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# Risk Management Strategy

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**Version 2**

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# Risk Management Strategy

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# Risk Management Strategy

## 1. Introduction

### 1.1. What is Risk Management?

Risk is the chance or possibility of loss, damage, injury or failure to achieve the Business Plan/objectives caused by an unwanted or uncertain action or event.

Risk management covers the whole spectrum of risks and not just those associated with finance, health and safety and insurance. It also includes risks associated with service continuity, public image (reputation), the environment, technology, breach of confidentiality, etc.

Risk management implies adopting a planned and systematic approach to the identification, evaluation and economic control of those risks which can threaten the assets or financial and organisational well-being of Rykneld Homes. It is a means of minimising the costs and disruption to Rykneld Homes caused by undesired events. The aim is to reduce the frequency of risk events occurring, wherever possible, and minimise the severity of their consequences if they do occur.

This is the annual revision to the Risk Management Strategy adopted by Rykneld Homes in 2008. It has been developed to incorporate the recommendations of the Audit Commission from Rykneld Homes 2008 Pre-Inspection Assessment and Internal Audit in April 2009.

## 2. Stakeholder Analysis - Risk Responsibilities

In determining roles and responsibilities, consideration has been given to the need to ensure that risk management is embedded into policy approval (Strategic) and into service delivery (Operational).

The table below outlines the key roles within the risk management framework:

NEDDC	NEDDC, as the sole shareholder of Rykneld Homes, monitors Risk Management quarterly through the Comprehensive Performance Report at Strategic Liaison Group meetings.
Board Members	To ensure an effective Strategic Scrutiny of Risks and Risk Management, oversee and monitor the effective management of risk by Officers.
Performance Sub-Board	To co-ordinate and provide the detailed independent scrutiny of the Risk Register.

Chief Executive	To champion and support Rykneld Homes and its services in the effective development, implementation and review of the Risk Management Strategy and Register and ensure that Board are appropriately advised of Risk and Risk Management.
SMT	To ensure that Rykneld Homes manages risk effectively through the development of a comprehensive corporate risk management strategy, and to oversee the implementation and management of the Risk Register.
Service Managers	To ensure that risk is managed effectively in their Service area within the agreed corporate strategy.  To share experience on risk, risk management and strategy implementation and co-ordination across Rykneld Homes.
Team Leaders	To manage risks effectively in their particular sections.
Employees	To manage risk effectively in their job.

### 3. Aims of Rykneld Homes Risk Management Strategy

Effective risk management will deliver a number of tangible and intangible benefits to individual services and to Rykneld Homes as a whole, e.g.:

- ✧ Improved strategic management:
  - Greater ability to deliver against the Business Plan, objectives and targets.
- ✧ Improved operational management:
  - Reduction in interruptions to service delivery.
  - Reduction in managerial time spent dealing with the consequences of a risk event having occurred.
  - Improved health and safety of those employed, and those affected, by Rykneld Homes' Service delivery.
- ✧ Improved financial management:
  - Better informed financial decision-making.
  - Enhanced financial control.
  - Reduction in the financial costs associated with losses due to service interruption, litigation, etc.
  - Reduction in insurance premiums.
- ✧ Improved Tenant/Resident service:
  - Minimal service disruption to Tenants and Residents and a positive external image as a result of all of the above.

## **4. The Current Position**

### **4.1. Policy Context**

Risk management is an essential component in all organisations. Rykneld Homes also has a statutory responsibility to have in place arrangements for managing risks, as stated in the following legislation:

- Accounts and Audit Regulations 2003:

“The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk.”

- The Health and Safety at Work etc Act 1974:

“In addition to placing duties of a general character on employers, manufacturers, employees and the self- employed and others, the Act provides a wide regulation-making power. Part I provides for securing the health, safety and welfare of people at work: protecting other people against risks to health or safety arising from the activity of people at work.”

“Employers must safeguard so far as is reasonably practicable, the health, safety and welfare of people who work for them.”

“Employers must, so far as reasonably practicable, have regard for the health and safety of self-employed or contractors’ employees who may be working close to their own employees; and also for the health and safety of the public who may be affected by their firm’s activities”

“Employers must, so far as reasonably practicable, conduct their activities so as to ensure that people other than their employees, for example, members of the public, are not exposed to risks to health and safety.”

“Employees have a duty under the Act to take reasonable care to avoid injury to themselves or to others by their work activities, and to co-operate with employers and others in meeting the statutory requirements.”

- 4.2 Risk management is an integral part of service management and delivery. As such funding is contained within Departmental budgets. If specific budgets become necessary appropriate approval will be sought.

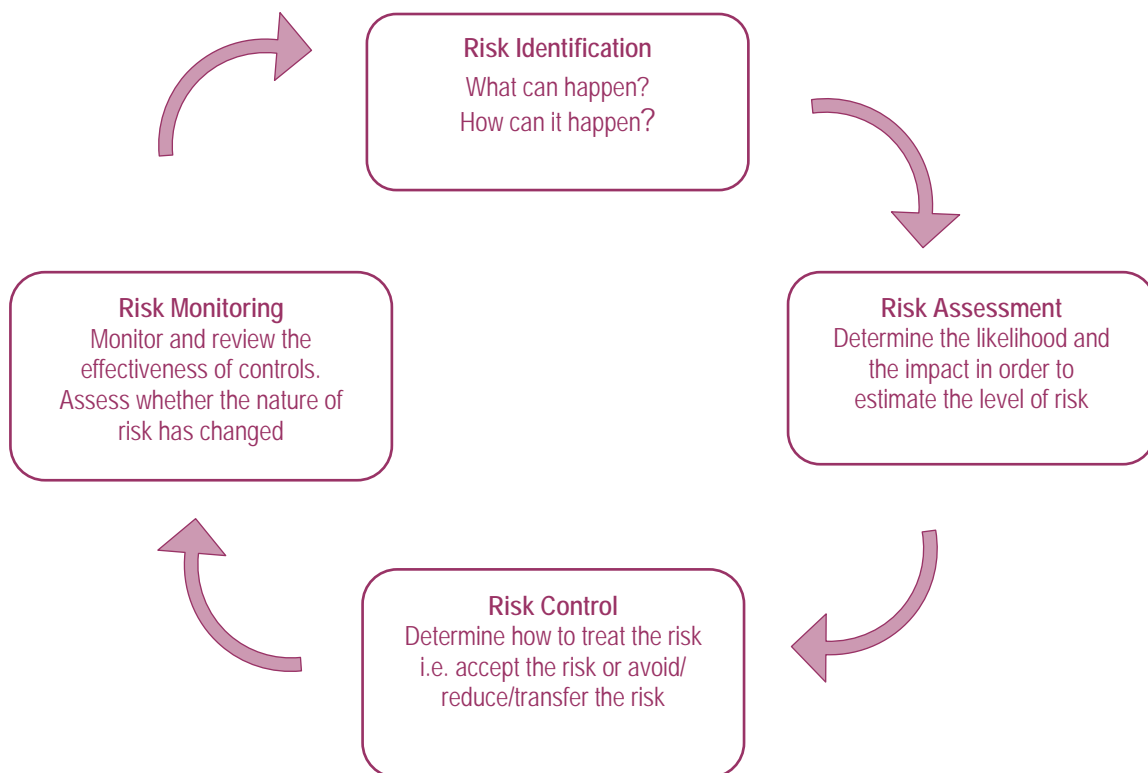
## 5. Risk Management Objectives

The objectives of Rykneld Homes' Risk Management Strategy are to:

- Integrate risk management into the day to day workings of Rykneld Homes and all of its services and functions.
- Manage risk in accordance with best practise.
- Anticipate and respond to changing social, environmental and legislative requirements.
- Prevent injury, damage and losses and reduce the cost of risk.
- Raise awareness of the need for risk management by all those involved with the delivery of Council services.

## 6. Monitoring, Learning and Review

To manage risks effectively, they need to be systematically identified, analysed, controlled and monitored. The 4 stages in the risk management cycle are illustrated in the diagram below:



The same hazards and risks may face one or more services within Rykneld Homes e.g. vandalism and security. Formal cross-service working will help to identify and manage these overlapping risks and this process will be facilitated through the Service Managers meeting.

Processes and controls for managing risks will be monitored and reported on so that losses are minimised and intended actions are achieved. Reporting upwards is necessary on the whole spectrum of risks in the risk profile – not just on those being controlled. This ensures there is a mechanism for monitoring the level/types of risks that Board, Directors and Service Managers are proposing to tolerate.

The Corporate Risk Register will be maintained by SMT and reviewed quarterly by SMT, Service Managers, Performance Sub-Board and Board.

The Chief Executive will ensure that Internal Audit carries out an annual review of Rykneld Homes' risk management arrangements to provide independent assurance as to their effectiveness.

Appropriate Audits throughout the year will:

- verify the existence of risk assessment forms, risk registers and risk management action plans and check whether they are being maintained up-to-date;
- verify the existence of health and safety risk assessments and that they are being maintained up-to-date; and
- provide advice as to risk management processes/Action Plan.

#### 6.1. **Review of Risk Management Strategy**

To ensure that risk management is embedded within the day to day working of Rykneld Homes the Risk Register will be considered when managing Service Plan implementation.

In recognition of the dynamic nature of risk management, this strategy will also be reviewed every year to ensure its continuing relevance to prevailing RHL structures and services, and its continued compliance with best practice.

## 7. **Contact Information**

If you have any queries, comments or suggestions in relation to this Strategy please contact:

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# Risk Management Methodology

## 1. Risk Identification

- 1.1 The first step in the process is to analyse the various elements of the function/service and identify the risks that can affect the achievement of the objectives for the services. Appendix 2.7 lists the main categories of strategic and operational risks that need to be considered.
- 1.2 The categories of risk will be reviewed periodically and should be used to assist in identifying and categorising a broad range of risks facing Rykneld Homes and each service.

## 2. Risk Assessment

- 2.1 Once risks have been identified they need to be assessed systematically and accurately. The process requires managers to assess the level of risk by considering:
  - The probability of an event occurring - “likelihood”; and
  - The potential severity of the consequences should such an event occur – “impact”.
- 2.2 Managers will assess each element of the judgement and determine the score in accordance with the following tables. The scores set out in the tables indicate Rykneld Homes’ attitude to risk and it is vital that the indicative guidelines are used to ensure that a consistent approach to assessing risk is used throughout Rykneld Homes.

## Likelihood

Score	Description	Indicative Guidelines
5	Common occurrence	<ul style="list-style-type: none"> <li>• Is expected to occur in most circumstances</li> <li>• Will undoubtedly happen, possibly frequently e.g. annually or more frequently</li> <li>• Imminent/near miss</li> </ul>
4	Likely	<ul style="list-style-type: none"> <li>• Will probably occur in many circumstances</li> <li>• Will probably happen, but not a persistent issue e.g. once in 3 years</li> <li>• Has happened in the past</li> </ul>
3	Foreseeable	<ul style="list-style-type: none"> <li>• Could occur in certain circumstances</li> <li>• May happen occasionally, e.g. once in 10 years</li> <li>• Has happened elsewhere</li> </ul>
2	Unlikely incident	<ul style="list-style-type: none"> <li>• May occur only in exceptional circumstances</li> <li>• Not expected to happen, but is possible e.g. once in 25 years</li> <li>• Not known in this activity</li> </ul>
1	Rare Occurrence	<ul style="list-style-type: none"> <li>• Is never likely to occur</li> <li>• Very unlikely this will ever happen e.g. once in 100 years</li> <li>• Force majeure</li> </ul>

## Impact

Score	Description	Indicative Guidelines
5	<b>Catastrophic</b>	<p>Risks which can have a catastrophic effect on the operation of Rykneld Homes or service. This may result in critical financial loss, severe service disruption or a severe impact on the public. An indicative financial loss would be anything in excess of £1.5m. Examples:</p> <ul style="list-style-type: none"> <li>• Unable to function without aid of Government or other external Agency.</li> <li>• Inability to fulfil obligations.</li> <li>• Medium - Long term damage to service capability.</li> <li>• Severe financial loss – revised estimate needed which will have a catastrophic impact on Rykneld Homes’ Medium Term Financial Plan for which resources are unlikely to be available.</li> <li>• Death.</li> <li>• Adverse national publicity - highly damaging, severe loss of public confidence.</li> <li>• Litigation certain and difficult to defend.</li> <li>• Breaches of law punishable by imprisonment.</li> </ul>
4	<b>Severe</b>	<p>Risks which can have a severe effect on the operation of Rykneld Homes or service. This may result in major financial loss, major service disruption or a significant impact on the public. An indicative financial loss would be anything between £0.5m up to £1.5m. Examples:</p> <ul style="list-style-type: none"> <li>• Significant impact on service objectives.</li> <li>• Short - Medium term impairment to service capability.</li> <li>• Major financial loss – revised estimates needed which will have a major impact on Rykneld Homes’ Medium Term Financial Plan.</li> <li>• Extensive injuries, permanent harm, long-term sick.</li> <li>• Major adverse local publicity, major loss of confidence.</li> <li>• Litigation likely and may be difficult to defend.</li> <li>• Breaches of law punishable by fines or possible imprisonment.</li> </ul>

Score	Description	Indicative Guidelines
3	<b>Moderate</b>	<p>Risks which have a noticeable effect on the services provided. Each one will cause a degree of disruption to service provision and impinge on the budget. An indicative financial loss would be anything between £0.1m up to £0.5m. Examples:</p> <ul style="list-style-type: none"> <li>• Service objectives partially achievable.</li> <li>• Short term disruption to service capability.</li> <li>• Significant financial loss - revised estimate needed which will have an impact on Rykneld Homes' Medium Term Financial Plan.</li> <li>• Medical treatment required, semi-permanent harm up to 1 year.</li> <li>• Some adverse publicity, needs careful public relations.</li> <li>• High potential for complaint, litigation possible.</li> <li>• Breaches of law punishable by fines only.</li> </ul>
2	<b>Minor</b>	<p>Risks where the consequences will not be severe and any associated losses will be minor. As individual occurrences they will have a negligible effect on service provision. However, if action is not taken, then such risks may have a more significant cumulative effect. An indicative financial loss would be anything between £10,000 up to £100,000. Examples:</p> <ul style="list-style-type: none"> <li>• Minor impact on service objectives.</li> <li>• No significant disruption to service capability.</li> <li>• Moderate financial loss – can be accommodated at service level.</li> <li>• First aid treatment, non-permanent harm up to 1 month.</li> <li>• Some public embarrassment, no damage to reputation.</li> <li>• May result in complaints/litigation.</li> <li>• Breaches of regulations/standards.</li> </ul>
1	<b>Negligible</b>	<p>Risks where the consequences will not be severe and any associated losses will be relatively small. An indicative financial loss would be anything up to £10,000. As individual occurrences they will have a negligible effect on service provision. However, if action is not taken, then such risks may have a more significant cumulative effect. Examples:</p> <ul style="list-style-type: none"> <li>• Minimal impact, no service disruption.</li> <li>• Negligible impact on service capability.</li> <li>• Minimal financial loss - can be accommodated at service level.</li> <li>• No obvious harm/injury.</li> <li>• Unlikely to cause any adverse publicity, internal only.</li> <li>• Breaches of local procedures/standards.</li> </ul>

### **3. Risk Control**

- 3.1 To achieve a composite risk score the likelihood of risk is multiplied by the impact level.
- 3.2 Having identified and analysed the risks, it is necessary to decide what to do and who will do it. Priority will be given to the highest risks, i.e. those:
- That most threaten key areas of service provision; and/or
  - Where the existing controls are weakest.
- 3.3 In some instances, i.e. for low-scoring risks it may be acceptable to do nothing and “accept” the risk. However, the situation will need to be monitored to ensure that such risks do not escalate out of control.
- 3.4 Where it is not deemed appropriate to accept the risk, the risk will need to be controlled. Risk control is the process of taking action to minimise the likelihood of the risk event occurring and/or reducing the severity of the consequences should it occur. There are 3 main options for controlling risk, avoidance, reduction and risk transfer.
- 3.5 Risk avoidance involves Rykneld Homes opting not to undertake a current or proposed activity because it is considered to be too risky.
- 3.6 Risk reduction is dependent on implementing projects or procedures which will minimise the likelihood of an event occurring or limit the severity of the consequences should it occur.
- 3.7 Risk transfer involves transferring liability for the consequences of an event to another body. This may be done in two ways:
- (i) Legal liability may be transferred to an alternative provider under contractual arrangements for services delivery; or
  - (ii) The costs associated with a damaging event may be reduced by transferring some or all of the financial risk to external insurance companies.
- 3.8 Most risks can be managed – either by minimising the likelihood of the risk occurring and/or reducing the severity of the consequences should the risk occur. Relatively few risks have to be avoided or transferred.
- 3.9 Directors and Service Managers must judge which courses of control action are the most appropriate to address each of the risks they have identified, taking advice from where appropriate.
- 3.10 The cost/benefit of each control action must be assessed. The benefits will not always be solely financial. Managers need to use their own professional knowledge and experience to judge whether the financial cost of risk control is justified in terms of non-financial benefit to Rykneld Homes. On occasions, managers may conclude that the cost of the control action may outweigh the benefits which will accrue to Rykneld Homes as a result of the action being taken. In such instances,

all or an element of the risk is retained. However, no statute should be breached when making this decision.

- 3.11 A Risk Management Action Plan must be produced which identifies the risks, the control actions, the officer responsible and timescales.
- 3.12 Responsibility for drawing up the Action Plans lies with the relevant Director. The Action Plans should not be seen as a separate initiative but should be incorporated into Service Plans and Action Plans.
- 3.13 The Risk Register is a key element of the Business Plan and will be used to monitor effective delivery of the Service Plans.
- 3.14 Board Members will be able to monitor whether mitigation actions are managing risk by considering trends which will become apparent as further monitoring takes place. Where an issue is no longer considered a risk it will be removed from the Risk Register. It will remain a matter of record with a specific relevance in that year. New risks added will be given progressively numbered reference to differentiate new risks.

#### **4. Risk Monitoring**

- 4.1 To complete the risk management cycle, there must be monitoring and review of:
  - The implementation of the agreed risk control action plan;
  - The effectiveness of the action in controlling the risk; and
  - How the risk has changed over time.
- 4.2 Directors and Service Managers must monitor the implementation of their risk control action plans to ensure that responsibilities, deadlines and costs do not slip.
- 4.3 Risks will also be monitored corporately and the arrangements for this are detailed in Section 2 - Stakeholder Analysis - Risk Responsibilities of the Risk Management Strategy.

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