Copeland Borough Council

Risk Management Strategy

March 2006

1 Introduction

The current Risk Management Strategy was approved in 2003. Since then both corporate governance and risk management has become increasing important in ensuring robust and effective service delivery for local authorities. This revised Strategy takes a more robust approach and builds on the CIPFA/SOLACE guidance that has been issued.

This document forms Copeland 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 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 Copeland 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.*

Risk management is a strategic tool and is an essential part of effective and efficient management and planning. Risk can be classified as either strategic risks that impact on the medium to long term objectives of the Council or operational risks that are associated with the day –to day activities of the Council.

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 and enhance the value of services provided.

Risk management is also an integral requirement of the Comprehensive Performance Assessment and as such is an important element in demonstrating continuous improvement.

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

The assurance statement is disclosed in the Annual Statement of Accounts and is signed by the Leader of the Council, the Chief Executive and the Head of Finance & Business Development.

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. Copeland 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 behavior. Our policy statement is attached at Appendix 1.

5   What is the Risk Management Process?

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

Risk Identification:

Identifying and understanding the hazards and risks facing the Council is crucial if informed decisions are to be made about policies or service delivery methods. The risks associated with these decisions can then be effectively managed.

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.

Risks can be identified as Strategic and/or operational. Appendix 2 shows the different categories of risk

Risk analysis:

Once risks have been identified they need to be systematically and accurately assessed using methods already used in the Council. If a risk is seen to be unacceptable, then steps need to be taken to control it or respond to it.

Risk Control:

Risk control is the process of taking action to minimise the likelihood of the risk event occurring and/or reducing the severity of the consequences should it occur. Risk control usually requires managers to identify and implement action plans to mitigate against the risks.

Risk Monitoring:

The risk management process does not finish with the risk control procedures in place. Their effectiveness in controlling risk must be monitored and reviewed. It is also important to assess whether the nature of the risk has changes over time.

The information generated from applying the risk management cycle will help to ensure that risks can be avoided or minimsied in the future. It will also inform judgments on the nature and extent of insurance cover and the balance to be reached between self-insurance and external protection.

6 How does it feed into our existing processes?

Identifying risks:

The Corporate performance monitoring in place incorporates risk identification. On a quarterly basis managers report to Head of Service who in turn report to the Directors on performance against service and corporate plan objectives. The process specifically includes identification of both strategic and operational risks. Outputs of this process result where necessary in updates to the strategic and/or operational risk registers.

Managers are required to consider risk when assessing new initiatives or proposing savings to existing service provision as part of the annual service planning and project approval process.

Partnerships will be assessed for risk prior to the Council agreeing to become a member. Approval will be required by corporate team

Assessing the risk:

Risks are classified according to impact on reputation, financial and likelihood and are scored low, medium or high. Resulting in an overall score.

Recording the risk:

All risk are recorded on the Strategic Risk register and/or the departments operational Risk Register. The Strategic risk register is held by the head of Policy & performance, the operational registers staying with the relevant department.

Where there are major risks identified by projects, these will be created as separate risk management projects.

Controlling and Minimising:

Where a significant risk has been identified a detailed action plan is to be produced with milestones and mitigations.

Monitoring and review:

The operation risk register will be reviewed by the Managers and Heads of service as part of the quarterly performance monitoring with any significant issues reported to Corporate Team

The Strategic Risk register will be reviewed on a quarterly basis by corporate team with a monitoring report to OSC P&R on a six monthly basis.

Any risk project s will be separately monitored and reported to the relevant member body.

The Strategy will be reviewed annually by the Corporate Team

An annual review of the overall process by Internal Audit will be reported to corporate team and members on its effectiveness.

7 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**:-**

a) Members

Role: To ensure the effective management of risk by officers of the Council

Responsibilities:

- To gain an understanding of risk management and its benefits
- To require officers to develop and implement an all-encompassing approach to risk management.

A distinction should also be drawn between Executive and Non – Executive Members (particularly those Members serving on the Overview & Scrutiny Committee). The Executive 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.

Executive Member's key tasks are therefore:

♦ 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 assurance statement), and publishing it in the annual Statement of Accounts (or Audit Committee function if allowable)
♦ 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.

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 six monthly monitoring reports from:
  - Heads of service with regard to strategic risk
  - Operational Risk – reviewing any exception reports.

♦ making recommendations to the Executive which improve the effectiveness of the Council's risk management and internal control arrangements.

b) Chief Executive, Directors and Heads of Service (Corporate Team)

Role:

- To ensure that the council manages risk effectively through the development and monitoring of a comprehensive risk management strategy
- To act as the Corporate Risk Management Working Group
- To ensure that the requirements of Corporate Governance reporting are met.

Responsibilities:

- To gain an understanding of risk management and its benefits
- To develop the corporate risk management strategy and communicate to elected members
- To promote and oversee its implementation across the council
- To monitor and review the effectiveness of the risk management strategy
- To agree any inputs and resources required to support the work corporately
- To identify areas of overlapping risk
- Monitor monthly any Risk management action Plans
- To identify and communicate risk management issues to departments
- Consider issues/reports raised through performance monitoring
- To produce monitoring reports to OSC P&R on a six monthly basis on the Strategic Risk register.
- To advise Executive of any significant risk and or action plan required.

c) Departmental Management Teams

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

Responsibilities:

- To feed into the development of the corporate risk management strategy from a service specific perspective
- To ensure that the strategy is implemented effectively across its services
- To identify strategic and operational risks associated with its service and report accordingly
- Build in any risks to the service planning process

- To liaise as appropriate with external agencies in identifying and managing risk
- To work with the finance department in assessing departmental insurance requirements
- To disseminate the detail of the strategy and allocate responsibilities for implementation to service managers and staff
- To establish the training requirements of managers and staff with regard to strategy implementation
- Identify specific individuals to act as health & safety co-ordinators to sit on the Corporate Health & Safety group

d) Employees

Role: to manage risk effectively in their job

Responsibilities:

- To liaise with their line manger to assess areas of risk in their job
- To identify new or changing risks in their job and feed these back to their line manager
- To undertake their job within the risk management guidelines set down to them by their manager
- To ensure that the skills and knowledge passed to them are sued effectively

e) Role of 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.

f) Central Support sections:

Accountancy

- To inform investment decisions made by the council
- To asses the financial implications of strategic policy options
- To provide assistance , advice and training on budgetary planning and control
- To ensure that the Financial Ledger allows effective budgetary control
- To negotiate insurance cover in liaison with departments

Legal services

- To provide legal advice to departments on the legality of policy and service delivery choices
- To update departments on the implications of new or revised legislation
- To handle any litigation cases

Human resources

- To provide advice to departments on any human resource issues relating to strategic policy options or the risks associated with operational decisions
- To commission risk management training
- To assist in handling cases of work related illness or injury

Policy & Perfomance

- To provide advice on the implications of potential service actions for the Council's corporate goals and objectives

Health & Safety

- To advise on any health & safety implications of the chosen or proposed arrangements for service delivery.
- To provide an inspection role in relation to H&S duties.

Communication:

- Ensure that the profile of risk management is raised through the Council through existing communication processes.
- Ensure a web page is designed for access by all employees outlining details of the strategy and specific roles and responsibilities consideration be given to include an updatable schedule of remedial action for each risk

8 How will the revised Risk management Strategy be implemented?

A detailed implementation plan has been developed to support the revised Strategy

	Detail	Responsibility	Time Scale
1	Develop Strategy, report to Corporate Team and consult with OSC P&R	Head of Finance & Business Development	March 06
2	Workshop for members on Corporate Governance to include an overview on Risk management	Head of Finance & Business Development/ Tim Capper	March 06
3	Executive receives OSC P&R recommendations and approves Strategy	Head of Finance & business development	April 06
4	Raise awareness of risk management as an effective tool and integrate with service planning	Corporate Team/Policy & performance	April 06
5	First monitoring report to OSC P&R	Corporate Team	Oct 06

9 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.

CATEGORIES OF RISK

STRATEGIC *Risks which need to be taken account in judgments about the long term goals and objectives of the Council.*	OPERATIONAL. *Risks which managers and staff will encounter in the daily course of their work.*
Political Associated with failure to deliver either local or central government policy, or to meet the local manifesto commitments	**Business Continuity** Associated with interruptions to the council's ability to provide a service e.g. through loss of facilities, staff, IT etc.
Economic Affecting the ability of the Council to meet its financial commitments e.g. internal budgetary pressures, failure to purchase adequate insurance provision, external macro level economic changes, consequences of investment decisions.	**Financial** Associated with financial planning and control and the adequacy of insurance cover
Social Relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to deliver its objectives.	**Legal & professional** Related to possible breaches of legislation or failure to follow council policies and procedures
Legislative Associated with current or potential changes in National or European Law.	**Physical** Related to fire, security, accident prevention and health and safety.
Sustainability Relating to the environmental consequences of progressing the Council's strategic objectives (e.g. in terms of energy efficiency, pollution, recycling, landfill requirements, emissions,	**Contractual** Associated with the failure of contractors to deliver services or products to the agreed cost or specification.

etc).	
Partnership Associated with working with other councils, agencies, and the private and voluntary sector to deliver the Council's strategic objectives	**Environmental** Relating to pollution, noise or energy efficiency of ongoing service operations

COPELAND BC – RISK MANAGEMENT POLICY STATEMENT

Copeland 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 focused approach to managing them by approval of this Risk Management Policy.

By doing this it aims to:

- Better achieve its corporate objectives and priorities
- Manage its resources effectively
- Improve the quality of its business decisions
- Anticipate and respond to change (eg: social, environmental, legislative and their associated risks) in a proactive and systematic way
- Prevent loss or injury to its staff and the public
- Provide greater protection of its assets and guard against impropriety or poor value for money
- Enhance corporate governance
- Reduce complaints against the council
- Protect the reputation of the Council and increase community confidence
- Minimise the number of incidents which require internal investigation
- 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:

- 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.
- Introduce risk management systems and processes which conform to best practice
- Determine the Councils appetite or tolerance to risk
- Allocate resources to identified priority areas

- Establish clear roles, responsibilities and reporting lines for risk management within the Council
- Incorporate risk management into the business planning process and embed risk management within the culture of the organisation
- Incorporate risk management into reviews of services
- Incorporate risk management into all substantive service developments and projects
- Monitor risk management arrangements on an ongoing basis