

OADBY & WIGSTON BOROUGH COUNCIL

RISK MANAGEMENT STRATEGY (From June 2009)

1. INTRODUCTION

1.1 Risk Management is fundamental to any modern organisation and is an issue that all local authorities have to address if they are to meet the expectations now being placed on them in respect of this discipline. This Risk Management strategy seeks to promote the identification, assessment and response to key risks that may adversely impact upon the achievement of the Council's aims and objectives. This strategy builds on and replaces the earlier risk management strategy

1.2 The Audit Commission guidelines on Comprehensive Area Assessment and Use of Resources (UOR) include a section on Risk Management. In addition the development of corporate governance within local authorities has led to the publication, jointly by CIPFA and SOLACE, of a framework and guidance note on the subject. Within that framework, one of five dimensions through which the fundamental principals of corporate governance need to be reflected is Risk Management and Internal Control. The Chief Executive and Leader of the Council will sign the Annual Governance Statement when it is reported to the Resources and Regeneration Committee as part of the final accounts procedure. Accordingly this strategy outlines the responsibilities, scope and steps that need to be taken to introduce an embedded risk management process into Oadby & Wigston Borough Council.

2 OBJECTIVES

- The overall objective of this strategy is to ensure that the Council adopts the best practices in the identification, evaluation and cost effective control of risks to ensure that they are eliminated or reduced to an acceptable level. Also we need to ensure that systems are in place to track and report upon existing and emerging risks that could cause damage to the Council or its stakeholders.
- To help further embed risk management throughout the Council.
- To provide reliable information on which to base the annual strategic and operational risk assurance statements.

3 CONTENTS OF THIS STRATEGY

To provide detailed guidance on the following areas:-

- Roles and Responsibilities;
- Risk Identification Process;
- Different Types of risk;
- Risk Financing;
- Analyse the Risks;
- Risk Register Contents;

- Frequency of Risk Register reviews;
- Mechanism for communicating Risks;
- Risk Management Training;
- Effective arrangements for Risk Management;
- Risk Register content review;
- Outputs from the process
- Benefits
- Conclusion

4 ROLES & RESPONSIBILITIES

In order to ensure the successful implementation of the risk management strategy, clear roles and responsibilities for the risk management framework and process are needed. These are listed below.

Group/Individuals	Role/Responsibilities
Resources and Regeneration Committee	(i) Approving the Risk Management Strategy and Policy on an annual basis. (ii) Receive regular updates of the strategic risk register. (iii) Receive reports from the Deputy Chief Executive (Director of Resources) stating whether effective risk management arrangements operate.
Member Champion for Strategic Risk	(i) Meeting with relevant Directors and Chief Executive to ensure that risks are monitored
Chief Executive	(i) Overall responsibility for ensuring that strategic risks are effectively managed within the Council (ii) To provide an annual statement of assurance on strategic risks
Deputy Chief Executive (Director of Resources)	(i) To coordinate Strategic risk management within the Borough by convening meetings of the Strategic Risk Register Group, and to act as Officer Champion (ii) To facilitate the maintenance of the Strategic risk register (iii) To ensure the risk management strategy and policy documents and strategic risk register are published on the OWBC web-site. (iv) Arrangement and provision of risk management training as appropriate for Members and Officers.
Management Team	(i) Contribute towards the identification and management of strategic and cross cutting risks (ii) Regularly review the strategic risk register
Directors and Chief Executive	(i) To provide annual assurance on the effectiveness of controls in place to reduce risks within their services to an acceptable level (ii) To maintain awareness of and promote the risk management strategy and policy to all relevant staff .

<p>Head of Finance</p>	<ul style="list-style-type: none"> (i) To coordinate Operational risk management within the Borough through the Operational Risk Management Group (ii) Ensuring operational risk registers are regularly reviewed. (iii) To provide the link to the strategic risk register
<p>All Service Managers (through both the Strategic and Operational Risk Management Groups).</p>	<ul style="list-style-type: none"> (i) Contribute towards the identification and management of operational risks for their service (ii) To maintain awareness of and help promote the approved risk management strategy and policy to all staff. (iii) To ensure that risks that have been identified are addressed and mitigated. Any that are scored 7,8 or 9 to be addressed urgently. (iv) Ensure that risk management is incorporated into service and project plans
<p>Internal Audit Manager</p>	<ul style="list-style-type: none"> (i) To independently review and report to the Overview and Scrutiny Committee on the strategic and operational risk registers
<p>Strategic Risk Management Group</p>	<ul style="list-style-type: none"> (i) Overall responsibility for identifying, analysing and scoring strategic and operational risks for their service. (ii) The group will provide control and support of risk management activities by: (iii) Preparing and recommending changes to the risk management strategy (iv) Identifying and assessing risks (v) Preparing, monitoring and reviewing the risk register (vi) Recommending action to address risks (vii) Reporting key risks to the Council's Management Team and Resources and Regeneration Committee. (viii) Arranging/providing risk management training as appropriate (ix) Advising and supporting the Operational Risk Management Group.
<p>Operational Risk Management Group</p>	<p>The group will review and amend as necessary the following terms of reference:</p> <ul style="list-style-type: none"> (i) Identify and assess operational risks (ii) Consider and recommend the insurance requirements of the Council (iii) Review insurance claims and recommend measures to reduce the likelihood of future claims (iv) Review accident reports and health and safety records and recommend improvements to procedures (v) Identify hazards within the working environment and in areas accessible to customers and recommend corrective action (vi) Identify the operational risks arising from new

	<p>legislation, guidance and working directives</p> <p>(vii) Raise awareness of risk management amongst all employees</p> <p>(viii) Once risks are identified, the Group should determine the likelihood and impact of the risk, with an accompanying score. Scores of 7,8 or 9 to be referred to the Strategic Risk Management Group for consideration.</p>
All Employees	(i) To highlight to management any risks arising and contribute to the control process to mitigate the risks to an acceptable level

5 RISK IDENTIFICATION PROCESS

Managers should concentrate on events that might effect the Councils achievement of its objectives. Strategic risks linked to the Corporate Objectives and Operational risks linked to service and project plans need (as a minimum) to be identified and monitored.

6 DIFFERENT TYPES OF RISK

(a) Strategic Risks - The Strategic Risk Register is the means used to record, monitor and report the Strategic risks. Possible examples are:

- (i) **Political:** Linked to possible failure to deliver Council objectives or Central Government policy
- (ii) **Economic:** Affecting the ability of the Council to achieve its commitments
- (iii) **Social:** Relating to the Council's ability to meet the effects of changes in demographic, residential or social-economic trends.
- (iv) **Technological:** The ability to identify technological changes and using technology to meet changing demands
- (v) **Legislative:** The ability to meet the legislative demands affecting the Council
- (vi) **Environmental:** Relating to the environmental impact of the Council's service delivery

(b) Operational Risks – Operational risks are those that could prevent achievement of Operational Objectives, as stated in service and project plans. Only those risks that are of a concern need recording and monitoring. However, these should include contingency or disaster recovery plans. Possible examples are:

- (i) **Professional:** Associated with the professional competence of Council officers and the recruitment and retention of staff
- (ii) **Financial:** Associated with the financial resources and related controls
- (iii) **Legal:** Relating to potential breaches of legislation
- (iv) **Physical:** Related to physical damage, security, accident prevention and health & safety

- (v) **Contractual:** Associated with the failure of the Council's contractors to deliver services or products to the agreed cost and specification
- (vi) **Technological:** Associated with reliance on operational equipment
- (vii) **Environmental:** Associated with pollution, noise, energy efficiency and community safety
- (viii) **Customers:** Associated with the ability to engage all our customers and the identification of their changing needs and related issues of equality

(c) Cross Cutting Risks – All involved in the risk management process, should consider whether any Corporate/Operational activities result in cross cutting risks on other areas of the Council. The relevant management should liaise to determine the appropriate method of treating any cross cutting risks.

(d) Projects & Contract Risks – All new projects and contracts should have had their various risks considered before being approved. In the case of a contract, the relevant Director is responsible for ensuring relevant risks have been considered.

(e) Partnership Risks – Before any significant partnerships are entered into, their risks should be assessed, and where unacceptable, mitigating controls put in place. The partnership risks should be reviewed periodically, and assurances obtained about the management of these risks, by named Officers.

(f) Financial Risk e.g. loss of income or greater expenditure than anticipated is the primary risk identified and measured. However, this is just one of several different types of risk that can be measured. It is not just the impact of an event happening in financial terms that need to be evaluated, but also the potential damage that such an event could have upon other things such as the reputation of the Council. Examples are given of the many different types of risks that Members/Officers may wish to consider need monitoring: -

7 RISK FINANCING

Management should consider if and how insurance could be used to mitigate risks. The three options available are:

- Retention – internal (insurance) sources of funds.
- Transfer – external (insurance) sources of funds.
- Hybrid – internal/external (insurance) sources of funds.

8 ANALYSE THE RISKS

Following the identification of risks identified, they will then be included in the risk register which will identify the risk owner and the steps being taken to mitigate the risk. Each service area will need to “own” their part of the risk register.

RISK MODEL: A consistent method for determining whether a risk is material to a specific activity has been established (see below) to assist in the assessment of the materiality, the likelihood and potential impact both in terms of financial and reputation

damage. We will use the standard approach of giving each risk a relative score, depending on a combination of its likelihood and its impact as shown below. The significance of the scores within the risk assessment matrix are enhanced by using a traffic light coding system. Risks within the 3 top right hand squares of the matrix will be coded “Red”, the 3 bottom left hand squares will be coded “Green” and the squares in between will be coded “Amber”

RISK ASSESSMENT MATRIX

IMPACT ON SERVICES	HIGH			
		6	7	9
	MEDIUM	3	5	8
	LOW	1	2	4
		LOW	MEDIUM	HIGH
LIKELIHOOD OF OCCURENCE				

To encourage consistency, a simple 3 x 3 “Risk Model” or map is used, to score the identified risks in terms of likelihood and impact. A broad definition for each element of the grid is shown on the model to assist scoring. Although scores are always judgemental, they should be soundly reached, and a guideline is shown below:

Risk Model

Risk Impact	Score	Frequency of Review
No action necessary	1	n/a
Monitor as necessary - ensure being properly managed	2	Quarterly
Monitor as necessary - less important but still could have a serious effect on the provision of key services or duties	3	Quarterly
Monitor as necessary- less important but still could have a serious effect on the provision of key services or duties	4	Monthly
Monitor as necessary - less important but still could have a serious effect on the provision of key services or duties	5	Monthly
Important risks - may potentially affect provision of key services or duties	6	Monthly
Key risk- may potentially affect provision of key services or duties	7	Immediate

Key risk- may potentially affect provision of key services or duties	8	Immediate
Immediate action needed - serious threat to provision and/or achievement of key services or duties	9	Immediate

9 RISK REGISTER CONTENTS

The identified risks, once analysed and scored, should be recorded in a risk register. There should be one risk register for strategic risks known as the Strategic risk register and a risk register for operational risks. The Register will contain details of the following: -

- The Risk description
- The Gross Risk Score
- Risk Owner
- Action required

10 FREQUENCY OF RISK REGISTER REVIEWS

The Strategic Risk register will be reviewed by the Management Team on a quarterly basis i.e. at the end of June, September, December and March. The results of Strategic Risk register reviews will be reported to the Resources and Regeneration Committee, before being published on the OWBC website.

The Operational Risk registers will be reviewed at least twice during the year e.g. mid way through the year and in March, to enable a risk assurance statement to be completed, covering the whole financial year.

11 MECHANISM FOR COMMUNICATING RISKS

The risk management process to be effective needs mechanisms to report identified risks 'top down' and "bottom up". Starting with the Corporate Objectives and the identification and control of these and other strategic risks, rolling the process down where applicable to an operational level.

Directors and Heads of Service should discuss progress made against identified operational risks with their staff, through team meetings. The operational risks when scored should be recorded on the Operational risk register. Links need to exist, so that any operational risks that are assessed of concern e.g. are scored 7, 8 or 9 on the risk model, are reported to the Deputy Chief Executive (or Director of Resources) and the Head of Finance. These risks are to be added to the Strategic Risk register and reported to Management Team for consideration, when the Strategic risks are next considered or more promptly, if the need arises. These high operational risks are to be monitored by Management Team, with corrective actions agreed. Only when these risks have reduced to an acceptable level will they be removed from the Strategic Risk register.

12 RISK MANAGEMENT TRAINING

Directors and Service Managers are responsible for cascading the risk management process to new staff. Risk Management training will be arranged, if requested by Directors and Service Managers or Members and within budgetary constraints by the Deputy Chief Executive (Director of Resources). New Chairs of Committees to receive risk awareness training.

It is vital that the process is embedded throughout the whole of the Council's activities. Published guidelines all expect risk management to be embedded in the operations of an organisation and to form part of the culture of that organisation.

Risk needs to be formally considered at the commencement of any major organisational change or project. This will help to ensure that changes to the risk profile are identified in a timely manner and that risk mitigation is considered at the outset of any proposed changes.

Embedding the process into the culture can also be helped by aligning staff development and training to perceived risk areas and by introducing risk management awareness into staff induction and communication activities. The Council already has a positive vehicle through which this aspect of embedding can be commenced, that being its Service Delivery Plan and the subject of risk management should be incorporated into team meeting agendas to reinforce the risk management.

13 EFFECTIVE ARRANGEMENTS FOR RISK MANAGEMENT

In order for the risk management arrangements to be determined as effective, certain tasks will be needed to be carried out:-

- a) The Strategic Risk register to be reviewed at least four times in the year;
- b) Operational Risks to be reviewed at least four times per year;
- c) If the risks considered by the Operational Risk group are scored a 7, 8 or 9, they will be considered by the Strategic Management Group to determine whether they need to be added to the Strategic Risk Register.
- d) All service areas to adopt the strategic risk register template for undertaking risk assessments for their service areas.

14 RISK REGISTER CONTENT REVIEW

Following any changes to the Corporate Objectives or a Council election the Strategic Risk register should be reviewed with the Member Champion to ensure all important risks are identified, measured and monitored.

15 OUTPUTS FROM THE PROCESS

The outputs from the risk management process will all provide valuable additional information for the Council that should assist in avoiding unpleasant surprises and aid it in the consideration of its corporate governance:

- **RISK REGISTER:** This will provide documentation of each risk, its owner, the key controls that relate to it, and the status of any insurance and/or contingency plan that is associated with it. This document will also provide evidence, for any external audit or inspection, of the completeness of the risk management process in place.
- **RISK REPORTING:** Regular reports on the Council's risks will enable the Management Team and other key managers to be more fully aware of the extent of their risks and the changes that are occurring to them.

16. **BENEFITS**

Amongst the benefits that the Council will gain from this formalised risk management process are:

- A fully documented representation of all its key risks and the actions being taken to mitigate them.
- Better understanding of risks and exposures faced by the organisation.
- Greater ownership by managers of risks and their systems of internal control.
- Integration of risk management into systems and project based development and contracting and partnership arrangements.
- Efficient and effective integration of recovery and contingency plans.
- More focussed use of insurance as a method of transferring risk.
- More effective working practices between managers auditors and other specialists.
- Better management information when considering governance of the organisation.

17 **CONCLUSION**

It must be realised that “risk management” does not, and must not operate in isolation. The identification of risks and the controls put in place to mitigate threats from these risks has many links with Corporate Governance, and Business Continuity Management.

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