

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:

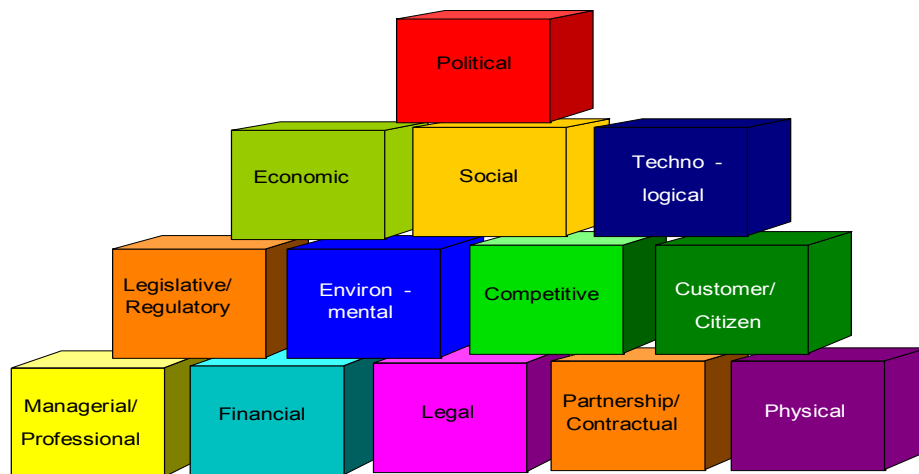
- (a) maintain a high standard of service delivery;
- (b) achieve its objectives as set out in the Corporate Plan and elsewhere;
- (c) ensure its compliance with its statutory obligations;
- (d) safeguard the Council’s employees, Members, service users and all other persons to whom the Council has a 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) periodically communicate risk issues to staff, Chief Officers and Members so that their risk awareness is improved and that they understand their risk management 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.



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 initially 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, all possible risks are considered under headings:

- (a) Corporate Risks (that relate to Corporate Plan Objectives)
- (b) Operational risks (that relate to Service Plan objectives/actions)
- (c) Project/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 corporate 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 Corporate risks

Corporate risks represent the major risks that could have a significantly adverse impact on the Council's achievement of its Corporate Plan objectives. Corporate risks are generally 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 Corporate Risk Register. 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 specific to approved service plan objectives/actions. The identification and review of these risks is an ongoing process by managers in their service delivery. Operational risks are subject to review as described in 4.2 below.

3.2.3 Project/partnership risks

Specific projects and new partnerships 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.

3.3 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 (lowest) to 6 (highest)]; 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.

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 Corporate 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 Corporate risks

- Comprehensive formal review every 4 years involving senior managers and key Members to coincide with the revision of the Corporate Plan.
- Refresh current Corporate 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
- Heads of Service Team review on 3-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

- Managers review operational risks and take management action as appropriate and report to 1:1s and CMT if necessary.

- New risks or sudden changes to risks or evaluations are reported to CMT on an exception basis.
- Emergency Planning, Health & Safety Risk Assessments, Business Continuity Planning and First Aid are actively managed by the Emergency Planning and Resilience Officer.
- Internal reporting and Committee reporting templates have a mandatory risk section.
- Risk logs are maintained for projects.
- Annual service plans contain risk assessments and are reviewed at department team meetings.
- Staff appraisals contain a risk assessment and reviewed every 6 months.

4.3 Project/Partnership risks

- Monitored by project teams in accordance with procedures for corporate risks or operational risks as appropriate.
- Project teams should report additionally to CMT on an exception basis.
- Significant partnership risks will be 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 Portfolio Holder for Finance is responsible for ensuring that the Risk Management Process is implemented effectively so that significant risks that require action are actioned and monitored effectively and reported to the Executive as appropriate.
- Portfolio holders to identify risk issues on an ad-hoc basis when developing service changes with officers within their portfolio.
- Members have a general responsibility to consider risk issues when making key decisions.

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 Head of Finance

- To coordinate actions necessary to implement the Risk Management Process.
- To maintain and update the Corporate Risk Register and report to CMT and DMTs in accordance with agreed reporting procedures.
- To provide support to managers in implementing effective solutions to managing risk.
- To facilitate training for key managers to develop skills in tackling risk issues.
- To review the Risk Management Process each year and report to Members as necessary.

5.5 Heads of Service, Service Managers and Project 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 identify risks in their Service Plan.
- To raise awareness of risk issues across the service and promote good risk management practice
- 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.

5.6 Specific Member/Officer working groups

To consider specific risk areas and ensure management action is taken as appropriate:

- Asset Advisory Group
- Procurement Advisory Group
- Capital Monitoring Group

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