# Risk Management Policy Statement And Strategy 2015

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| | **Policy, Engagement & Communications** |
| **Responsibility of:** | **Strategy & Performance Advisor – Risk Management** |
| **Last review date:** | **March 2010** |
| **Next review date:** | **March 2017** |

# Southend Borough Council
# Risk Management Policy Statement

The Council recognises it has a duty of care to its stakeholders - residents, employees, members and partners. This requires us to maintain high standards of governance including the principles of inspiring leadership, demonstrating integrity, accountability and achieving value for money.

A key component of the Council's Governance Framework is to manage risks effectively, to help the Council achieve the its vision, aims, and priorities.

The Council is committed to the proactive management of key external and internal risks and actively promotes the principles of effective risk management throughout the organisation. The Risk Management Strategy and Framework aims to apply best practice to the identification, evaluation and control of key risks and ensure that residual risks are monitored effectively. This will be achieved by:

- Enabling senior management and Members to support and promote risk management;
- Developing and embedding clear strategies and policies for risk;
- Equipping and supporting staff and partners to manage risk well;
- Establishing and promoting effective arrangements for managing risks with partners;
- Developing effective risk management processes to support the business;
- Ensuring risks are handled in a way which gives the Council assurance that risk management is delivering successful outcomes and supporting creative risk-taking; and
- Using risk management to contribute to the delivery of improved outcomes.

Southend Borough Council will achieve these aims by implementing and maintaining a Risk Management Framework, comprising this risk policy statement, the strategy and toolkit. These documents will be reviewed regularly against good practice guidance to ensure that they are fit for purpose and continue to drive forward a robust approach to risk management.

March 2015

# Southend-on-Sea Borough Council
# Risk Management Strategy 2015

## 1. Introduction

Because of the diverse nature of its activities and the constant change of its working environment, Southend-on-Sea Borough Council is exposed to a range of risks.

As available resources fall and public expectations and intolerance of service failure grows, managing risk has never been as important.

This risk management strategy provides a framework so that risks surrounding the Council's activities are consistently and robustly managed. This document revises the previous corporate strategy and gives greater prominence to the concepts of risk appetite and tolerance. It should be read in conjunction with the Council's risk management toolkit.

## 2. Why have a strategy?

If uncontrolled, risks can result in a drain on resources that could better be directed to meeting the Council's aims and objectives. This strategy helps the Council to identify, evaluate, control, monitor and report areas of risk. The process applies equally to both strategic and operational risks and is integrated into the business planning process. The Council also has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts & Audit Regulations 2003 (amended 2006):

> *"The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes the arrangements for the management of risk".*

The strategy supports accountability and performance measurement, thus promoting operational efficiency at all levels.

## 3. What is a risk?

The definition of risk used by Southend-on-Sea Borough Council is:

> 'The chance of something happening that will have an impact (negative – threat or positive – opportunity) on the Council's ability to achieve its objectives and successfully deliver its objectives. This includes both external and internal risks and opportunities'.

Risk management is the process by which risks and opportunities are identified, evaluated and controlled.

The aim of risk management is to improve risk taking activities and to reduce the frequency of loss events occurring and to minimise the severity of the consequences if they do occur.

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 aims and objectives. By being 'risk aware' the Council is in a better position to avoid threats, take advantage of opportunities and achieve success.

## Risk appetite and tolerance

Public sector organisations are increasingly focussing on where they are prepared to take risks to achieve their objectives (risk appetite), rather than identifying the extremes beyond which they cannot go (risk tolerance).

Some organisations use the terms interchangeably, while the Council uses the Institute of Risk Management definitions, namely:

**Risk tolerance:** The boundaries of risk taking outside which the Council is not prepared to venture in the pursuit of its long-term objectives.

**Risk appetite:** The amount of risk that the Council is willing to seek or accept in the pursuit of its long-term objectives.

Risk appetite and risk tolerance are not fixed values but vary from situation to situation, person to person and over time. For example, the Council will have a low risk appetite in relation to Safeguarding but more willing to take risks in relation to development/planning issues. Also, what may be tolerable at a strategic level, may be intolerable at a local level.

## 4. The Council's approach to risk

The Council's strategic approach to risk management is to:

- Identify and assess the risks and opportunities to which the authority is exposed, both at strategic and operational level;
- Provide a framework to help embed risk management in the culture of the Council;
- Integrate risk in the business and project planning processes;
- Support Members and managers in their responsibilities for carrying out risk management;
- Enable effective service delivery and minimise the risk of service failure;
- Protect physical assets, promote employee and public safety and maximise resources;
- Learn from risk failures to improve the systems of internal control and risk management;
- Promote good corporate governance;
- Assist decision making at all levels within the authority.

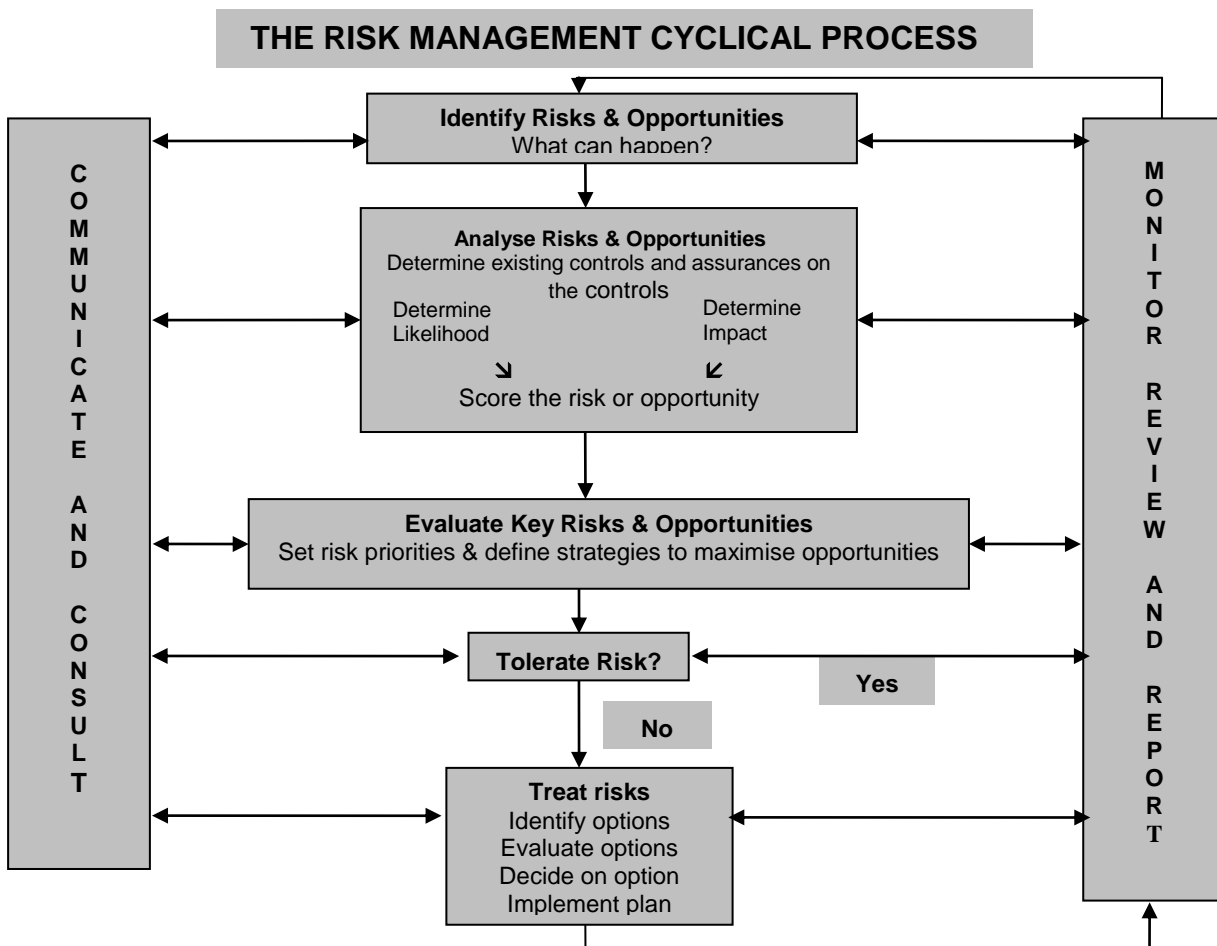Delivering this strategy should bring about a number of benefits:

- Prevent 'incidents' that impact on the Council ability to meet its objectives.
- Ability to exploit opportunities for innovation.
- A reduction in, or manage better managed negative publicity, and potentially enhanced reputation for the Council.
- Reduction in costs associated with losses from service interruption, litigation, reduced insurance costs;
- Improved health & safety of those employed, and those affected, by the Council's undertaking;
- Ensure partnership related risks are addressed;
- Promoting effective and efficient controls, and a platform for continual improvement.

## 5.    The Council's risk management approach

Full details of the Council's risk management approach are set out in the Risk Management Toolkit. The Council assesses its approach to risks by terminating, transferring, treating or tolerating them (table below).

| | |
|---|---|
| Treat | Manage it, put in place effective controls |
| Tolerate | Monitor and re-evaluate in the future |
| Transfer | Pass the risk on, for example to a contractor eg. PFI or insurer |
| Terminate | Do not undertake the activity |

The critical steps in identifying and manage risks in all council activities are shown in the diagram below:

**THE RISK MANAGEMENT CYCLICAL PROCESS**

**COMMUNICATE AND CONSULT**

**Identify Risks & Opportunities**
What can happen?

**Analyse Risks & Opportunities**
Determine existing controls and assurances on the controls
Determine Likelihood        Determine Impact
↘          ↙
Score the risk or opportunity

**Evaluate Key Risks & Opportunities**
Set risk priorities & define strategies to maximise opportunities

**Tolerate Risk?**

Yes

No

**Treat risks**
Identify options
Evaluate options
Decide on option
Implement plan

**MONITOR REVIEW AND REPORT**

**Roles and Responsibilities**

| Group or Individuals | Role & Responsibilities |
|---|---|
| Leader of Council | • Ultimate Member with responsibility for embedding risk management throughout the council. |
| Cabinet | • Approve and adopt the Risk Management Policy and Strategy<br>• Contribute towards identification of strategic risks.<br>• Receive reports on key strategic risk issues, including as part of the annual statement of assurance, to ensure that corporate business risks are being actively managed.<br>• Actively consider the risk management implications contained within reports to Council, Cabinet and other Council committees |
| Audit Committee | • Assess and approve the corporate risk arrangements and monitor the effective development and operation of good practice risk management and corporate governance arrangements across the Council. |
| Scrutiny Committees | • Be consulted and comment on forthcoming decisions of Cabinet and Council and the development of policy. Conduct inquiries into matters relating to risk management, make recommendations on policies, budget and service delivery. |
| Members | • Contribute to the identification of risks relating to business planning across the Council and its partners. |
| **Group or Individuals (officers)** | **Role & Responsibilities** |
| Chief Executive | • Ultimate officer with responsibility for embedding risk management throughout the council.<br>• Ensure risk is considered regularly by the Corporate Management Team. |
| Head of People and Policy | • The officer risk champion with overall responsibility for embedding risk management throughout the council. |
| Good Governance Group | • Review the Council's approach to risk management, including the risk policy and strategy. |
| Corporate Directors (Individually or Collectively) | • Contribute to the identification and management of strategic and cross cutting risks/opportunities facing the Council.<br>• Receive and consider reports on key strategic risk issues including as part of the Annual Governance Statement.<br>• For key issues / projects to determine the Council's risk preference (risk averse or risk taking).<br>• To promote integration of risk management principles into the culture of the Council and its partners via all Heads of Service.<br>• Embed risk management into business planning and performance management.<br>• Ensure risk management is a regular item on Departmental Management Team meeting agendas.<br>• Review and approve the Corporate Risk Register.<br>• Review and approve Service Risk Registers.<br>• Identify and propose the escalation and de-escalation of risks |

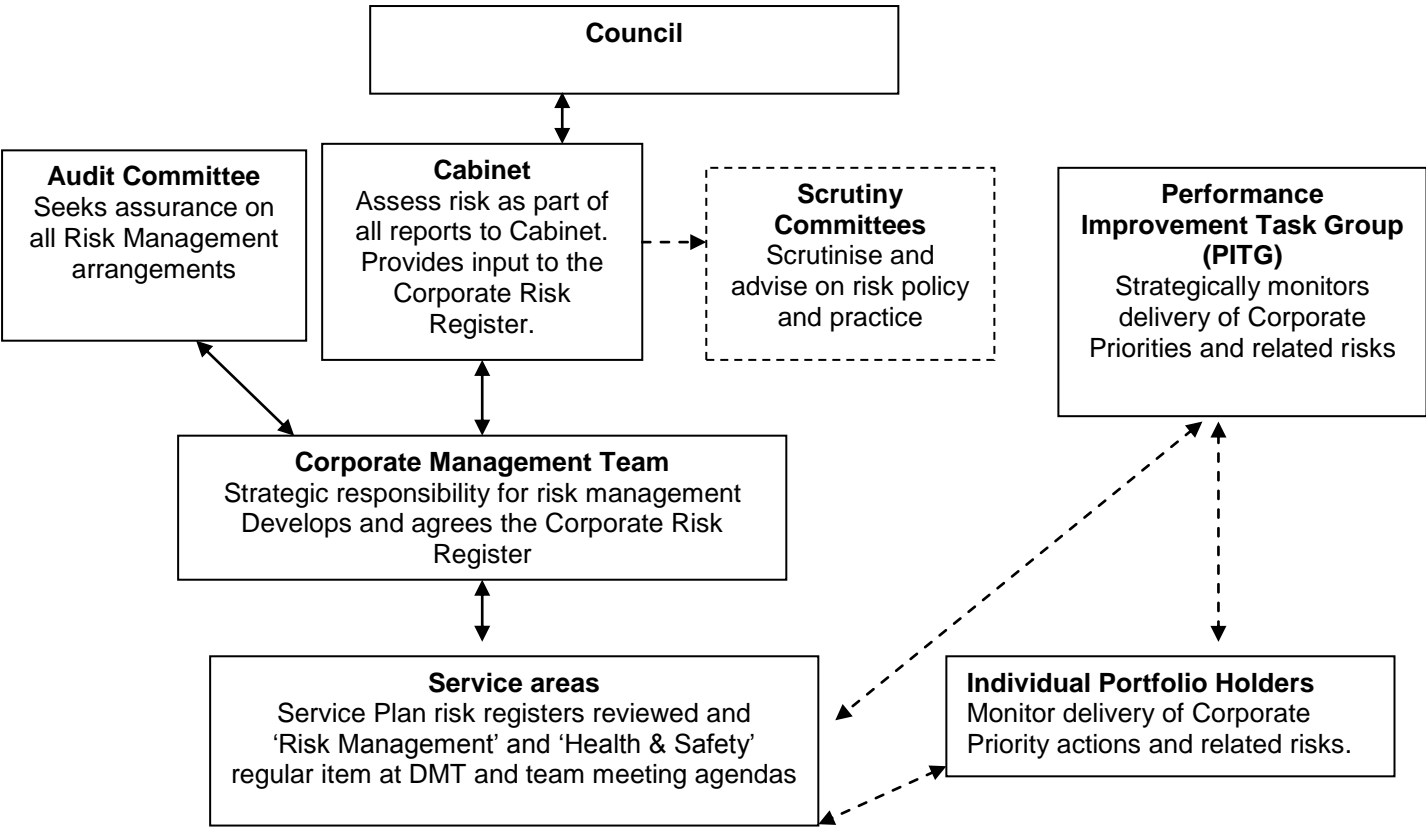| | between service and corporate risk registers. |
|---|---|
| All Heads of Service | • Develop and monitor service risk registers and ensure risk registers are included in project/programme management plans.<br>• Identify the escalation or de-escalation of risks between service and corporate risk registers.<br>• Provide annual assurance on the effectiveness of controls in place to mitigate/reduce risks within their service.<br>• Put in place risk assurance/tolerance levels for service delivery and projects/programmes where required..<br>• Seek to embed risk management into business planning processes of the Council. |
| All other service managers | • Identify and monitor service risks with Heads of Service.<br>• Ensure risk management is considered regularly at team meeting.<br>• Ensure risk tolerance levels are complied with.<br>• Escalate team risks to service level risks when tolerance levels have been exceeded.<br>• To maintain awareness of and promote the approved risk management policy and strategy to all relevant staff. |
| Programmes and Project Office | • Ensure risks are managed, in accordance with the risk management strategy, in those key projects and programmes monitored by the Programmes and Project Office.<br>• Develop and promote risk management awareness within projects and programmes.<br>• Provide assurance to Corporate Delivery Board by carrying out health checks on strategic projects.<br>• Ensure risks are monitored and escalated to the appropriate Board.<br>• Ensure that potential Corporate Risks are escalated through the relevant Head of Service and Director through to the Corporate Risk Register. |
| Policy and Information Manager (Policy, Engagement & Communications Team) | • Develop risk management policy statement, strategy, framework and toolkit with arrangements for annual review.<br>• Develop and maintain the Corporate Risk Register.<br>• Promote a culture of risk awareness within the organisation.<br>• Provision of corporate and service based advice, support and training as required. |
| Internal Audit | • Provide independent review of corporate approach to risk management and compliance<br>• Contribute to the accuracy and integrity of the corporate risk register (as part of the risk based approach to audit).<br>• Promote a culture of risk awareness within the organisation. |
| All Employees including risk champions | • Identify and report potential risks via the appropriate route (team meetings, service meetings etc).<br>• Maintain awareness of risks and contribute to the control process where appropriate. |

**Monitoring Arrangements**

The monitoring of risk arrangements will be undertaken through:
- The Local Governance Framework and supporting the Annual Governance Statement
- The work of Internal Audit
- External Audit and Inspection – specifically Use of Resources
- Other specific reports and reviews to elected Members.

At a Department and Service level Service Risk Registers are monitored and reviewed on at least a quarterly basis by relevant management teams.
In addition the Council will continue to follow its established framework for reporting and monitoring risk (below).

**Risk Management Reporting Structure**

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                        │        Council          │
                        └────────────┬────────────┘
                                     ↕
┌──────────────────┐   ┌─────────────────────────┐   ┌ ─ ─ ─ ─ ─ ─ ─ ─ ┐   ┌─────────────────────────┐
│ Audit Committee  │   │        Cabinet          │     Scrutiny             │      Performance        │
│ Seeks assurance  │   │ Assess risk as part of  │   │ Committees      │   │ Improvement Task Group  │
│ on all Risk      │   │ all reports to Cabinet. │     Scrutinise and       │         (PITG)          │
│ Management       │   │ Provides input to the   │   │ advise on risk  │   │ Strategically monitors  │
│ arrangements     │   │ Corporate Risk          │     policy and           │ delivery of Corporate   │
│                  │   │ Register.               │   │ practice        │   │ Priorities and related  │
└──────────────────┘   └─────────────────────────┘   └ ─ ─ ─ ─ ─ ─ ─ ─ ┘   │ risks                   │
                                     ↕                                       └─────────────────────────┘
         ┌─────────────────────────────────────────┐
         │      Corporate Management Team          │
         │ Strategic responsibility for risk       │
         │ management                              │
         │ Develops and agrees the Corporate Risk  │
         │ Register                                │
         └─────────────────────────────────────────┘
                                     ↕
         ┌─────────────────────────────────────────┐   ┌─────────────────────────┐
         │           Service areas                 │   │ Individual Portfolio    │
         │ Service Plan risk registers reviewed and│   │ Holders                 │
         │ 'Risk Management' and 'Health & Safety' │   │ Monitor delivery of     │
         │ regular item at DMT and team meeting    │   │ Corporate Priority      │
         │ agendas                                 │   │ actions and related     │
         └─────────────────────────────────────────┘   │ risks.                  │
                                                        └─────────────────────────┘
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Note: Strategic Projects are set and monitored the by the Corporate Delivery Board.

## 6. Delivering and developing this Strategy

This strategy will be delivered by:

- Developing the corporate framework for the proactive identification, analysis, assessment, management and reporting of opportunities and risks;
- Taking actions and implementing strategies to maximise opportunities;
- Taking actions and implementing controls to minimise the likelihood of risks occurring and/or reduce the impact of consequences should risks occur;
- Identifying and communicating the respective roles, responsibilities and reporting lines for managing risk;
- Developing the Corporate Risk Register to facilitate opportunities/ risk management at the most strategic level;
- Incorporating risk management into the corporate strategic, service & financial planning, performance management and project management processes;
- Encouraging partners and other providers to adopt proactive risk management;
- Ensuring on-going monitoring and reporting arrangements; and
- Ensuring the Council has access to 'best practice' through association with external bodies such as ALARM (the Association of Local Authority Risk Managers) and Cipfa Better Governance Forum.

The toolkit outlines good practice in developing a risk register, with suggested risk scoring and matrix which can be used across all council plans and projects. Using the same approach helps with consistency of approach, and common level of understanding, however, other approaches to risk registers/matrices may be more appropriate for particular plans and projects.

## Glossary of Terms

**Annual Governance Statement** is an annual statement made by all local authorities detailing the outcome of the annual review of effectiveness of the Authority's system of internal control.

**Assurance** is the *evidence* identified against the controls that are in place to help mitigate or reduce the risk.

**Business Continuity Plan** is a documented set of procedures and information intended to restore and deliver continuity of predetermined critical functions in the event of a disruption.

**Control** is the measure/activity established to provide control of the risk and the assurance of effective and efficient operations and compliance with laws and regulations (financial and other).

**Corporate Governance** is the system by which local authorities direct and control their functions and relate to their communities. It is the way in which organisations manage their business, determine strategy and objectives and go about achieving these objectives within the underlying principles of openness, integrity and accountability.

**Hazard** is the inherent ability to cause harm (not to be confused with risk).

**Local Governance Framework** is a document setting out the Council's Governance arrangements and detailing how it gains assurance that those arrangements are leading to effective internal control.

**Operational Risks** are those faced in the day-to-day delivery of services.

**Risk** is the threat or opportunity which an event or action can have which can adversely affect or enhance an organisation's ability to achieve stated objectives and to successfully deliver approved strategies.   This will include both external and internal risks and opportunities.

**Risk appetite:** The amount of risk that the Council is willing to seek or accept in the pursuit of its long-term objectives.

**Risk Management** is the process by which risks and opportunities are identified, evaluated and managed. Risks are managed by terminating, transferring, treating or tolerating them.

**Risk Profiles** are extracts from a risk register listing the risks and opportunities relating to particular Council activities.

**Risk Register** is the document which captures key risks and mitigating controls. Registers can include strategic, corporate, and operational and project risks and opportunities. These risks and opportunities are scored with and without controls and will usually have defined actions to assist in further mitigation of the risk.

**Risk tolerance:** The boundaries of risk taking outside which the Council is not prepared to venture in the pursuit of its long-term objectives.

**Strategic Risks** are those that could impact upon more than one service and may be potentially damaging to the achievement of the Councils key aims and objectives as set out in the Council's Corporate Plan.