b>
7 Catastrophic	Disruption of more than one core service for more	Death	Financial impact greater than £500k	Project Failure	National & international publicity

	than 14 days				
5 Major	Disruption of core services up to 14 days	Life threatening injuries	Financial impact of up to £500k	Project significantly overruns or over budget	Regional or local media coverage
3 Moderate	Disruption of core services up to 7 days	Major non life threatening injuries	Financial impact of up to £100k	Project overruns or over budget affecting service delivery	Local media coverage
2 Minor	Disruption of services up to 3 days	Minor injuries	Financial impact of up to £50k	Project overruns or over budget	Media enquiries
1 Insignificant	Disruption of services up to 24 hours	Slight injury	Financial impact of up to £25k	Minimal affect on budget or overrun	Minimal or no media interest

23. A risk may be considered acceptable if it is sufficiently low that treatment is not considered cost effective. Such risks do not require inclusion in the Council's strategic, or service risk registers, but should nevertheless be recorded by the service concerned and kept under review to ensure that deterioration in the risk level can be identified and addressed as necessary.

### Compiling a risk register

24. Risks requiring action need to be included in a risk register. The risk register provides details of who is responsible for managing the risk and how this is to be undertaken.
25. The risk register contains all risks that require treatment and has four general approaches to treating risk. These are; avoid, reduce, transfer or accept.
- *Avoiding the risk* – not undertaking the activity that is likely to trigger the risk
  - *Reducing the risk* – controlling the likelihood of the risk occurring or controlling the impact of the consequences if the risk does occur.
  - *Transfer the risk* – either totally or in part e.g. through insurance.
  - *Accept the risk* – the ability to take effective action against some risks may be limited or the cost of taking action may be disproportionate to the potential benefits gained.

## **Developing a risk plan for Mousehold**

26. It is proposed that a risk plan is prepared in conjunction with the management sub group and reported to the June meeting of the Conservators.
27. The plan will need to be proportionate to the work and responsibilities of the Conservators and include areas where risks were identified through an assessment process. However, the areas that would be looked at might include the following; finance, site and asset management, staffing and project management.
28. It is proposed that monitoring of the plan and progress against actions will be carried out and reported to the Conservators on an annual basis.