

Risk Management Strategy

1. Council Strategy

- 1.1. The Council defines risk as being “the threat that an event or action, (including a failure by the Council to act appropriately), will adversely affect the Council’s ability to achieve its objectives and successfully execute its strategies”.
- 1.2. The Council will achieve the objectives of the risk management policy by implementing its Risk Management Strategy. This is integrated within the wider framework for service planning.
- 1.3. The Council’s efforts to manage risk are contribute to the wider system for internal control.¹
- 1.4. The Council’s Risk Management Strategy details the structures and processes that have been put into place and the key roles and responsibilities for successful risk management and the governance structure for managing risk.
- 1.5. Detailed guidance has been developed in order to help Members and managers to deliver the policy on sustained basis.

2. Risk Framework

- 2.1. There are five aspects of addressing risk:
 - 2.1.1. **Tolerate** - the exposure may be tolerable without any further action being taken. Even if it is not tolerable, ability to do anything about some risks may be limited, or the cost of taking any action may be disproportionate to the potential benefit gained.
 - 2.1.2. **Treat** - to treat (manage) the risk, a control is put in to place limit the risk to an acceptable level.
 - 2.1.3. **Transfer** - for some risks the best response may be to transfer them. This might be done by insurance, or paying a third party to take responsibility for the risk. This option is particularly good for mitigating financial risks or risks to assets. The transfer of risks may be considered to either reduce the Council’s exposure or because another organisation is more capable of effectively managing the risk. It is important to note it is generally not possible to transfer reputational risk even if the delivery of a service is contracted out. The relationship with the third party, to which the risk is transferred, needs to be carefully managed to ensure successful transfer of risk.

¹ Internal control is the whole system of financial and other controls established in order to provide assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations.

- 2.1.4. **Terminate** - some risks can only be managed, or contained to acceptable levels, by terminating the activity. This option can be particularly important in project management if it becomes clear that the projected cost/ benefit relationship is in jeopardy.
- 2.1.5. **Take the Opportunity** - this option is not an alternative to those above; rather it is an option, which should be considered whenever tolerating, transferring or treating a risk. There are two aspects to this. The first is whether or not at the same time as mitigating threats, an opportunity arises to exploit positive impact. For example, if a large sum of capital funding is to be put at risk in a major project, are the relevant controls judged to be good enough to justify increasing the sum of money at stake to gain even greater advantages? The second is whether or not circumstances arise which, whilst not generating threats, offer positive opportunities. For example, a drop in the cost of goods or services frees up resources, which can be re-deployed.

3. Risk Management Process

- 3.1. **Identification** - risks must be identified within each service area and listed in the standard risk register for that area. An owner must be named for each risk.
- 3.2. **Analysis and Assessment** - risks must be analysed, assessed and prevention or control measures must be put in place. Contingency plans and recovery measures must be put in place for each risk, should it materialise.
- 3.3. **Monitoring** - risks will be monitored at Directorate level and reported on to the Corporate Risk Management Group and to Management Board and Governance Committee.
- 3.4. **Roles and Responsibilities** - these are clearly laid out in our strategy and in our toolkit and the Management Board will be responsible for reviewing the effectiveness of this policy.
- 3.5. **Guidance** - as part of this framework a risk management handbook is available on the intranet. This guide enables officers to assess the responsibilities for managing risk, the standards they must comply with and provides practical support to ensure they meet the required standards set out in this policy.

4. Risk Management and Service Planning

- 4.1. The Council has established a performance management framework to deliver continuous improvement. The Community Strategy Objectives and the Council's Vision 2012 sit at the highest level of this framework. The Council publishes an annual Improvement Plan, (incorporating the statutory requirement for a

best value plan), strategic service plans from each Head of Service, business and team plans, where necessary, and individual appraisal targets for key performance measures. This framework is key to the Council progressing towards being a 4 star organisation delivering value for money.

- 4.2. The Council recognises the importance of integrating risk management and embedding risk management as an integral part of service planning. Risks to the achievement of service objectives are handled best within the service concerned.
- 4.3. The Council's objectives and obligations involve a large number of disparate services, operated from day to day by large numbers of staff, contractors and partners. Most risk management is concerned with issues of prioritisation that can only be assessed by the service manager directly involved. Examples are those related to achieving service performance standards, pursuing the Council's key objectives, training and deploying staff, coordinating with suppliers and contractors and key service partners, ensuring proper use and security of buildings and equipment, managing within budget, and responding to short-term changes in demand.

5. Risk Management Governance

5.1. Risk Champions

- 5.1.1. The Chief Finance Officer and Chair of the Governance Committee are the Council's risk management champions and work to ensure that the structures and processes described work efficiently and effectively.

5.2. Governance Committee

- 5.2.1. The Governance Committee regularly reviews the experience of the Authority in managing risks and this assessment forms a vital part of the annual review of internal control and risk management culminating in the statement of internal control.
- 5.2.2. The Corporate Risk Matrix is presented to this Committee at least three times during the year and Members play an active part in assessing the risks. This enables the authority to comply with Regulation 4 of the Accounts and Audit Regulations 2003.

5.3. Management Board

- 5.3.1. Management Board has the overall leading role in managing risk. It is responsible for identifying, prioritising and managing crosscutting risks.
- 5.3.2. Management Board reviews the Risk Management Strategy each year to ensure that it is meeting the requirements of the policy. The Chief Finance Officer is responsible for preparing this annual review.

5.3.3. Management Board also identifies opportunities that may benefit the Council and those risks that need to be managed in order to take full advantage of these opportunities. Management Board considers the risk matrix and reports at least three times a year. The Chief Finance Officer takes the lead in tracking movement since the previous report and advises on lessons learned and prospective concerns, training and communication needs, required changes to procedures and any additional resource needs.

5.4. **Corporate Risk Management Group**

5.4.1. The Chief Finance Officer chairs the Corporate Risk Management Group comprising the Council's risk specialists. The Group is responsible for:-

- (a) monitoring occurrences and near-misses relevant to their risk categories, and ensuring any appropriate lessons are learned and applied;
- (b) prescribing any arrangements needed for managers to report relevant occurrences and near-misses;
- (c) advising Management Board as described in paragraph 6 above;
- (d) maintaining the various risk registers and reporting quarterly on these both at Directorate and corporate levels;
- (e) alerting managers to any significant extensions of sources of relevant risk;
- (f) assessing new and emerging risks;
- (g) maintaining an up to date and appropriate register of partnership and project risks and advising Management Board of these; and
- (h) undertaking an annual review of risks, whether these risks materialized.

5.4.2. The Group has lead responsibility for undertaking an annual review of risk management arrangements with Governance Committee and Management Board and following reporting from relevant external audit activity.

5.4.3. The Corporate Risk Management Group has lead responsibility for ensuring that agreed actions associated with internal and external audit reviews are undertaken and, where appropriate, findings are reported to Management Board. As part of this work the Group must maintain an assurance map that provides a summary of assurance provided from all key audit and internal review work. The assurance map provides a key reference point for managing and co-ordinating work with a focus on risk.

5.4.4. The Corporate Risk Matrix is reviewed twice a year by Management Board and continuously by the Corporate Risk Management Group. Departmental management teams review their consolidated risk register on a quarterly basis

5.5. **Responsibilities of Executive Directors**

5.5.1. The Council's constitution (Financial Procedure Rules), outlines responsibilities for Chief Officers with regard to risk management. As part of their role, Executive Directors maintain and promote awareness of risks that relate to their directorate. Heads of Service must maintain risk registers for their areas.

5.5.2. As part of the Service Planning framework, Executive Directors are specifically responsible for ensuring a review at least annually, covering every business area of the directorate and any other appropriate risk controls particular to their directorate showing on each risk register whether they consider it:-

- (a) irrelevant to the business;
- (b) the responsibility of another (named) Council manager in respect of the business;
- (c) not good value to apply to the business;
- (d) appropriate to the business and in operation to a suitable degree, or
- (e) appropriate to the business but needing (specified) changes in order to operate to a suitable degree;
- (f) risks relating to partnership activities must be included in this review and maintained on service risk registers.

5.5.3. In reviewing the relevance and value of a risk control, Heads of Service must have regard to the effect of the control on the probability/frequency of a failure, and to the impact of a failure on the service, the customer, the public and the Council. If Heads of Service consider they are not able within an acceptable timescale to make the changes needed in order to operate a risk control to a suitable degree, they report the problem to the Chief Finance Officer (and any relevant risk specialist) and, if the problem remains, to the Executive.

5.5.4. Each Executive Director will formally sign-off risks for their area, based upon the information and evidence provided by their Heads of Service at least 6 monthly.

5.6. **Responsibilities of Managers**

5.6.1. Managers at every level are responsible for:-

- (a) ensuring that they and any subordinate managers are aware of the need to apply risk controls in their business area, and that they act accordingly;
- (b) reporting promptly to their superior if they consider that they are unable to apply the required risk controls;
- (c) making staff aware of their responsibility for reporting failures and near-misses, and maintaining a positive “no blame” attitude towards making such reports;
- (d) where applicable, informing the appropriate risk specialist about failures and near misses; and
- (e) considering whether and how control arrangements should be strengthened to prevent recurrence of failures and near-misses.

5.7. Responsibilities of Internal Audit

5.7.1. Internal Audit will undertake a regular and independent evaluation of the risk management framework in order to give assurance in this area. Internal Audit can also give advice or act as facilitators in the process but must not compromise their independence or objectivity.

5.7.2. Internal Audit will also prepare the annual Assurance map for the CRMG.

6. Guidance

6.1. The strategy sets out the risk management framework, the process and the roles and responsibilities to ensure that the Council consistently meets the objectives of the policy.

6.2. As part of this framework a risk management handbook is available on the intranet. This guide enables officers to assess the responsibilities for managing risk, the standards they must comply with and provides practical support to ensure they meet the required standards set out in this policy.