

Braintree District Council Risk Management Policy, Strategy and Implementation Plan

Risk Management Policy	1
Risk Management Strategy and Implementation Plan.....	2
1. Objectives	2
2. Definitions.....	2
3. Need for risk management.....	3
4. Benefits	3
5. Philosophy.....	4
6. Risk management process.....	4
7. Linking risk management to strategic planning.....	5
8. Timetable	6
9. Resources	7
10. Appendix 1 – Categories of risk	8
11. Appendix 2 - Risk management methodology.....	9
12. Appendix 2 - Roles and Responsibilities	14
13. Appendix 3 - Sources of reference.....	17

Risk Management Policy

The purpose of this policy statement is to recognise the Council's responsibility for the management of both external and internal risks and to set out its commitment to embed risk management into the daily operations of the Council from the setting of objectives, to service planning through to departmental processes.

Risk is defined as being the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies. **Risk Management** is defined as being the process by which risks are identified, evaluated and controlled. (Audit Commission "Worth the Risk – Improving risk management in Local Government" 2001).

The Council's aims with respect to risk management are as follows:-

- To integrate risk management into the culture of the Council
- To manage risk in accordance with best practice
- To anticipate and respond to changing social, environmental and legislative requirements
- To prevent injury, damage and losses and reduce the cost of risk
- To raise awareness of the need for risk management by all those involved in the delivery of the Council's services
- To take actions to minimise the likelihood of risks occurring and/or reducing the severity of consequences should risks occur
- To ensure that risks are monitored on an ongoing basis and reported annually to Members to inform the annual assurance statement on the effectiveness of the arrangements for risk management.

The Council will achieve these aims by implementing a risk management strategy detailing the actions that the Council will take and the roles and responsibilities of officer's key to its implementation.

Risk Management Strategy and Implementation Plan

1. Objectives

The objectives of this risk management strategy are:-

- To clearly identify objectives, roles and responsibilities for managing risk
- To introduce a structured framework to the identification, assessment and evaluation of risks
- To introduce a consistent approach to prioritising risks and determining resulting actions
- To improve co-ordination of risk management activity throughout the Council
- To reduce duplication between departments in managing overlapping risks
- To provide a framework for allocating resources to identified risk priority areas, but with clear reference to the council's other priorities
- To reinforce the importance of risk management as part of the everyday work of Council employees
- To ensure senior management and Members can obtain necessary assurance that the Council is making every effort to reduce/eliminate risks of not achieving its objectives

2. Definitions

Corporate Governance is the system by which organisations are directed and controlled i.e., it is the way in which organisations manage their businesses, determine strategy and objectives and go about achieving these objectives with the underlying principles of openness, integrity and accountability.

Risk is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies. This will include both external and internal risks.

Risk Management is the process by which risks are identified, evaluated and controlled. This is achieved by controlling risks, transferring risks or living with risks.

“the management of integrated or holistic strategic risk...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

Internal Control is the whole system of financial and other controls established in order to provide assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations. Internal controls form part of a risk management process and play a significant part in the management of significant risks to the fulfilment of business objectives.

3. Need for risk management

This strategy will help to satisfy the requirements of the CIPFA/SOLACE framework on Corporate Governance which requires the authority to make public assurance statements to stakeholders on, amongst other areas, the authority’s risk management strategy, process and framework.

4. Benefits

Benefits of adopting a strategic risk management approach include:

- Less risk averse and more innovative
- Better assessment of business opportunities
- Better business planning
- Better allocation of resources
- Focus on outcomes not processes
- Improved staff morale and behaviour
- Better protection of resources (including staff) and assets
- Better management and control
- Better performance – feeds into performance management framework
- Achieve better value
- Better governance – and demonstration of it to stakeholders
- Better image and reputation

5. Philosophy

The Council will seek to embed risk management into its culture, processes and structure to ensure that opportunities are maximised. Risk management will be one of the foundation stones on which every decision taken is built upon and will be integral to its priorities of work, learning, care for the vulnerable, a safe and sustainable environment and a well managed Authority. The council will seek to encourage managers 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 and the involvement of the senior management team is essential for this to happen.

The strategy needs to be embedded within existing planning (e.g. business and service plans) and other processes (e.g. BV reviews) so that it is not seen as an add on, or further bureaucratic requirement.

The strategy should result in a focus on the key risks and priorities. It will assist in the process of prioritisation between the risks and help with the allocation of resources to deliver them. This should be derived from a 'top down' process of risk assessment and analysis covering the whole Council.

6. Risk management process

The Council will adopt the following process made up of certain key critical steps in order to identify and manage risks in the Council's activities:

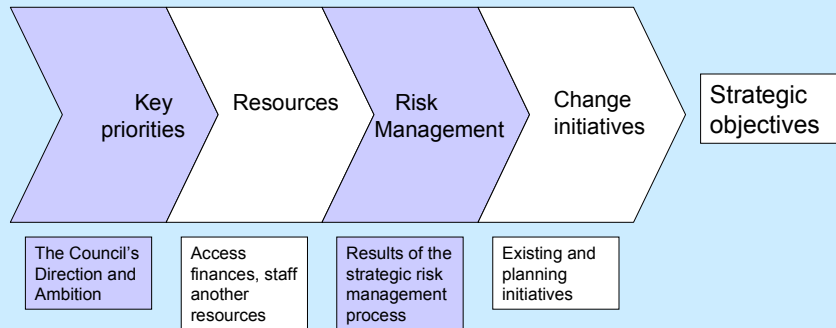
Step	Description
1. Identifying risk	Strategic and operational risks will be identified through a series of workshop sessions
2. Analysing risk	At the workshop sessions, those attending will assess the likelihood of any risks arising and the consequence or impact it may have if it does arise.
3. Profiling risk	At the workshop sessions risks will be profiled according to likelihood and severity in order to identify "significant" risks i.e. risks which may impact on the achievement of the Council's objectives.
4. Prioritising action based on appetite to risk	At the workshop sessions actions to address "significant" risks will be prioritised based on the effectiveness of existing controls, the Council's tolerance to risk and the availability of limited resources.
5. Determining action	At service manager and departmental management meetings,

on risk	the best course of action will be determined and agreed – i.e. avoid, eliminate/reduce, transfer, insure or accept risk in light of overall resource priorities. The key risks identified, and responsibility for managing and actioning will be detailed in departmental risk registers.
6. Controlling risk	Once actions have been determined, nominated managers will take actions required to minimise likelihood of risk occurring and/or reducing the severity of the consequences should they occur. These actions will be built into service plans
7. Monitoring and reporting on progress	All Heads of Service will compile and forward departmental controls assurance statements and risk registers to the Corporate Risk Officer for evaluation and discussion at Corporate Risk Group meetings. They will also monitor the progress of their actions to control risks on a monthly/quarterly basis. The Corporate Risk Group will evaluate the returns and ensure specialist risk managers determine actions for any cross cutting risks. The Corporate Risk Officer will present an annual report to Audit Committee detailing progress on risk management over the year and providing a summary of the risk registers and controls assurance statements.

**7. Further details are shown in appendices 1-3.
Linking risk management to strategic planning**

Risk management must be integral to policy, planning and operational management. It cannot be a ‘bolt on’ but must be embedded in the Council. Adopting the risk management process will ensure that strategic and service planning is based on informed decisions about the appropriateness of adopting policy or service delivery options.

A model for setting strategic objectives



8. Timetable

The timetable for the implementation of this strategy is proposed as follows:-

	Responsibility	Target date for completion
Operational risk identification and prioritisation training sessions for service managers and staff	Deputy Finance Director/ Corporate Risk Officer	July 2003
Strategic risk identification and prioritisation training sessions for Corporate Management Group	Deputy Finance Director/ Specialist Consultant	December 2003
Compilation of departmental registers	Corporate Risk Officer	December 2003
Report to Executive to seek approval of Risk Management Strategy	Deputy Finance Director	February 2004
Verification of risks recorded in departmental risk registers	Heads of Service/ Departmental Management Teams	February - May 2004
Determine actions required for risks	Heads of Service/ Departmental Management Teams	May – June 2004
Responsibility for Departmental Risk Registers passed to Heads of Service	Corporate Risk Officer / Heads of Service	September 2004
Preparation of controls assurance statements	Heads of Service	June – July 2004

Internal Audit review of adequacy and effectiveness of risk management processes and internal controls	Internal Audit Manager	June 2004
Report to Audit Committee on risk management progress	Corporate Risk Officer	July 2004
Council approval of annual assurance statement on effectiveness of risk management and internal control arrangements	Chief executive and Leader	July/August 2004

9. Resources

The main resource requirement in order to deliver implementation will be met from existing staff levels. However, as existing staff do not have all the relevant expertise, specialists will be used to advise and facilitate in the implementation of aspects of this strategy. In addition a computer software package will be required to maintain the departmental risk registers. The costs for these will be met from the Council's Risk Management reserve.

10. Appendix 1 – Categories of risk

There are principally two types of risk that organisations face – strategic and operational.

STRATEGIC Risks that may be potentially damaging to the achievement of the Council's objectives	OPERATIONAL Risks which are faced in the day to day delivery of services
Political – linked to possible failure to deliver key objectives or Central Government policy	Professional – risks associated with the professional competencies of Council officers
Economic – affecting the ability of the Council to achieve its commitments	Financial – risks associated with adequacy of financial controls and the level of insurance cover
Social – the risks relating to the Council's ability to meet the effects of changes in demographic, residential or social economic trends	Legal – risks related to potential breaches of legislation
Technological – the ability to deal with technological change and the ability to use technology to meet changing demands	Physical – risks related to physical damage (e.g. fire), security, accident prevention and health and safety
Legislative – the ability to meet the legislative demands affecting the Council	Partnership /Contractual – risks associated with the failure of the Council's contractors and partners to deliver services or products to the agreed cost, specification and timescale
Environmental – risks relating to the environmental impact of the Council's service delivery (e.g. energy efficiency, pollution, recycling, etc.)	Technological – risks associated with reliance on operational equipment, e.g. IT systems/equipment and machinery
Best Value – the need to demonstrate the four C's in service delivery	Environmental – risks associated with pollution, noise or energy efficiency of ongoing service operations
Customers – the ability to understand the changing needs of our customers.	Best Value – the need to demonstrate the four C's in service delivery
	Customers – risks associated with the ability to reach all our customers and meet the changing needs of our customers.

These categories of risk are neither prescriptive nor exhaustive, but do provide a framework for identifying and categorising a broad range of risks facing each service.

11. Appendix 2- Risk management methodology

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



The methodology that will be adopted by Braintree District Council will be the ZMMS STORM© methodology. STORM © (Strategic and Tactical, Organisational Risk Management) is a structured, systematic methodology that identifies, evaluates, prioritises and manages risk at strategic, tactical and operational levels. A key element of STORM © involves embedding a risk management culture in all staff and members so that the Council can successfully take the process forward into the future.

All aspects of the STORM © process are explained in detail below:

Identifying the risks

There are different methods to identify risks and the two most common are interviews and facilitated workshops.

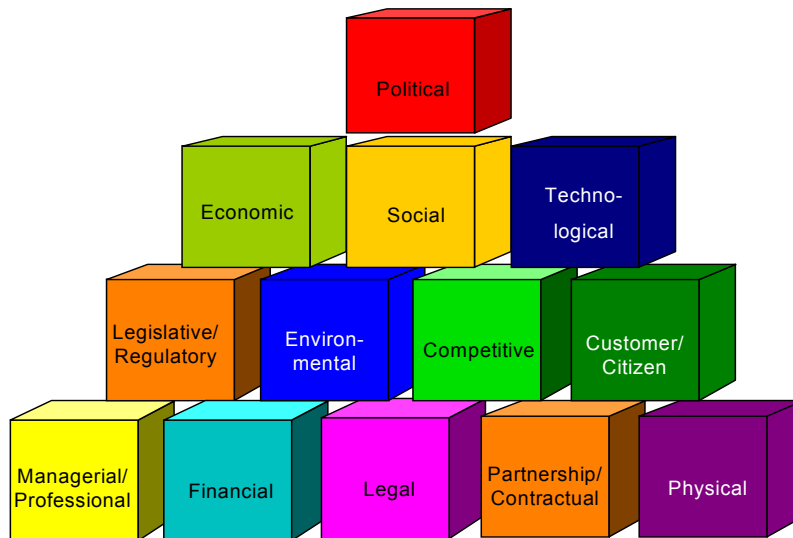
Experience shows that interviews are a more effective way to reveal risks than facilitated workshops as they allow people to be more open and honest in revealing their concerns. Interviews are also more time effective for the interviewee's as they only require up to one to two hours on their specific issues rather than spending a half-day, or more, in a general workshop. However workshops do generate useful group discussion and shared

understanding of risks.

It will be for each department to decide upon the appropriate approach to identifying its key risks.

It is also recommended that a review of published information such as service plans, strategies, financial accounts, media mentions, inspectorate and audit reports are a useful source of information.

When identifying risks it is suggested that the following categories of possible risk areas be used. They will act as a prompt and as a trigger for officers involved in the process. They will ensure that a holistic approach to risk identification is taken and that the risk process does not just concentrate on operational, financial or legal risks.



Analysing the risks

The information gathered from the processes above would be analysed and risk scenarios developed for the key concerns. Risk scenarios also illustrate the possible consequences of the risk if it occurs so that its full impact can be assessed. An example risk scenario is provided below:

SAMPLE RISK SCENARIO

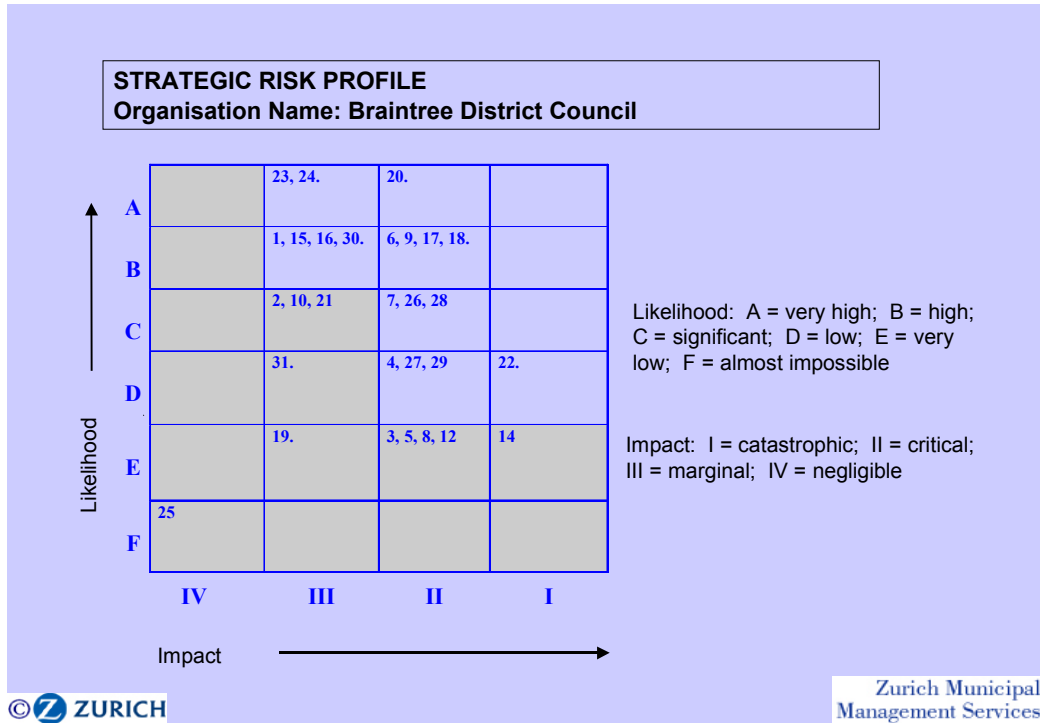
Vulnerability	Trigger	Consequence
Balances are low and there are insufficient reserves to cover unexpected events	A significant event arises with large financial consequences	<ul style="list-style-type: none"> • Unable to finance event • Funding of other projects jeopardised • Officers responsibilities questioned • Inability to defend Council's previous spending decisions • Adverse effect on Council Tax • Adverse effect on performance • Censure by audit • Adverse publicity • Image of Council damaged

Risk profiling and prioritisation

Following identification, the risks will need to be evaluated in a facilitated workshop with the people who identified the risks. The workshop participants will look at the risk scenarios and decide their ranking according to the likelihood of the risk occurring and its impact if it did occur. A matrix is used to plot the risks and once completed this risk profile clearly illustrates the priority of each scenario.

Although the risk profile produces a priority for addressing each risk determining the groups appetite for risk can enhance this. All risks above the appetite cannot be tolerated and must be managed down, transferred or avoided. The appetite for risk will be determined by the group during the facilitated workshop.

An example risk profile is given below:



When prioritising risks the A1 box is the first priority or the most important risk to be managed. The priority then is lead by the impact axis – i.e. BI followed by AII, CI followed by BII followed by BIII and so on.

Once the risks have been prioritised the next step is to cluster the risks into relevant categories. This is to aid the action planning process. The categories can be taken from the different categories of risks used initially to identify the risks.

Action Planning

The potential for controlling the risks identified will be addressed through the management action plans. Most risks are capable of being managed – either by managing down the likelihood or impact or both. Relatively few risks have to be avoided or transferred. Action plans will also identify the resources required to deliver the improvements, key dates and deadlines and critical success factors/KPIs.

These plans should not be seen as a separate initiative but should be incorporated into the business planning process and included in corporate and service plans.

An example of a management action plan is provided below:

Example of a Management Plan (MAP)



Risk Group:

A				
B				
C				
D				
E				
F				
	IV	III	II	I
	Impact			

Owned by:

Risk Number	Current Risk Score	Target Risk Score	Description

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates

Monitoring the progress of the action plans

An important stage of the process, the details for monitoring the risks and actions are included in Appendix 3 – roles and responsibilities.

12. Appendix 3 - Roles and Responsibilities

In order to ensure the successful implementation of this strategy, clear roles and responsibilities for the risk management framework and process have been established as detailed below.

Group/Individuals	Role/Responsibilities
Elected Members	<p>Role of overseeing the effective management of risk by officers. This includes:-</p> <ul style="list-style-type: none"> ○ Agreeing on Member structures for planning and monitoring risks across the Council ○ Approving and adopting a risk management policy, strategy and implementation plan ○ Reviewing annual reports on the management of risk ○ Approving (with lead officers) an annual statement on the risk management processes in place and their ongoing effectiveness or details of improvements required.
Chief Executive	<ul style="list-style-type: none"> ○ Support and promote the embedding of risk management by managing a culture change within the Council. ○ The successful outcome of this culture change would be risk management practiced as part of usual activities across the whole council and the sharing of best practice and experience ○ Agree an annual statement for submission to Members on the effectiveness of the risk management framework, strategy and process as part of the authority's corporate governance arrangements
Management Board	<ul style="list-style-type: none"> ○ Approve and adopt a risk management policy, strategy and implementation plan and ensure its achievement ○ Take a lead in identifying and managing the strategic risks and opportunities facing the Council ○ Review corporate and cross cutting risks associated with new policies and service delivery methods ○ Determine the Council's risk preference (i.e. risk averse or risk taking) and priorities for action ○ Ensure department management teams can provide assurance of effectiveness of controls to mitigate risks within service areas ○ Prepare an annual statement for submission to Members on the effectiveness of the risk management framework, strategy and process. ○ Provide resources to achieve improvements ○ Encourage staff to be open and honest in identifying

	risks or missed opportunities
Corporate Risk Officer	<ul style="list-style-type: none"> ○ Manage the implementation of the integrated framework, strategy and process on behalf of the Council and its management team ○ Ensure the processes are implemented and offer guidance and advice ○ Ensure staff across the Council are adequately trained to undertake risk assessments as required ○ Annually review and update the risk management strategy to take into account external and internal changes as well as experience ○ Ensure continual review, update and reporting of risk assessments to the Management Board and Members ○ Communicate results of risk assessments to all staff and provide/arrange risk awareness training ○ Collate departmental risk registers and controls assurance statements for consideration at Corporate Risk Group ○ Annually report to the Audit Committee on progress of risk management framework, corporate issues, departmental risk registers, control assurance statements and areas for improvement.
Corporate Risk Group	<ul style="list-style-type: none"> ○ This group, chaired by the Corporate Risk Officer, will draw on recognised risk management disciplines (insurance, internal audit, emergency planning and health & safety, legal, IT) from across the Council together with nominated divisional representatives to ensure a cohesive approach to risk management and business continuity ○ The group will analyse and collate departmental risk registers and annually contribute to the Corporate Risk Officer's report for the Audit Committee. ○ Make recommendations to the Management Board as to how generic and cross departmental risks/issues identified from the departmental self assessments could be programmed in a timely and resource effective manner.
Heads of Service and Departmental Management Teams	<ul style="list-style-type: none"> ○ Responsible for co-ordinating the introduction of the risk management framework amongst service managers ○ Identify, analyse and profile departmental risks within a risk register ○ Prioritise action on departmental risks ○ Monthly/quarterly monitor progress on managing departmental risks ○ Report the results of the self assessment to Management Board in a controls assurance statement (via the

	<p>Corporate Risk Group) in order to provide assurance on the effectiveness of controls in place to mitigate/reduce risks.</p> <ul style="list-style-type: none"> ○ Attendance at Corporate Risk Group meetings for discussion of departmental risks and identification of resulting cross cutting areas.
Service Managers	<ul style="list-style-type: none"> ○ Extend the process cascaded from the Department Management Team ○ Identify, analyse and profile service risks within a risk register ○ Prioritise action on service risks ○ Monitor progress on managing service risks ○ Report the results of the self assessment to Department Management Team in order to provide assurance on the effectiveness of controls in place to mitigate/reduce risks.
Specialist Representatives e.g. Internal Audit, Insurance, Health & Safety, ICT, Legal	<ul style="list-style-type: none"> ○ Attend the Corporate Risk Group as necessary in order to consider implications of Council wide risks and to provide relevant advice ○ Internal Audit will review the established risk management process in particular provide assurance as to the effectiveness of the risk identification, evaluation and reporting process and the adequacy of actions/controls identified to minimise risks.

13. Appendix 4 - Sources of reference

The main document sources of reference in developing the strategy have been:

Chance or Choice – Association of Local Authority Risk Managers (ALARM)/SOLACE

Corporate Governance in Local Government – a Keystone for Community Governance – CIPFA/SOLACE

“Worth the Risk” Improving Risk Management in Local Government – Audit Commission

Management of Risk – A strategic overview – HM Treasury

Risk Management – A Key to Success, a guide to understanding and managing risk – ALARM