

**Haringey Strategic Partnership**

**Risk Management Strategy**

**Version 1.0**

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**DRAFT**

# Contents

<b>1. BACKGROUND</b>	<b>1</b>
<b>2 INTRODUCTION</b>	<b>2</b>
<b>3 WHAT IS RISK?</b>	<b>3</b>
<b>4 WHAT IS AN ACCEPTABLE RISK?</b>	<b>4</b>
<b>5 WHAT IS RISK MANAGEMENT?</b>	<b>5</b>
<b>6 WHO IS RESPONSIBLE FOR RISK MANAGEMENT?</b>	<b>6</b>
<b>7 RISK MANAGEMENT – THE FRAMEWORK</b>	<b>6</b>
<b>APPENDIX 1 - RISK REGISTERS COMPLETION GUIDE</b>	

## **1. BACKGROUND**

- 1.1 It is recognised that all partnerships face a range of risks which may affect the achievement of their objectives. Risk management is therefore an essential part of securing the 'health' of any partnership. Risk management is an important element in the running of any business: ensuring that threats to corporate objectives and service delivery are minimised; and that business opportunities are exploited to maximise resources or revenue.
- 1.2 Risk management is part of the overall arrangements for securing effective corporate governance. Corporate governance can be described as the systems which public sector partnerships use to direct and control their operations and relate to their communities.
- 1.3 Good corporate governance can provide the partnership's various communities, and other organisations, with confidence that it maintains the highest possible standards in delivering services. It is impossible for any partnership to achieve effective corporate governance arrangements without an effective risk management framework.
- 1.4 The public sector partnership also has to take account of various external requirements and inspection regimes, which include issues relating to corporate governance or risk management. The Accounts and Audit Regulations 2006 require local authorities to review, at least once a year, the systems they have in place to control and manage the services they provide. From 2007/08, local authorities must also publish an annual governance statement (AGS), which represents the end results of its annual review, with its financial statements. The AGS must include partnership working as part of the review.
- 1.5 The Comprehensive Performance Assessment (CPA) was introduced in order to evaluate local authorities' performance over a number of areas. Risk management is included within the annual 'Use of Resources' assessment and specific reference is made to partnership working. The CPA is being replaced in 2009 with the Comprehensive Area Assessment (CAA), which places partnership working at the heart of its assessment and evaluation processes.
- 1.6 Everyone within the Haringey Strategic Partnership has a role to play in managing risk. In order to put this in context and provide an explanation of how the various statutory and local requirements should be met, this strategy has been developed.

## 2 INTRODUCTION

- 2.1 This strategy provides an overview of the Haringey Strategic Partnership's (HSP) risk management position and what it needs to do to move towards achieving the highest ratings in the relevant CPA (and from 2009, the CAA) assessments. It clarifies the various roles, responsibilities and governance structures within the HSP.
- 2.2 The HSP, via statutory requirements and corporately set objectives, must balance the demands of service users and tax payers; involve communities in service provision; deliver, commission and regulate services; and enter into strategic and local partnerships, often involving complex funding arrangements.
- 2.3 Balancing all of these, sometimes conflicting, objectives means that the HSP needs a framework which ensures that a pro-active approach is taken and risks are considered before decisions are taken by the appropriate body or Theme Board.
- 2.4 The aim of this strategy is to ensure that risks are identified at the right time to enable good decisions to be made, including:
- reducing the impact and/or number of risks which could prevent the HSP achieving its objectives; and
  - ensuring that the HSP takes advantage of opportunities to improve its performance.
- 2.5 Risk management can make a difference and enhance the performance of the HSP by:
- Identifying and preventing the bad things from happening; and
  - Ensuring that all the good things we want to do actually happen.
- 2.6 The aim of this strategy is to ensure that everyone responsible for managing and taking decisions is aware not only of the key risk management functions, but also their responsibilities in relation to them.
- 2.7 From the Performance Management Group's (PMG) and Theme Boards' perspectives, the emphasis should be to achieve their objectives and deliver their outcomes. Risk management should be used to facilitate this in the most effective way possible. By using a systematic approach, managers will ensure that they consider all the options available to them, and be in a better position to anticipate and respond to changing social, environmental and legislative requirements.

### 3 WHAT IS RISK?

- 3.1 For a public sector partnership as the HSP, risk can be defined as:  
***Anything that poses a threat to the achievement of our objectives, programmes or service delivery to the residents, businesses and communities of Haringey.***
- 3.2 Risks can come from inside or outside the HSP, and may include financial loss or gain, physical damage to people or buildings, client dissatisfaction, unfavourable publicity, failure of equipment, or fraud. Failing to take advantage of opportunities may also have risks for the HSP, for example not bidding for funding, or not publicising successes.
- 3.3 Taking advantage of new opportunities, for example working with the a wider range of partner organisations to deliver services, can also mean the HSP has to deal with different types of risks. However, not taking advantage of these opportunities may leave the HSP facing bigger risks in the future.
- 3.4 Therefore, some risks should not necessarily always be avoided. However, this should not mean the HSP takes poorly thought through decisions which may cause losses of confidence, finance, or reputation. If risks are identified and managed effectively, they can allow the HSP to take opportunities for improving services.
- 3.5 Risks can be classified according to how they may affect the HSP as it aims to deliver its outcomes:
- **Strategic risks** - risks which may affect the HSP's ability to achieve its outcomes.
  - **Reputational risks** - risks that may undermine the confidence that the HSP's partners, customers, staff and the public have in it, e.g. adverse media publicity.
  - **Operational risks** – risks which may prevent the HSP delivering its core services, e.g. lack of staff, damage to buildings, equipment failure.
  - **Financial risks** – risks which may cause a breakdown in the HSP's financial systems e.g. fraud.

## **4 WHAT IS AN ACCEPTABLE RISK?**

- 4.1 As a general principle, the HSP will seek to eliminate and control all those risks which:
- have a high potential for incidents to occur;
  - would have a substantial adverse financial impact;
  - would cause loss of public confidence in the HSP and/or its partner organisations; or
  - may stop the HSP from carrying out statutory functions or achieving its strategic objectives.
- 4.2 The HSP recognises that it is impossible to eliminate all risks, especially those which it has no control over e.g. changes to legislation, climate and weather influences, or external power failure.
- 4.3 The HSP will always try to reduce or eliminate risks wherever possible, but it needs to strike the right balance between how much it costs to manage or eliminate risks and taking no action. For example, the costs of eliminating risks in a system may be more than the amount of money the HSP may lose if the system were to fail. In these circumstances, the HSP would want to ensure that there were sensible precautions taken to manage the risks, but that these were balanced against what it would cost if the system were to break down.
- 4.4 Systems that the HSP puts in place should therefore be flexible enough to encourage innovation and imaginative use of its limited resources, subject to any legal requirements, in order to deliver better services to its stakeholders.
- 4.5 All projects and programmes of change carry with them some risk of failure. The willingness to take advantage of opportunities or new innovation, in a managed way, is a sign of an ambitious partnership. It is important that risks associated with opportunities and innovation are identified and effectively managed, to ensure that the strategic objectives of the HSP are achieved.

## 5 WHAT IS RISK MANAGEMENT?

- 5.1 There is no such thing as a risk-free environment, but many risks can be avoided, reduced or eliminated through good risk management. Good risk management also takes advantage of opportunities while analysing and dealing with risks.
- 5.2 Risk management is something that managers do every day as part of their normal work, although it may not always be written down, and managers may not use a formal procedure to make their final decision. Risk management can be explained as a tool for managers to use so that they are able to identify, evaluate and manage both risks and opportunities in a logical and consistent way.
- 5.3 Good risk management is forward looking and helps to improve business decisions and manage performance. It is not only about avoiding or minimising losses, but also about dealing positively with opportunities.
- 5.4 In addition to fulfilling statutory requirements, it should be recognised that there are many benefits to making sure that risk management is considered and applied across the HSP, including:
- Allowing managers to focus on the issues that really matter;
  - Spending less management time on operational issues;
  - Fewer surprises;
  - Managers are focused on doing the right things, in the right way;
  - Better chance of achieving business objectives;
  - Better chance that new developments can be delivered on time, in accordance with the planned programme and within budget; and
  - More informed risk taking and decision making.
- 5.5 Risk management should be considered as a continuous process, which evolves as the HSP gains more understanding of the risks and opportunities facing it and how to manage these effectively.
- 5.6 Risk management consists of a number of elements, which should be considered and applied regularly during the course of the year, as part of the HSP's cycle of performance management and improvement processes:
- Understanding the HSP's objectives;
  - Identifying and assessing the risks facing it;
  - Assessing the actions in place to manage the risks;
  - Taking action to improve, monitor and learn from experiences.

## **6 WHO IS RESPONSIBLE FOR RISK MANAGEMENT?**

- 6.1 The PMG has overall responsibility for co-ordinating the risk management strategy within the HSP. Theme Boards are responsible for managing risks associated with delivering their LAA targets. They are therefore responsible for identifying, assessing and managing the risks associated with planning, delivering and monitoring each of their services/outcomes.
- 6.2 The PMG is responsible for approving the HSP's risk management strategy and for ensuring that this is reviewed and updated on a regular basis. The PMG is also responsible for reviewing and approving the corporate risk register on a regular basis.

## **7 RISK MANAGEMENT – THE FRAMEWORK**

- 7.1 The HSP's vision is that all significant risks which may prevent it from achieving its agreed outcomes and all appropriate opportunities are identified, assessed and cost effectively managed, as part of the whole HSP performance management process.
- 7.2 The key objectives of the framework are to ensure that the HSP has a consistent approach and basis for measuring, controlling, monitoring, follow-up and reporting of risk that is based on what the HSP, not any individual, judges to be acceptable levels of risk.
- 7.3 The framework demonstrates how the management of risk is embedded in the various business processes across the council, including business planning, financial planning, performance management and project management.



## **8 HOW ARE RISKS REVIEWED AND REPORTED?**

- 8.1 The HSP has various means of measuring and recording risks. The reporting of each of these areas, together with the links between each process, is set out below.
- 8.2 Risk registers are subject to regular review and update, at least quarterly, by Theme Boards and the PMG. The timing for review should coincide with and form part of the annual planning process. As a minimum, risks should be formally considered twice a year. Key risks are escalated from Theme Board registers to the corporate register where the realisation of the risk may impact on the ability to achieve the HSP's LAA targets.
- 8.3 Performance management information, including statutory and local performance indicators, is provided on a regular basis to the PMG.
- 8.4 Haringey Council has to produce an annual governance statement (AGS) every year, which is an assessment of the systems in place to control and manage the services they provide, including an assessment of its key partnerships.
- 8.5 This risk management strategy and framework will provide assurance to the HSP that risks are being properly managed.