RISK MANAGEMENT

What is Risk Management, and Why do it?

What – The process of identifying possible risks to the council achieving its objectives. Followed by the evaluation of the potential consequences, their severity and likelihood of occurrence. Finally the use of effective methods of controlling or managing them, making the resultant level of risk acceptable.

- The right balance between innovation and change on one hand, and the avoidance of shocks on the other.

Why

• Preserve & protect the council's assets, reputation, staff, councillors, customers, and any one else to whom the council has a duty of care;
• Ensure compliance with statutory obligations;
• Inform key corporate & corporate planning, including for partnership working;
• Promote a risk aware culture where we are not averse to risk; we avoid unnecessary liabilities/costs, but encourage taking calculated risks where opportunities will benefit the council;
• Preserve & improve business performance & service delivery.

In addition, it meets the **CIPFA/SOLACE** requirements for authorities to establish and maintain a systematic strategy, framework and processes for managing risk.

For risk management to be effective there must be a clear link between objectives and risk. It is therefore essential that risk management is embedded in the service planning process.

There will be a separate handbook for managers and staff in relation to the identification and management of risk

BDC's approach to Risk Management

Strategy & Aim
Our Risk Management strategy will achieve:

• A culture of embedded risk awareness across the council that leaders enable, and for which individuals are responsible for creating and supporting;
• A positive culture, where we are not averse to embracing risks provided they have been well thought through and managed effectively;
• Assignment of clear roles & responsibilities for identifying, reporting and managing risk (see **Appendix I**);
• A common methodology for assessing and classifying risks;
• Consistent, but flexible, risk recording procedures which facilitate effective monitoring and reporting.

** To be effective, Risk Management needs to be aligned with strategic purposes. At BDC, risk is embedded in the delivery of the purposes and ongoing performance management. **
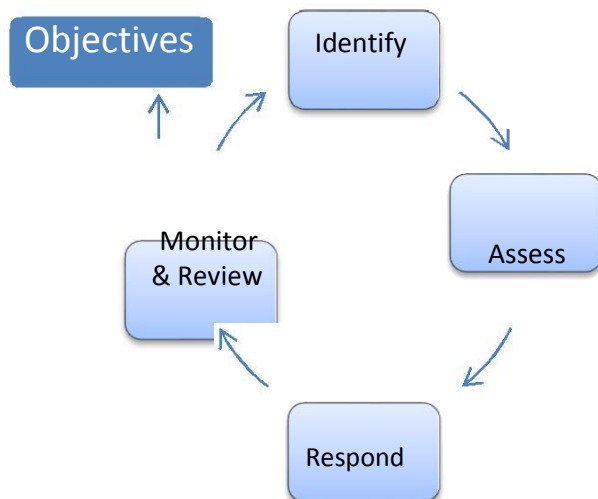
RISK MANAGEMENT STRATEGY

Risk Management Framework

- Sets out the council's objectives for the management of risk at both strategic and operational levels in all activity, within projects, partnerships and by suppliers;
- Describes the risk management framework by defining a simple, but robust, systematic approach to how risk will be managed across the council;
- Uses set criteria for managing and controlling risks;
- Considers risks in the setting of projects and formal reports to councillors, as appropriate;
- Ensures maintenance of risk registers and associated risk profiles;
- Ensures that associated thinking and practice is embedded in everyday processes, policies and activity.

RISK MANAGEMENT CYCLE

The council employs a *Risk Management Cycle*, which is represented as follows.

* Strategic Level Risks – factors affecting the achievement of the council's visions, aims and priorities *

* Operational Level Risks – factors that affect day to day service delivery *

The Risk Management cycle must be followed for *every* strategic risk and every operational service objective.

IDENTIFY

- A risk is an event or action that will have an affect on our ability to achieve our strategic or corporate objectives.
- Those best placed to identify risks are those responsible for the delivery of the objective. Therefore, at BDC, we identify risks when:
  - setting strategic priorities
  - setting objectives in Council Plans
  - in the early stages of project planning
  - entering partnerships
- *Strategic Risks* are identified in the Corporate Risk Register, which is the responsibility of CMT and reported to Audit, Standards and Governance Committee
- *Operational Risks* are identified in each individual Service Department to ensure the risks associated with all key strategic purposes are managed.

ASSESS

- Once identified, risks at BDC are assessed on the basis of the likelihood of their occurrence and the impact the event would have.

** The 'Risk Management Top Tips for Managers Guide' will be available for all managers and details each

element of the Cycle, including assessment of likelihood and impact, in more detail and should be used in conjunction with the Strategy. **

RISK MANAGEMENT STRATEGY

ASSESS contd.

Likelihood measured as:	Impact measured as:
•High •Medium •Low	•Critical •Significant •Noticeable

The risk, after assessment, is considered in the Risk Matrix:

RISK ASSESSMENT MATRIX

LIKELIHOOD OF OCCURENCE	NOTICEABLE	SIGNIFICANT	CRITICAL
HIGH	4	7	9
MEDIUM	2	5	8
LOW	1	3	6

IMPACT

The colour rating for the risk defines how we will respond to the risk, and sets out our Risk Appetite. Calculated controlled risks may be taken providing the risk exposure is within the council's tolerance levels. These are defined in the Risk Matrix as:

Unacceptable risk: immediate control improvement required

Acceptable risk: monitor closely and seek cost effective control improvements

Acceptable risk: review regularly and seek low cost control improvements if possible

RESPOND

- For each risk individually assessed, controls must be put in place to deal with the risk by:
- Reducing the likelihood of occurrence
- Reducing impact of occurrence
- Changing consequences
- Consider risk mitigation using four Ts
  - Tolerate
  - Transfer
  - Treat
  - Terminate
- Once mitigating action is in place, reassess and rescore the risk to provide 'residual' risk. Record on risk register.

MONITOR & REVIEW

We have a dynamic process of review; identifying new risks, removing mitigated risks and tracking changing risk scores throughout the year. In addition, there are formal review points:

Corporate Risk
- Monitored formally on a six monthly basis by CMT and AGS Committee
  - Annual report to CMT

Operational Risk
- Monitored formally in Departmental meetings

RISK MANAGEMENT STRATEGY – Roles & Responsibilities

In the following table, risk management responsibilities relate to business as usual, projects, risks and financial performance

Employees	**Resources – (Insurance Officer)**
	• Leading the annual review of the Risk Management Handbook/Policy and Strategy
	• Maintaining and reporting on the Corporate Risk Register
	• Advising Service Managers on the identification, assessment and management of operational risks during the Service Planning process
	• Working with Service Managers on a quarterly basis to review risk management, as part of the Performance Management Framework
	• Providing ongoing support and training to staff in relation to risk management.
	• Consolidate inspection policy
		All Employees
		• All council employees are responsible for ensuring there are robust and fit for purpose systems of internal control and risk management in place, and that they are aware of the risks that they:
		  - Are empowered to take
		  - Must avoid
		  - Must report upward
		  - Risk Owners are accountable for the management of their own risk, and these are defined in Risk Registers.
		• All staff are responsible for reporting hazards/risks to their manager for escalation/consideration for inclusion in the Corporate Risk Register.

Managers	**Senior Management Team / CMT** • Collectively, approving the risk management approach • Considering and approving the Risk Management Policy, as formed by the Handbook • Individually, ensuring risk is managed effectively in their own service area, in line with the agreed strategy • Ensure risk is managed and monitored effectively in shared services (hosted and non-hosted) in their area • Affirming and supporting the work of risk management throughout the council, which is an important part of the council's corporate governance arrangements • Monitoring corporate risks on a six monthly basis and annually in SMT meetings • Reporting all new and amended risks to Insurance Officer for inclusion in the Corporate Risk Register, and to ensure they are linked to the budget planning process	**Service Managers** • Ensuring that all employees within their service understand and comply with the risk management policy & procedures • Identifying, evaluating and managing operational risks and reporting any possible corporate risks to the Head of Service • Ensure that operational risk registers are established for their services and regularly reviewed to ensure that risks are adequately monitored and managed • Formally review all arrangements for risk management affecting their service areas at least annually as part of the business planning process

Members	**Council** The Leader of the Council is responsible for acting as the overall Lead Councillor for risk management.	**Cabinet** Cabinet is responsible for considering risk implications when making any decision	**Audit, Standards & Governance Committee** Notified of Corporate Risk Register and its contents on an annual basis. Review on a 6 monthly basis Councillor nominated as member risk champion

All Members	• Considering risk implications in planning and decision making • Have a responsibility to understand the strategic risks facing the council • Bringing to the attention and discussing with officers any risks relating to the council's policies and activities, or any risks identified when undertaking duties as an elected member • Have an understanding of the key council risks falling within their portfolio area, where relevant • Providing leadership and direction for the management of risk on
Internal Audit	• Undertaking audits of the council's Risk Management system and procedures in order to assess their effectiveness and compliance with the council's requirements as part of the corporate governance process • Making recommendations to improve the effectiveness of Risk Management within the council