

RISK MANAGEMENT POLICY AND STRATEGY



RISK MANAGEMENT POLICY STATEMENT AND STRATEGY

PRODUCED BY: HEAD OF AUDIT & INVESTIGATIONS
SUBJECT TO REVIEW EVERY TWO YEARS

APPROVED BY:

- CORPORATE MANAGEMENT TEAM:
- AUDIT COMMITTEE:
- CABINET:

RISK MANAGEMENT POLICY AND STRATEGY

RISK MANAGEMENT POLICY

The Strategic priorities of the Council are set out within the Corporate Plan and in delivering against these priorities decisions are taken regarding allocation of increasingly finite resources. The Council has needed to become more innovative and commercially minded in order to exploit opportunities whilst still operating in an environment where there are high expectations around transparency, integrity and accountability. Value for Money remains at the heart of good governance in local authorities and the Council acknowledges that:

- Risk Management is a key element of the Council's Governance Framework;
- statutory responsibilities exist within the Accounts and Audit Regulations;
- all Members and Officers have responsibility and a role to play in managing risk; and
- effective management of risk will ensure that the organisations objectives, and resulting outcomes, are achieved.

It is further promoted that:

Risk management is not about being 'risk averse' – it is about being 'risk aware'. Risk is ever present and some amount of risk taking is inevitable if the Council is to achieve its objectives. Risk management is about making the most of opportunities and about achieving objectives once those decisions are made. By being 'risk aware' the Council is in a better position to avoid threats and take advantage of opportunities.

The Council will achieve effective Risk Management through:

- Implementing Strategy and Process that is fit for purpose and compliments the other governance processes within the framework;
- Ensuring a consistent understanding and application of the organisations risk appetite and tolerance is in place;
- Equipping managers with the skills required to identify and assess risk and communicate this appropriately and effectively;
- Acknowledging that increasingly risks are shared across partner organisations, which can increase the complexity of analysis and reporting, and also that assurances regarding the level of risk may need to be sought from third parties as well as internal sources;
- Annually reviewing the effectiveness of Risk Management and reporting results as part of the Annual Governance Statement;
- Reviewing the Council's risk appetite and tolerance as part of the process to set the Strategic Objectives; and
- Considering on an on-going basis that the Council's approach remains in line with good practice, whilst reviewing and approving the Policy and Strategy formally every two years.

Signed:

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Muhammed Butt
Leader of the Council

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Carolyn Downs
Chief Executive

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RISK MANAGEMENT STRATEGY

INTRODUCTION

The Council recognises the importance of effective identification, evaluation and management of all key strategic and operational risks.

The tangible and intangible benefits of Risk Management are:

- Improved Strategic Management - Greater ability to deliver against objectives and targets with finite resources;
- Improved Operational Management - Reduction in interruptions to service delivery and/or in managerial time spent dealing with the consequences of a risk event having occurred;
- Improved Financial Management - informed holistic decision-making and reduction in losses or claims against the council, reduced insurance premiums; and
- Improved Customer Service & Outcomes - minimal service disruption, increased satisfaction and optimal service delivery.

This is endorsed by the increased focus on the importance of governance to public sector bodies. The Council also has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts & Audit Regulations 20015:

“A relevant authority must ensure that it has a sound system of internal control which:

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.”

The Risk Management strategy (and Policy Statement) provides the foundation on which robust risk management activity, which supports the efficient and effective delivery of services, will be embedded within business process and contribute to the effectiveness of the governance framework.

More detail to support and guide the organisation is available and during the period of this Strategy this material will be reviews and a Risk Management Toolkit developed.

OUR DEFINITIONS OF RISK

Risk has traditionally been defined as being the threat that an event or action will adversely affect the Council’s ability to achieve its objectives. Increasingly, this is seen as too negative a view and a more appropriate view is that risk arises as much from our failing to respond to business opportunities when pursuing strategic and operational objectives, as it does from a threat that something bad will happen.

Risk is therefore an uncertainty of outcome whether it is a positive opportunity or a negative threat. This means an event or action adversely affecting the

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Council's ability to achieve its objectives or successfully execute its strategy and or limit its ability to exploit opportunities. There are also risks associated with not taking a particular course of action.

Risk is an inevitable part of everyday business and cannot be eliminated - but it can be managed.

Risk Management is the planned and systematic approach to the identification, evaluation and economic management of the risks associated with the Council's activities. It is a key element of the corporate governance framework.

Risks can be managed by:

- Terminating – ceasing the activity;
- Transferring – passing to a third party, usually via a contract;
- Treating – management action / control to bring within appetite;
- Tolerating – accepting the current level of risk, because it is within the council's defined appetite to do so.

Inherent (Raw) Risk is the level of risk faced by the Council prior to any controls being put in place.

Control is the processes, policies and procedures used to govern the Council's work or any additional controls or mitigating actions taken to deal with a particular situation. A judgement has to be made by the risk owner as to the numerical reduction to the inherent (raw) risk score to produce the residual (net) risk score.

Residual (Net) Risk is the level of risk faced by the Council after controls have been applied.

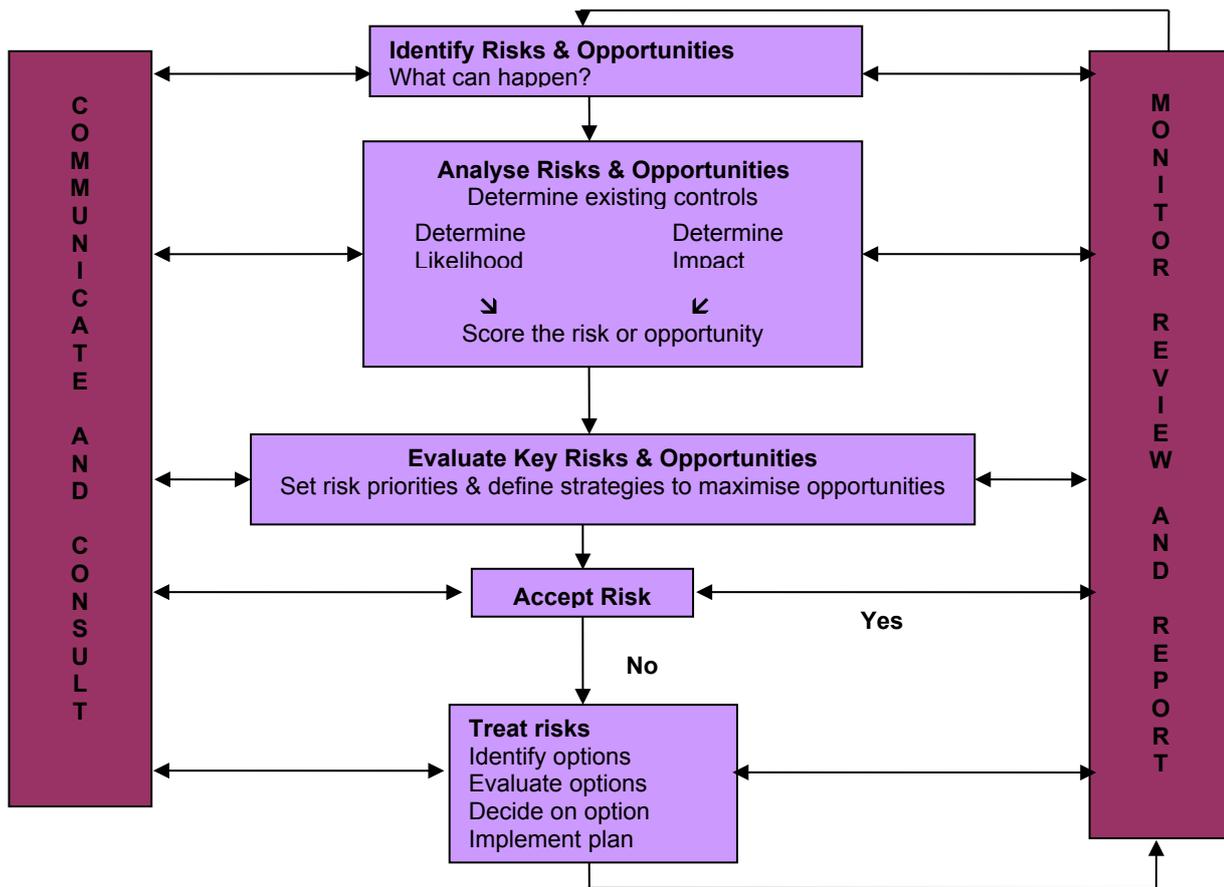
Acceptable Risk is the threshold value, assessed by management, above which a risk cannot be allowed to go - i.e. the amount of risk the Council is prepared to tolerate before action is required. The Council's Risk appetite and tolerance is reviewed periodically to ensure that the thresholds for escalation from Directorate Level Risk Registers onto the Strategic Risk Register for reporting to Corporate Management Team and Members.

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THE RISK MANAGEMENT PROCESS

The diagram below shows the risk management cycle and emphasises the importance of on-going consultation and communication throughout the process as well as the need to monitor, review and report.

THE RISK MANAGEMENT CYCLICAL



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AIMS AND OBJECTIVES

The Council's risk management aims and objectives are as follows:

- To embed risk management into the culture of the Council, focusing on ensuring that there is effective communication and maximum benefit from the activity
- To proactively identify and manage opportunities and risks in accordance with good practice
- To take actions to maximise opportunities and to minimise the likelihood of risks occurring and/or reducing the impact of consequences should risks occur
- To report regularly on the effectiveness of the arrangements, including an annual review to ensure continued compliance with good practice guidance
- Increase consistency of risk rating, through clear and concise guidance and ensure performance data underpins assurances and informs ratings
- To ensure the Council's appetite and tolerance of risk is defined, at all levels, and consistently understood
- Linked to the above – To ensure that risks are owned and monitored at the right level of the organisation and only escalated to Senior Management and Members when the risk is deemed outside of the local appetite or tolerance
- To ensure that the Risk Management processes that underpin the Strategy are not onerous on Management or support services of the Council

These will be achieved by:

- **PROPER PRACTICES, ACCOUNTABILITY AND REPORTING**
 - Continuous development of corporate risk management arrangements
 - Clearly identifying and communicating the respective roles, responsibilities and reporting lines for managing risk
 - Ongoing monitoring and reporting to all levels
- **AWARENESS AND TRAINING**
 - Reinforcing the importance of risk management as part of the everyday work of Council employees through targeted training and various awareness raising activities
- **RISK IDENTIFICATION AND MANAGEMENT**
 - Risk management is incorporated into the: corporate, directorate, service & financial planning; strategic policy decision making; performance and project management, health and safety and other relevant activities
 - Taking actions and implementing controls to minimise the likelihood of risks occurring, maintain business continuity and/or reduce the impact of consequences should risks occur
 - Continual development of risk registers to facilitate opportunities to reduce duplication between departments in identifying and managing overlapping risks whilst providing opportunities for shared learning across the Council

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- Encouraging partners and other providers to adopt proactive risk management

DELIVERING THE STRATEGY

- A good understanding of risk management and a strong commitment from both Members and Officers exists within the Council which will support delivery and achievement of objectives.
- Roles and responsibilities are outlined in appendix 1 of the Strategy, these have been refreshed to support the new processes that will underpin the Strategy.
- An implementation plan has been developed and will be monitored throughout the life of the strategy, the progress will be reported to Management and Members.

ASSURANCES REGARDING RISK MANAGEMENT

The Executive Management Team and Audit Committee receive quarterly reports which include:

- the updated strategy, for approval
- progress reports on delivering the implementation plan
- key issues arising, including feedback from the Risk Management Group
- the Strategic Risk Register

Independent validation of the overall corporate risk management arrangements is obtained from the Head of Audit & Investigations on an annual basis.

Risk Management is reviewed as part of the process to develop the Annual Governance Statement.

APPENDIX 1: ROLES AND RESPONSIBILITIES

<p>Elected Members (Individually or collectively)</p>	<p>To oversee the effective management of risk within the Council</p>	<ul style="list-style-type: none"> • Gain an understanding of risk management and its benefits which includes attending relevant training • Contribute to the identification of strategic risks • Give robust consideration to the risk management implications paragraph contained within Committee reports as part of the decision making process
<p>Audit Committee</p>	<p>As above</p>	<ul style="list-style-type: none"> • Challenge risk management related policies and strategies (e.g. corporate, health & safety etc) before referring to Cabinet for approval • Receive regular reports on the: <ul style="list-style-type: none"> • adequacy and effectiveness of the Council's risk management arrangements • management of key risks. • Provide an opinion as part of its annual report on whether the assurance / risk management process is fit for purpose
<p>Corporate Management Team (Individually or Collectively)</p>	<p>To ensure that the Council manages risk effectively through the development of a corporate policy and strategy</p>	<ul style="list-style-type: none"> • Approve risk management related policies, strategies and the action plans prior to submission to Committee • Promote risk management and oversee the implementation of the strategy across the Council • Identify and manage strategic and cross cutting risks and opportunities facing the Council and review regularly • Agree any inputs and resources required to support the work corporately • Oversee the role of Risk Management Group to ensure it remains an added value meeting
<p>Directorate Management Teams / Risk Owners</p>	<p>To ensure that operational and strategic risks within Directorates are effectively managed</p>	<ul style="list-style-type: none"> • Maintain directorate risk registers and update risks quarterly, or more frequently if required • Escalate risks to Corporate Management Team where rating has exceeded the set threshold • Promote robust risk management within services and teams
<p>All Employees</p>	<p>To manage risk effectively in their job</p>	<ul style="list-style-type: none"> • Maintain an understanding of risk management and its benefits which includes attending relevant training • Identify new or changing risks in their job and feed these back to their line manager
<p>Head of Internal</p>	<p>To maintain and implement</p>	<ul style="list-style-type: none"> • Develop and keep under review the corporate risk management policy, strategy and action plan

APPENDIX 1: ROLES AND RESPONSIBILITIES

<p>Audit (in risk management role)</p>	<p>robust risk management arrangements</p>	<ul style="list-style-type: none"> • Promote, support and oversee its implementation across the Council • Monitor and report upon the implementation of the risk management policy, strategy and action plan • Identify and communicate risk management issues to services including developments in good practice • Assist services in undertaking risk management activity through training and or other support • Feed into the work of the Risk Management Group • Provide annual opinion relating to risk management.
<p>Internal Audit</p>	<p>To provide assurance as to whether the risk management arrangements are fit for purpose</p>	<ul style="list-style-type: none"> • Periodically provide an independent view of the robustness of the corporate approach to risk management and compliance therewith • Review and comment on the content and relevance of service risk registers in supporting the delivery of the service plan objectives when undertaking risk based audits
<p>Risk Management Group</p>	<p>To share experiences on risk management and support the implementation of the strategy across the Council</p>	<ul style="list-style-type: none"> • Comment on updates to the risk management framework • Share good practice on all aspects of risk management • Challenge the risks being escalated against agreed appetite and tolerance • Agree the risks to be included from the Directorate Risk registers for reporting to CMT and Audit Committee. • Identify areas of overlapping risk and help co-ordinate various risk management initiatives within the Council