RISK MANAGEMENT POLICY AND PROCESS DOCUMENT

1.   The objectives of effective risk management

1.1   All organisations face risks in undertaking their business in the sense that there exists the possibility that an event or action will adversely affect their ability to achieve objectives. Local authorities, with their wide-ranging responsibilities and duties, face a significant number of risks. It is therefore important that a local authority such as Waverley ("the Council") should recognise its responsibility to adopt an effective risk management process.

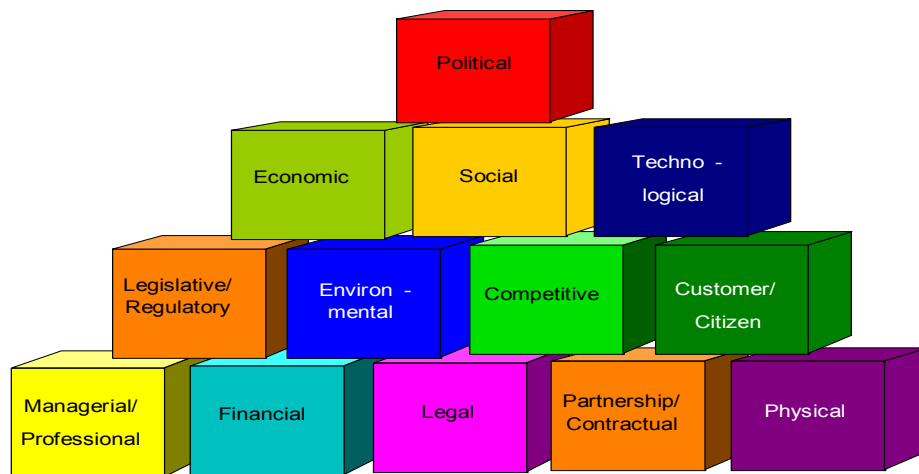1.2   Effective risk management is necessary to help the Council to:
(a)   maintain a high standard of service delivery;
(b)   achieve its objectives as set out in the Corporate Plan and elsewhere;
(c)   ensure its compliance with its statutory obligations;
(d)   safeguard the Council's employees, Members, service users and all other persons to whom the Council has a duty of care;
(e)   maintain effective control over the Council's resources and assets and prevent damage or loss;
(f)   protect and promote the image and reputation of the Council; and
(g)   protect the Borough's environment.

1.3   The Council's risk management objectives are to:
(a)   establish a Risk Management Process which is designed to ensure that all relevant risks are reviewed, namely identified, evaluated, actioned, and that any action is monitored;
(b)   communicate risk issues effectively to staff, Chief Officers and Members so that their risk awareness is improved, that they understand their risk management responsibilities and are supported in the discharge of those responsibilities;
(c)   embed effective risk management practice into the culture of the Council so that the Risk Management Process is implemented effectively and decision-making at all levels is informed by the consideration of risk issues;
(d)   facilitate service and performance improvements through risk-aware innovation in working practice; and
(e)   ensure that the Council's key partnerships are subject to the same Risk Management Process.

2.   The risks that the Council faces

2.1   A risk is defined as the possibility that an event or action will adversely affect the Council's ability to deliver its services or achieve its other objectives.

Political

Economic | Social | Techno - logical

Legislative/ Regulatory | Environ - mental | Competitive | Customer/ Citizen

Managerial/ Professional | Financial | Legal | Partnership/ Contractual | Physical

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2.2   The diagram shown above illustrates some of the main categories of risk that the Council could face. The diagram is provided by Zurich Municipal Management Services who have provided assistance in developing and reviewing the Council's Risk Management Process.

2.3   Risks can arise in any of the Council's services across any of the risk categories shown above. Risks can be external, such as those arising from legislative and other regulatory change, or internal, such as health and safety issues affecting staff or buildings. Risks can arise from factors such as limited resources, increasing responsibilities and demands from customers and from increased litigation against local authorities. The complexity of the risks faced by the Council and the constantly changing nature of the environment in which the Council operates necessitate the adoption of a formal Risk Management Process.

3.   The Risk Management Process

3.1   Summary
3.1.1 The Council's Risk Management Process consists of the regular and methodical review of all relevant risks. Such review consists of four separate stages, namely:
(a)   the identification of relevant risks;
(b)   the evaluation of such risks;
(c)   when necessary, the taking of remedial action (control or mitigation); and
(d)   the monitoring of the effectiveness of such action.

Once a risk is identified, its evaluation consists of considering the probability that a risk will materialise and the scale of the adverse impact if it does materialise. This is important so that management attention and action may be focused primarily on the most significant risks. Where possible, such action will be aimed at controlling or preventing a risk from materialising or, if this is not possible, at mitigating the risk so that the scale of the adverse impact is minimised. After action is taken, its effectiveness will be monitored at intervals for an appropriate period.

3.1.2   Risk categories

For the purposes of applying the Risk Management Process to the Council's activities, risks are considered under four headings:

(a)   Key business risks
(b)   Operational risks
(c)   Project risks
(d)   Partnership risks

This categorisation is important in relation to the frequency and extent of review and to the identification process.   It is not directly relevant to the evaluation, actioning and action monitoring stages.   Project risks and partnership risks are key business risks or, more usually, operational risks that arise in the course of a project or partnership.   They are separately referred to in order to recognise the importance of establishing clear and effective risk ownership in the special circumstances of a project or partnership.

3.2   Identification

3.2.1   Key business risks

Key business risks represent the major risks that could have a significantly adverse impact on the Council, its service delivery or the achievement of its Corporate Plan objectives.   Key business risks are identified and agreed at the time of the adoption of a new Corporate Plan at the start of each four-year Council term and are recorded in the Key Business Risks Schedule. They are subject to review as described in 4.1 below.   The identification process involves senior managers and members of the Executive and the Audit Committee.

3.2.2   Operational risks

Operational risks are usually specific to certain service areas or functions.   The identification and review of these risks is an ongoing process by managers using the corporate 'Covalent' system.   In addition, the Risk Management Officer Group will review Operational Risks and report to the Heads of Service Team on a quarterly basis and to the Corporate Management team on a semi-annual basis or by exception if a particular area of concern emerges. Operation risks are subject to review as described in 4.2 below.

3.2.3   Project risks

Specific projects will be subject to a risk assessment which will lead to key risks being identified and evaluated.   Risks associated with key Member decisions will be set out clearly in reports to Members together with details of any proposed actions to control or mitigate such risks.

3.2.4   Partnership risks

Risks associated with key partnerships will be identified and evaluated in accordance with the governance arrangements agreed by the parties.   In appropriate cases, the Council will also treat its involvement in a partnership in the same way as a project and apply the procedure set out in 3.2.3 above.   Where this safeguard is judged to be unnecessary, assurances will be provided to the Corporate Management Team about the adequacy of the agreed partnership governance arrangements.

3.3 Evaluation

3.3.1 Identified risks will be evaluated in terms of:

(a) the likelihood that the risk will materialise (i.e. that loss or damage or the adverse action or event will occur), which is scored [on a scale from 1 (low) to 6 (high)]; and

(b) the severity of the impact on the Council, service or other objective if the risk does materialise, which is scored [on a scale from 1 (least severe) to 4 (most severe)].

3.3.2 The significance of the risk is then determined by plotting the two scores on a Risk Reporting Matrix. The matrix shows the overall risk significance and sets out the appropriate recording and reporting requirements.

3.3.3 Risks which exceed the agreed 'tolerance' thresholds will be recorded appropriately and reported to senior management in the Corporate Risk Register and, if necessary, to the Executive together with a statement of any action that is proposed to be taken. The tolerance threshold separates the 9 shaded sections at the top right of the matrix. Risks assessed as falling in this area are those that need action or specific monitoring due to their severity. The current threshold was agreed in 2008 and is still considered to be appropriate by the Risk Management Group.

3.4 Action

3.4.1 Once a risk has been evaluated, any relevant action must be determined and recorded in the action plan included in the Risk Register. Action will consist either of *control*, which is designed to reduce or eliminate the probability that the risk will materialise, or *mitigation*, which is designed to reduce the scale of the adverse impact if the risk does materialise.

3.4.2 The options that should be considered are:

(a) take no action - accept the consequences if the risk materialises (e.g. self-insure minor risks);

(b) mitigate the risk – take action to reduce the scale of the adverse impact (e.g. set up a recovery site in case the Council offices are flooded);

(c) control the risk – take action to reduce the probability that the risk will materialise (e.g. install flood defences around the Council offices);

(d) transfer the risk to a third party – a form of risk control (e.g., take out comprehensive flood insurance); and

(e) eliminate the risk – another form of risk control achieved by stopping or radically changing a service or activity (e.g. move the Council offices to a site on a hill).

3.4.3 The agreed action must be recorded in the appropriate Risk Report together with the identity of the risk owner and the timetable for completion and subsequent monitoring.

3.4.4 It must be accepted that risks usually cannot be eliminated completely. Actions must be proportionate to the scale of the risk and must not obstruct service provision or the achievement of other significant Council objectives. It is important that the Risk Management Process and actions to control or mitigate risk do not introduce unnecessary bureaucracy.

3.5 Monitoring action

Once action to control or mitigate a risk has been taken, the effectiveness of that action must be monitored at suitable intervals and for as long as is judged necessary and these details must be recorded. If the action fails to achieve its intended objective, the risk must be reported afresh and made subject to further evaluation and action.

4. Risk Management Process review

4.1 Key business risks
- Comprehensive review every 4 years involving senior managers and key Members to coincide with the revision of the Corporate Plan.
- Refresh current key business risks at least annually and more frequently if appropriate
- Corporate Management Team considers the Risk Management Process on an annual basis and reports to Audit Committee and the Executive as appropriate
- Risk Management Officer Group and Heads of Service Team review on 6-monthly basis and report on adequacy of the Risk Management Process to the Corporate Management Team
- New risks or sudden changes to risks or evaluations reported on an exception basis

4.2 Operational risks
- Risk owners review operational risks on a monthly basis, at least, and update Covalent to reflect new/amended/obsolete risks, new or revised evaluations and any consequential management action to control or mitigate.
- Risk Management Officer Group reviews entire Corporate Risk Register on a 3-monthly basis and reports to Departmental Management Teams
- Risk Management Officer Group reports above threshold risks to Corporate Management Team and, if necessary, the Audit Committee on 3-monthly basis.
- Manager workshops comprehensively review operational risks and refresh training every 2 years.
- New risks or sudden changes to risks or evaluations reported on an exception basis

4.3 Project risks
- Monitored by project teams in accordance with procedures for key business risks or operational risks as appropriate.
- Project teams should report additionally to CMT on an exception basis.

4.4 Partnership risks
- Partnership risks should be reviewed by the partnership and documented in accordance with the agreed governance approach.
- Significant partnership risks will be also subject to the process for Project risks.

5. Risk management responsibilities of Members and officers

5.1 The responsibility for managing risk extends throughout the Council, including Members. It is important that all Members, managers and staff are aware of their role. The following summarises the various roles and responsibilities.

5.2   **Members**
-   The Audit Committee is responsible for ensuring that the Risk Management Process comprises effective arrangements to identify, evaluate, action and monitor the risks to which the Council is exposed.
-   The Executive is responsible for ensuring that the Risk Management Process is implemented effectively so that significant risks that require action are actioned and monitored effectively.
-   Members have a general responsibility to consider risk issues when making key decisions.
-   The Member Champion(s) are responsible for liaison with the Risk Management Group Officer as appropriate.

5.3   **Corporate Management Team (CMT)**
-   To ensure that the Risk Management Process is fully implemented
-   To ensure that agreed action plans are completed.
-   To ensure that risk issues are properly considered when making decisions.

5.4   **Risk Management Officer Group**
-   To coordinate actions necessary to implement the Risk Management Process.
-   To maintain and update the Corporate Risk Registers and report to CMT and DMTs in accordance with agreed reporting procedures.
-   To raise awareness of risk issues across the Council and promote good risk management practice.
-   To provide support to managers in implementing effective solutions to managing risk.
-   To facilitate training for key managers to develop skills in tacking risk issues.
-   To liaise with the Member champion(s) for risk management.
-   To review the Risk Management Process each year and report to Members as necessary.

5.5   **Heads of Service and Service Managers**
-   To identify the risk of loss, damage or injury in service delivery and to implement appropriate measures to minimise likelihood of occurrence and/or adverse impact on the Council
-   To record risks identified in their Service Plan and in the Corporate Risk Register
-   To regularly update records of all risks in their work areas in the Covalent system
-   To encourage staff to be risk-aware and to raise risk issues at team meetings/DMTs
-   To ensure that an effective control environment exists in all service areas
-   To ensure effective communication of the Risk Management Process in their service areas.

Review due March 2010 (Audit Committee 22nd March)

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