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Rossendale Borough Council

Risk Management Strategy

Updated September 2009

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Revised @ Sept 09

1. Introduction

This document [is a second update to the Council's Risk Management Strategy \(previously updated and published in January 2007\)](#) and forms Rossendale Borough Council's Risk Management Strategy. It sets out:

- ◆ what is risk management
- ◆ why we need a risk management strategy
- ◆ the philosophy of our risk management
- ◆ the risk management process
- ◆ roles and responsibilities
- ◆ monitoring and reporting.
- ◆ the Councils' Risk Management Policy Statement
- ◆ [the Council's appetite to risk](#)

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The objectives of the strategy are to:

- ◆ further develop risk management and raise its profile across the Council
- ◆ integrate risk management into the culture of the organisation
- ◆ embed risk management through the ownership and management of risk as part of all decision making processes including annual service business planning and corporate plans.
- ◆ manage risk in accordance with best practice
- ◆ create effective processes that will allow the Council to make risk management assurance statements annually
- ◆ establish clear roles and responsibilities

This strategy outlines how Rossendale Borough Council is taking on its responsibility to manage both risks and opportunities using a structured and focused approach.

2. What is risk management?

Risk Management, amongst other definitions, can be defined as:

“The management of integrated or holistic business risk in a manner consistent with the virtues of economy, efficiency and effectiveness. In essence it is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made. The latter is achieved through controlling, transferring and living with risks.” *ZMMS/SOLACE, Chance or choice?, July 2000.*

[The important phrase from above is “achieving objectives”. In its most simple format risk management is therefore about controlling those things that may stop an organisation from achieving its objectives.](#)

Risk management is a strategic tool and is an essential part of effective and efficient management and planning.

This strategy expands upon the [existing operational focus of the organisation \(in managing claims and costs on the Council\)](#) to encompass all business risks (strategic corporate issues and departmental) into a robust and consistent process to ensure that the Council can make the most of its opportunities and make the right decisions based on complete information.

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3. Why do we need a Risk Management Strategy?

Risk management will strengthen the ability of the Council to achieve its corporate objectives and priorities, enhance the value of services provided in order to make the area a place where people want to live and work and where they are able to enjoy a high quality of life.

Risk management is also an integral requirement of the Comprehensive [Area Assessment and annual Use of Resources](#). As such it is an important element in demonstrating continuous improvement.

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Finally, risk management is also an essential part of the CIPFA/SOLACE framework on Corporate Governance and requires Rossendale Borough Council to make a public assurance statement annually on, amongst other areas, the Council's risk management strategy, process and framework.

4. What is our philosophy?

The Council will seek to embed risk management into its culture, processes and structure to ensure that opportunities are maximised. Rossendale Borough Council will seek to encourage members and staff to identify, understand and manage risks, and learn how to accept the right risks. Adoption of this strategy must result in a real difference in the Council's behaviour. Our policy statement is attached at Appendix 1. [In Appendix 2 the Council has defined its appetite for risk from which it is able to grade the various levels of risk in relation to potential impact and likelihood.](#)

5. What is the Risk Management Process?

Implementing the strategy involves identifying, analysing, managing and monitoring risks.

The identification of risks is derived from both a 'top down' (corporate) and a 'bottom up' (departmental service) process of risk assessment and analysis resulting in coverage of the whole Council. The process then prioritises the risks resulting in a focus on the key risks and priorities. The risks are then managed through the development of appropriate action plans and fed into overall service business plans and the Council's [annual Corporate Plan](#).

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Relevant performance indicators (PI's) for each action plan are identified and then monitored through a performance management framework ensuring that the focus remains on achieving Rossendale Borough Council's corporate objectives

Business planning:

The information resulting from the process acts as one of [the](#) key pieces of information that will be incorporated into the development of [service plans](#) and [the Corporate Plan](#). Risk management will become an essential element in establishing policy, developing plans and enhancing operational management.

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Value for Money

Effective risk management will also be integrated into the existing [Value for Money](#) guidance [and strategies](#). It can help to narrow down the options for future service delivery and can also be used as a mechanism for identifying areas of service improvement.

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Project management / decision making

The risk management methodology can also be adopted for individual projects and can be used to strengthen all decision making processes. The authority has chosen the PRINCE 2 project management methodology in which risk management is an integral part.

6. What are the different roles and responsibilities?

The following describes the roles and responsibilities that members and officers will play in introducing, embedding and owning the risk management process:-

Members

Elected members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic risks that their Council faces, and will be made aware of how these risks are being managed through the annual strategic and service business planning process. They will also be kept informed on the management of those risks through the regular performance management framework. They should not seek to avoid or delegate this overall responsibility, as it is key to their stewardship responsibilities.

Members are responsible for reviewing the effectiveness of internal control based on information provided by [the Executive Management Team \(EMT\)](#), [senior offices](#) and Internal Audit.

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For each significant risk identified Members will:

- review the Councils track record on risk management and internal control
- consider the risk profile for the coming year and consider if current internal control arrangements are likely to be effective

In making decisions Members will consider the following aspects:

- a) Control Environment
 - Council objectives and priorities; and financial and non-financial targets

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- Organisational structure, calibre and capacity of EMT and Service managers
 - Culture, approach and resources with respect to the management of risk
 - Delegation of authority, public reporting and Member/SMT scrutiny
- b) On going evaluation and identification of significant risks, prioritisation and allocation of resources to address areas of high exposure
- c) Information and communication: quality and timeliness of information re significant risks and the time it takes for control to be recognised or new risk identified
- d) Monitoring and corrective action: ability of the organisation to learn from issues and its commitment and responsiveness with which corrective actions are implemented

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A distinction should also be drawn between Cabinet and Non – Cabinet Members (particularly those Members serving on the Overview & Scrutiny Committee). The Cabinet being a decision making body should be satisfied that areas of risk are being identified and that robust actions are in place to mitigate those risks. Overview and Scrutiny is not a decision making body therefore its emphasis should be on ensuring that the process for managing risk and mitigation is fit for purpose and working effectively.

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Cabinet Member’s key tasks are therefore:

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- ◆ approving the risk management strategy and policy statement.
- ◆ To influence the culture of risk management within the Council including determining whether it is risk averse or a risk taker and what type of risk is acceptable or unacceptable. This therefore determines the Councils appetite and tolerance to risk.
- ◆ assisting in the process of identification and evaluation of corporate risks
- ◆ To approve the major decisions affecting the Councils risk profile
- ◆ commissioning and reviewing an annual assessment of the effectiveness of the risk management and internal control framework
- ◆ approving the public disclosure of the annual outcome of this assessment (the annual governance statement), and publishing it in the annual Statement of Accounts and the annual Corporate Plan.
- ◆ Ensuring an open and receptive approach to solving risk problems is adopted by all members
- ◆ To ensure the Council makes prudent recognition and disclosure of the financial and non-financial implications of risk
- ◆ To satisfy itself that the less significant risks are being actively managed by Officers and/or appropriate controls.

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Overview and Scrutiny Committee has responsibility for:

- ◆ monitoring the effectiveness of the Council’s risk management and internal control arrangements across the Council
- ◆ receiving and reviewing monitoring reports as required from the Executive Management Team with regard to risk management
- ◆ making recommendations to the Executive which improve the effectiveness of the Council’s risk management and internal control arrangements.

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Chief Executive, Directors and the Executive Management Team (EMT)

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The Chief Executive, Directors and EMT are pivotal in the promotion and the continued embedding of risk management by managing behaviours and culture within the Council. The successful outcome of this culture and behaviours is risk management practised throughout the organisation as part of other usual activities, performance management and the sharing of best practice and experience between departments.

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The Chief Executive, Directors and EMTs' key tasks are:-

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- ◆ recommending to Council the risk management strategy and subsequent revisions thereof
- ◆ supporting, advising and promoting risk management throughout the Council through the development and adoption of policies and procedures approved by Members
- ◆ actively identifying and assessing strategic risks on a regular basis for the reporting to and consideration of Members
- ◆ to effectively act in the capacity of a Risk Management Group
- ◆ monitor the action plans (both corporate and service departments) on a regular basis
- ◆ to take overall responsibility for the administration of the risk management process
- ◆ Develop, implement and review the framework for managing risk
- ◆ Identify and promote best practice
- ◆ Communicate the benefits of effective risk management to all members of the organisation
- ◆ Provide training as appropriate
- ◆ Provide a forum for reporting progress on risk management
- ◆ being actively involved in the identification and assessment of strategic risks
- ◆ incorporating the risk management process into service planning processes
- ◆ encouraging staff to be open and honest in identifying risks or missed opportunities
- ◆ ensuring that the risk management process is part of all major projects and change management initiatives
- ◆ individual Directors will be responsible for developing relevant action plans for the key strategic risks identified and establishing relevant PI's to measure their performance through the performance management framework.

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Heads of Service and Managers

Heads of Service and Managers need to continually be aware of and understand their role in the risk management process and why they should be concerned with risk in order to achieve their objectives. They need to know how to evaluate risks and when to accept the right risks in order to pursue an opportunity.

All major Corporate and Operational Risk matters will be incorporated into annual business plans to ensure ownership and management. Each Head of Service or Manager will report on a regular basis to the Chief Executive and Leader and as deemed necessary by Members, Directors or the EMT.

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Risk Management Group and Executive Management Team

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This previously has been a group that meets monthly to focus on the management of operational risks. Following a review of officer functions in October 2006 this function was transferred to the direct responsibility of the Executive Management Team (EMT)

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The EMT will have a key role in ensuring that Rossendale Borough Council meets the requirements of Corporate Governance reporting.

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EMT will:

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- ◆ Co-ordinate monitoring information from services into a:
 - quarterly monitoring report to Cabinet
- ◆ Support and advice Service Heads and their managers
- ◆ Establish any links between departmental risk registers and action plans to ensure consistency of approach and identify corporate wide issues
- ◆ Monitor on a monthly basis progress in delivery of the Risk Register action plans.
- ◆ Research and identify best practice in risk management and to provide guidance and support on introducing risk management measures and techniques.
- ◆ Ensure ownership of risk by Managers, Heads of Service, Directors and Members

Role of Internal Audit

Internal audit's role is seen as challenging established processes, challenging risk identification and evaluation and providing assurance to officers and members on the effectiveness of controls. They will be responsible for undertaking an annual assessment of the Council's risk management and internal control mechanisms as part of the review of corporate governance arrangements.

9. How will the monitoring and reporting of risk management happen?

A framework of monitoring and reporting has now been established that allows:-

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- ◆ an annual review of the risk management strategy and corporate risk by EMT
- ◆ monitoring the effective management of risks including regular reporting on service and corporate performance indicators to Members (via Integrated Performance Management reporting)
- ◆ an annual review of the overall process and a report by EMT to members on the effectiveness of risk management and internal control by Internal Audit
- ◆ The regular process of financial, risk and performance monitoring (e.g. via Chief Executive and Leader's regular weekly review of Business Plans, Executive Management Team and Cabinet reporting) will be used to identify areas where the mitigation measures identified in risk registers are either over or under achieving and to deal with emerging issues and change.

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10. Conclusion

The adoption of a sound risk management approach should achieve many benefits for the Council. It will assist in demonstrating that the Council is continuously improving and will go a long way to demonstrating effective corporate governance.

The challenge is to implement a comprehensive risk management process without significantly increasing workloads. This should be achieved in part by making risk

management part of existing processes and reviews rather than treating it as a separate function.

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Appendix 1

Rossendale BC – Risk Management Policy Statement

Rossendale BC is committed to identifying and managing risks affecting the organisation. The Council recognises that some risks will always exist and will never be completely eliminated. However the Council recognises its responsibility to manage risks effectively and supports a structure and focussed approach to managing them by approval of this Risk Management Policy.

By doing this it aims to:

1. Better achieve its corporate objectives and priorities
2. Manage its resources effectively
3. Improve the quality of its business decisions
4. Anticipate and respond to change (eg: social, environmental, legislative and their associated risks) in a proactive and systematic way
5. Prevent loss or injury to its staff and the public
6. Provide greater protection of its assets and guard against impropriety or poor value for money
7. Enhance corporate governance
8. Reduce complaints against the council
9. Protect the reputation of the Council and increase community confidence
10. Minimise the number of incidents which require internal investigation
11. Reduce the cost of insurance, incidence of claim and improve the Councils ability to defend claims

To achieve these aims and objectives the Council will:

1. Raise awareness of the need for effective risk management, by all those connected with service delivery, through advice and training; and provide opportunities for shared learning.
2. Introduce risk management systems and processes which conform to best practice
3. Determine the Councils appetite or tolerance to risk
4. Allocate resources to identified priority areas
5. Establish clear roles, responsibilities and reporting lines for risk management within the Council
6. Incorporate risk management into the business planning process and embed risk management within the culture of the organisation
7. Incorporate risk management into reviews of services
8. Incorporate risk management into all substantive service developments and projects
9. Monitor risk management arrangements on an ongoing basis

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Defining the Councils Appetite to Risk

The council's appetite for risk will be defined and measured by its approach to impact and likelihood surrounding each risk as described below:

Definitions of Impact

<u>Evaluation</u>	<u>Description</u>	<u>Level</u>
<u>Insignificant</u>	<ul style="list-style-type: none"> • <u>Insignificant disruption of internal business – no loss of customer service.</u> • <u>Insignificant disruption to business of key partner but no loss of service delivery.</u> • <u>No injuries.</u> • <u>No reputation damage.</u> • <u>No or insignificant environmental damage.</u> • <u>Low financial loss <£10,000</u> 	<u>V</u>
<u>Minor</u>	<ul style="list-style-type: none"> • <u>Some disruption on internal business only – no loss of customer service.</u> • <u>Minor disruption to business of key partner but no loss of service delivery.</u> • <u>Minor injury (first aid treatment).</u> • <u>Minimal reputation damage (minimal coverage in local press)</u> • <u>Minor damage to local environment</u> • <u>Medium financial loss (>=£10,000 but <£25,000)</u> 	<u>IV</u>
<u>Moderate</u>	<ul style="list-style-type: none"> • <u>Noticeable disruption to RBC – would affect customers (loss of service for no more than 48 hours).</u> • <u>Noticeable disruption to key business partner resulting in loss of service delivery of no more than 48 hours.</u> • <u>Violence or threat of serious injury (medical treatment required).</u> • <u>Coverage in national tabloid press and/or extensive front page coverage in local press or TV.</u> • <u>Moderate damage to local environment</u> • <u>High financial loss (>=£25,000 but <£100,000).</u> 	<u>III</u>
<u>Major</u>	<ul style="list-style-type: none"> • <u>Major disruption to RBC – serious damage to authority's ability to service customers (loss of service between 2 and 7 days).</u> • <u>Major disruption to key business partner resulting in a loss of service delivery lasting between 2 and 7 days.</u> • <u>Coverage in national broadsheet press and/or low level national TV reporting.</u> • <u>Extensive/multiple injuries.</u> • <u>Major damage to local environment.</u> 	<u>II</u>

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	<ul style="list-style-type: none"> Major financial loss (\geq£100,000 but $<$£1,000,000) 	
Catastrophic	<ul style="list-style-type: none"> RBC unlikely to survive or loss of service delivery for more than 7 days. Business failure of key partner or loss of service delivery of over 7 days. Loss of life. Extensive coverage in national press and broadsheet editorial and/or national TV item. Significant local, national or international environment damage. Huge financial loss \geq£1,000,000. 	I

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Definitions of Likelihood

Evaluation	Indicators	Level
Almost certain	Expected to occur in most circumstances or more than an 80% chance of occurrence.	A
Likely	Potential of occurring several times in 10 years or has occurred recently. Between 55% and 80% chance of occurrence.	B
Moderate	Could occur more than once in 10 years. Could be difficult to control due to external influence. History of occurrence or near miss. Less than a 55% chance of occurrence.	C
Unlikely	Unlikely, but may occur over a 10 year period. Less than 15% chance of occurrence.	D
Remote	Has not occurred. May occur in exceptional circumstances. Less than 5% chance of occurrence.	E
Highly Remote	Has not occurred. May occur in highly exceptional circumstances. Less than 2% chance of occurrence.	F

Risk Model

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Likelihood	A	Green	Yellow	Orange	Red	Red
	B	Green	Yellow	Orange	Red	Red
	C	Green	Yellow	Orange	Red	Red
	D	Green	Yellow	Orange	Yellow	Yellow
	E	Green	Green	Green	Green	Green
	F	Green	Green	Green	Green	Green
		V	IV	III	II	I
		Impact				

Action Plan

	<u>Detail</u>	<u>Responsibility</u>	<u>Time Scale</u>
<u>1</u>	<u>Revised Strategy signed off by Executive Management Team</u>	<u>CEO</u>	<u>June / July 09</u>
<u>2</u>	<u>Report and strategy prepared for Members</u>	<u>Head of Finance</u>	<u>Aug 09</u>
<u>3</u>	<u>Service Business plans – incorporating areas of risk</u>	<u>CEO</u>	<u>March 10</u>
<u>4</u>	<u>Corporate Plan – incorporates all strategic risks</u>	<u>CEO</u>	<u>June 10</u>
<u>5</u>	<u>All risk captured in Covalent</u>	<u>P & P</u>	<u>April / May 10</u>
<u>6</u>	<u>Quarterly reporting of Risk via integrated performance management report</u>	<u>P & P</u>	<u>2010/11</u>
<u>7</u>			
<u>8</u>			
<u>9</u>			

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Action Plan

	Detail	Responsibility	Time Scale
1	Strategy signed off by Executive Director of Resources	ED of R	Jun 05
2	Report and strategy prepared for Members	PS	Jun 05
3	Strategy reviewed by O & S Committee, recommendations forwarded to Executive	PS	Aug 05
4	Executive receives O & S recommendations and approves strategy	PS	Aug 05
5	Review of Operational Risk Register by ORM Group with input from those managers deemed necessary	ORM Group	Aug 05
6	Audit Commission lead Risk Management Workshop	G Kelly	Sep 05
7	SMT identify areas of strategic risk for incorporation into individual service area annual business plans	SMT	Sep 05
8	ORM Group initial report to SMT and O & S Committee.	OMR Group	Oct 05
9	BVPP published incorporating the annual review of corporate strategic risk areas	CEO	Jun 06