RISK MANAGEMENT STRATEGY

Introduction

Risk management is a key task for managers in every organisation. Identifying and evaluating the consequences of policies or actions is not always referred to as risk management. However, failure to pay proper attention to the likelihood and consequences of risks can cause serious problems. Financial cost, service disruption, bad publicity, threats to public health or claims for compensation are among the most obvious. The effective management of risk is therefore a critical part of the Council's approach to delivering Best Value and maintaining high standards of governance.

A systematic assessment of risk needs to be undertaken as part of the Council's strategic, business and financial planning, its performance management, and during policy making/ review.

This strategy is drawn up in order to ensure that areas of high risk are identified, appropriate remedial action is considered and where appropriate, financial provision is made to implement risk reduction measures. The Risk Management Steering Group will play a crucial role in achieving this, by consulting, liaising with, and guiding service managers in their risk management duties.

Definition

Risk management is the process of identifying, evaluating and taking appropriate actions to minimise the hazards, reduce the risks, and maximise the opportunities presented by the Council's activities in providing Community Leadership and public services.

It is not an end in itself. Rather, risk management is a key everyday management task aimed at minimising the costs and disruption caused by undesirable events and maximising the benefit from opportunities. The objective is to reduce the frequency of risk events occurring (wherever this is possible) and minimise the severity of their consequences if they do occur. Even when the likelihood of an event occurring (such as a severe storm) cannot be controlled, steps can be taken to minimise the consequences (for example, by having an effective and robust Emergency Plan and Business Continuity Plan in place).

Objectives

The key objectives of the risk management strategy, in relation to the Council's aims and objectives, are:

a) To minimise the costs, disruption to services and harm to the reputation of the Council;

b) To embed risk management into the culture and operations of the Council;

c) To support sustainable improvements in service and the achievement of Best Value;

d) To encourage innovation and improvement through decision-making that is based on a sound awareness of business and other risks;

e) To anticipate and respond to changing social, environmental and legislative requirements.

These objectives will be achieved by:

a) Establishing a corporate approach to proactive risk management in accordance with shared best practice;

b) Ensuring that officers and elected Members have clear accountability for the ownership, control and cost of risk and the tools to manage them effectively.

c) Adopting a systematic approach to risk management as an integral element of business planning and performance management.

d) Adopting a systematic approach to the identification and management of operational risks;

e) Applying risk management techniques in the conduct of Best Value reviews and in project management generally;

f) Developing programmes that provide effective training and guidance in risk management practices to enable staff to take responsibility for risk within their own working environment.

g) Adopting a systematic approach to risk management as an integral element of financial planning.

h) Adopting a systematic approach to risk management as an integral element of the corporate planning process i.e. by identifying corporate business risks, linking them with strategic objectives, and assigning ownership for each risk.

i) Ensuring that reports to support strategic policy decisions and project initiation documents include a risk assessment that evaluates both threats and opportunities.

j) Ensuring that the risk management process specifically identifies risks in relation to partnerships and provides for assurances to be obtained about the management of those risks.

Risk Management Processes

The Council's Risk Management approach will involve the following 4 processes:

1. Identification of risk

A systematic approach needs to be applied if all strategic and operational risks are to be identified and managed. By identifying areas of risk before an event or loss occurs, steps can be taken to prevent the event occurring and/or minimising the cost to the authority. Reacting to events only after they have occurred can be a costly method of risk identification. Identified risks and their assigned owners must be recorded on a risk register.

2. Analysis of risk

Having identified areas of potential risk, they need to be systematically and accurately assessed. The process requires managers to make:

- An assessment of the probability of a risk event occurring

- An assessment of the potential severity of the consequences should such an event occur

- An estimate of the likely impact of incidents occurring.

3. Treatment of risk

It is acknowledged that risk cannot be eliminated completely. Risk treatment is the process of taking economic action to minimise the likelihood of the risk event occurring and/or reduce the severity of the consequences should it occur. The agreed controls designed to mitigate the identified risk will be recorded in the risk register, together with the name of the officer responsible for implementing each control and the deadline date for completion.

There are four options for treating risk:

a) Retain (or Tolerate)

   There comes a point in the treatment of most risks when further risk reduction or risk transfer measures are no longer economically justifiable. In these circumstances, a reasoned decision may be taken to accept (i.e. retain or tolerate) a certain level of risk.

b) Avoidance (or Termination)

   Risk avoidance involves the authority opting to terminate a current or proposed activity because it believes it is too risky.

c) Reduction

   Risk reduction is dependent on implementing economically justifiable projects or procedures that will minimise the likelihood of an event occurring or limit the severity of the consequences should it occur.

d) Transfer

   Risk transfer involves transferring liability for the consequences of an event to another body. This can occur in two forms. Firstly, legal liability may be transferred to an alternative provider under contractual arrangements for service delivery. Secondly, transferring some or all of the financial risk to external insurance companies may reduce the costs associated with a damaging event.

4. Monitoring and review of risk

The risk management process does not finish when the risk control actions have been identified. There must be monitoring and review of:

- The implementation of the agreed treatment actions

- The effectiveness of the actions in controlling risks

- How risks have changed over time

Funding

The risk management reserve provides service managers with the encouragement to raise the level of risk awareness within their areas of responsibility by formally identifying risks and proposals for action. The reserve provides the opportunity to apply for financial support and creates an incentive for loss control, without adversely affecting service area budgets.

The embedding of risk management in the corporate planning and budgeting process will help ensure that scarce resources are directed to areas of highest priority in a systematic and transparent manner.

This investment in risk management measures should lead to a reduction in insured and uninsured losses and eventually to lower costs, including premiums, giving service managers a vested interest.

Corporate Risk Management Steering Group

The establishment of an effective corporate risk management steering group is seen as essential to the effectiveness of the risk management process.

Membership of the group is sufficiently senior within the organisation to ensure that risk management receives appropriate attention and that group members have influence and authority with service areas. To give authority to the group and facilitate real and effective work, the group is chaired by the Head of Financial Services and will report to Management Team as appropriate.

Responsibilities

The following have responsibilities for risk management:

Elected Members:

Cabinet

- To identify, analyse and profile high level strategic risks relating to their individual areas of responsibility

- To promote a risk management culture through Cabinet's activities and decision making.

- To develop / propose priorities based on robust risk analysis in accordance with the Budget and Policy Framework

Audit Committee (As Member committee for risk management, by delegation from Council)

- To agree the strategy, policy and processes for risk management and to review their effectiveness as a contribution towards providing assurance on the Council's standards of Corporate Governance.

- To monitor and review the effective management of risk by officers.

- To receive reports on the implementation of the strategy at least quarterly and to take appropriate action to ensure that corporate business risks are being actively managed.

- To report to full Council annually.

- To appoint the Chairman of the Audit Committee as the Council's Member Champion for Risk Management

Overview and Scrutiny and other Review Boards

- To consider risk management issues in the development of policy and analysis of possible options

- To consider risk management issues in reviewing and scrutinising decisions and performance

Officers:

The Chief Executive:

- To ensure that risk is managed effectively through the development and implementation of an all encompassing corporate strategy.

- To ensure that elected Members are appropriately advised on risk management matters.

The Monitoring Officer:

- To act as the Council's Officer Risk Management Champion with responsibility for liaising between the Corporate Management Team and the Risk Management Steering Group.

- To ensure the Risk Management Policy and Strategy are effective in supporting high standards of corporate governance.

Corporate Management Team

- To ensure that managers implement and have regard to the Risk Management policy and strategy.

- To promote and co-ordinate risk management activity within their Service areas.

- To receive reports from the Risk Management Steering Group.

The Head of Financial Services:

- To Chair the Risk Management Steering Group.

- To advise on the development and implementation of the risk management strategy, both through the Risk Management Steering Group and in the wider corporate context.

- To ensure that an effective system of internal audit is carried out for the authority.

- To oversee the monitoring and control of the risk management reserve.

- To report on the implementation of the risk management, at least quarterly, to Audit Committee.

Risk Management Steering Group

- To effectively develop, implement and review the risk management strategy on a corporate basis.

- To co-ordinate loss control activities and in the process identify trends and priorities.

- To advise on the use of the risk management reserve to support funding necessary for projects, activities and initiatives that will reduce vandalism, arson, theft, damage to council property and personal injury to employees, visitors and persons under the care of the authority.

- To evaluate new approaches on risk management and the extent to which they would be helpful to the authority and its services.

- To advise on the development of loss prevention practices as a normal part of management.

- To support the provision of staff training in, and raise the level of, risk management

- To provide for information sharing and mutual support links with other groups at regional and national level.

- To promote good risk management practice throughout the authority by co-operation and liaison with managers and employees and relevant external agencies.

- To report to the Corporate Management Team as appropriate.

Risk and Insurance Manager

- To consult regularly with service managers concerning risk issues, providing advice as appropriate.

- To assist in the promotion of good risk management practice throughout the authority through co-operation and liaison with managers, other employees and relevant external agencies.

- To undertake, where necessary, post-accident investigations.

- To support the provision of staff training in, and raise the level of, risk management throughout the authority.

- To act as lead support officer for the corporate risk management group.

- To ensure that appropriate insurance cover is in place and that a register of claims is maintained.

- To present insurance claims summary reports to service managers and to the corporate risk management group.

- To prepare reports to the Corporate Management Team and the Audit Committee on behalf of the Risk Management Steering Group / Head of Financial Services.

Heads of Service

- To identify risks of loss, damage or injury facing their service areas and minimise them through positive risk management action.

- To ensure that risk management issues are appropriately considered and recorded when developing Service Business Plans and to ensure that risk registers are kept up-to-date.

- To ensure that risk is managed effectively in each service area within the agreed corporate strategy.

- To ensure that the control environment relating to systems operated within service areas are secure and that the agreed recommendations of Internal Audit are implemented.

- To invest in risk management measures to reduce damage or loss to Council assets, or personal injury to employees, visitors and persons under the care of the authority.

- To carry out risk management surveys and recommend risk management measures to eliminate, transfer or reduce the impact of risk, and to seek funding for these measures.

- To ensure effective communication within their service area of the risk management strategy.

Employees

- To manage risk effectively in their job and report opportunities / risks to their service managers.

- To undertake their job within risk management guidelines.

Internal Audit

- To review the Council's risk management processes and provide an annual opinion as to the effectiveness of the Council's internal control system and corporate governance arrangements.

- To promote and support the development of the Council's risk management processes.

This Strategy is to be approved by the Audit Committee on 27 July 2005

RISK MANAGEMENT STEERING GROUP

TERMS OF REFERENCE

The terms of reference of the group are as follows:

- To identify those areas of strategic and operational practices that present the greatest risk to the authority and to make proposals for reducing the potential probability or scale of such loss.

- Carry out risk management surveys, co-ordinate data, analyse trends and recommend risk management measures to eliminate, transfer or reduce the impact of risk.

- Improve co-ordination of risk management activity throughout the authority

- To review both the Emergency Plan and the Business Continuity Plan on a regular basis to ensure its accuracy and overall effectiveness

- To advise on the use of the risk management reserve to support funding necessary for projects, activities and initiatives that will reduce vandalism, arson, theft, damage to council property and personal injury to employees, visitors and persons under the care of the authority.

- To report to the Corporate Management Team as appropriate.

- To evaluate new approaches on risk management and the extent to which they would be helpful to the Council and its services.

- To advise on the development of loss prevention practices as a normal part of management.

- Promote good risk management practice throughout the authority by co-operation and liaison with managers and employees, partnerships and external agencies.

- To support the provision of staff training in, and raise the level of, risk awareness.

- To provide for information sharing and mutual support links with other groups at regional and national level.