



**Report to:**

Northwards Housing Board

11<sup>th</sup> May 2010

**Item No:**

**7b**

<b>Title:</b>	A revised approach to managing and reporting on risk		
<b>Date:</b>	26 <sup>th</sup> April 2010		
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<b>Confidential:</b>	No		
<b>For:</b> (Please tick action required)	<b>NOTING</b>	<b>DISCUSSION</b>	<b>APPROVAL</b>  ✓
<b>PURPOSE OF REPORT</b>			
The reports sets out some principles for the management and mitigation of risk, and for reporting on risk to the Board.			
<b>RECOMMENDATION</b>			
<p><b>The Board is requested to approve:</b></p> <ul style="list-style-type: none"> <li>The principles of risk management set out in the report</li> </ul> <p><b>The Board is requested to note:</b></p> <ul style="list-style-type: none"> <li>That a further report to Audit Sub-committee will follow setting out a revised risk register, risk ownership, and mitigating actions.</li> </ul>			
<b>IMPLICATIONS</b>			
<b>Equality &amp; Diversity:</b>	There are no specific implications for equality and diversity arising from the changes recommended.		
<b>Financial:</b>	There are no financial implications.		
<b>Staffing:</b>	As part of the new arrangements it is proposed that the job descriptions of some officers are amended to incorporate specific risk management responsibilities. Wherever possible this will be by consent, although we reserve the right to impose changes where not to do so would interfere with the effective management of risk.		
<b>Decency Target:</b>	These changes do not have implications for our Decent Homes target.		
<b>Governance:</b>	No changes to the existing governance arrangement are proposed: the Audit Sub-committee will continue to be the place where risk is addressed and actions reported.		
<b>Risk Assessment:</b>	The purpose of the report is to strengthen risk management, and embed this work more clearly in the management structures of the organisation.		

<b>Equality Impact Assessment</b>	
When a new policy, procedure or initiative is being submitted for approval an Equality Impact Assessment must have been completed. Please give details below.	
Function being assessed	Business Services
Section	
Date of assessment	26/04/10
Person Responsible for assessment	Stephen Brown
Is this a new or existing policy?	Existing
If there are significant implications in terms of equality please append a summary report.	No significant equality implications were found during EIA screening

**Consultation/Consideration:**

	Yes, No or N/A:	Name:	Date:
<b>Sub-Committee:</b>			
<b>Area Panel:</b>			
<b>Task Groups:</b>			
<b>Ward Councillors:</b>			

**Introduction**

The purpose of this paper is to set out the principles underlying the management of risk in the organisation. The paper does not identify any specific risks, which will be done when the new risk register is presented to the Audit Sub-committee. Risk management can sometimes be one of those things that gets set up when an external pressure (inspection, internal audit, regulation, etc.) obliges an organisation to focus on risk. Once that pressure has been satisfied, the intention to keep the process fresh and current frequently gets waylaid by whatever the next focus of attention happens to be. There are four key safeguards that will help us to avoid this. The first is to ensure that the number of risks being monitored at each level is practical and that the risks are real rather than theoretical. The second is to ensure that risks are differentiated and that they are clearly assigned to the appropriate level within the organisation and owned explicitly by named post-holders. The third is to back this latter point up by including the specific risks in the relevant job descriptions, and to make the review of risk management a routine consideration in managerial supervision. Finally, it is important to have an effective IT or other system that facilitates the activity of risk management.

**How many risks?**

The biggest mistake in most risk management processes is simply that of having too many risks at each level. If any individual is expected to own more than, say, 10 risks, it is unlikely that they will be able to manage them effectively. Ascribing too many risks might be a result of poor definition, or it might be that the risks are assigned at the wrong level in the organisation. There is an important distinction here between operational ownership of a risk, and the line of accountability which aggregates more and more risks at more senior levels.

## **The right risks at the right level**

The ownership of a risk must be assigned to the member of staff who has operational control over the area concerned, otherwise the risk will not be actively managed. The risk also needs to be specific, and to be capable of being mitigated. If there is nothing that can be done to reduce a risk's likelihood or severity, then it cannot be managed, and there is no point in including it in a risk management process. The risk owner must have the authority and opportunity to determine and deliver mitigating actions. I think this implies a slightly different perspective from that traditionally used. The focus tends to be on *what the risk is*, but in fact the focus needs to be on *what can be done about it*. In this way, a single risk might be owned by a wide range of people because lots of people are involved in the risk's mitigation. As an example, one of Northward's identified risks is "Staff skills" and currently it is assigned to various parts of the Human Resources Team. On the face of it it would appear that there is little that HR staff can do directly to mitigate this risk: operational managers are best placed to be aware of possible skill deficits in their teams, and to plan how best to deal with them before they impinge on the team's productivity. Of course those managers might seek HR advice and support, but that does not mean that HR assume the ownership of the risk.

## **Embedding ownership**

Having identified the ownership of risk, it is important to enshrine it in job descriptions, and in managerial supervision. Too often risk management seems like an added extra that is not itself an explicit part of the job. This applies equally to health and safety responsibilities, which are in any case just a specific kind of risk management, and last week the Audit Sub-committee agreed a similar proposal in respect of those. If all job descriptions include a clear statement of the risk management responsibilities that come with the role, and explicitly refer to the post-holder's duty to devise and monitor mitigating actions, then there will be greater clarity about both substance and accountability. Managers will also be more likely to include discussions about risk in their routine one-to-ones and appraisals if risk is an integrated part of the job.

## **IT tools**

Covalent is an excellent tool for the management of risk since it has all the capabilities that are needed. However, it is not yet being used as effectively as it might be. In general terms we need to ensure that Covalent:

- Sets out the nature of the risk;
- Describes the mitigations that apply to each risk;
- Assigns all risks to individual members of staff, rather than to teams;
- Where appropriate assigns the same generic risk to all the members of staff who are to take responsibility for the mitigating actions, as in the "Staff skills" risk example above;
- Ensures that the system prompts all risk owners to certify periodically that the mitigating actions are in place in practice and maintained consistently.

The existing system has a 3x3 matrix to capture the severity and likelihood of risks before and after the effect of planned mitigations. This provides only 9 possible levels of risk, and it also makes it difficult to score the effects of mitigating actions which might be unlikely to change a risk so substantially that it moves within the matrix. It is proposed that we adopt a 10x10 matrix in which the original and the mitigated risks are scored out of 100 and finer

graduations are possible.

### **Next steps**

- Review the existing risk register to ensure that the right risks have been captured, and been assigned at the right levels;
- Work with the risk owners to establish the mitigations that will be applied, and add these to Covalent;
- Establish a system of prompts that will require risk owners to sign-off periodically that the mitigations are in force and are consistently applied;
- Work with our internal auditors to establish a programme for assessing the effectiveness of our risk management approach.

**Proposal: That the Board accepts the principles set out in this paper, and notes that a further report setting out the revised risk register, the mitigations that are in place, and the officers assigned to manage the risks, will be presented to the Audit Subcommittee at its July meeting.**