

Report of the Interim Deputy Chief Executive

RISK MANAGEMENT STRATEGY1. Purpose of the report

To approve the new Risk Management Strategy for the Council.

2. Detail

The Risk Management Policy Statement and Strategy was last approved by this Committee on 20 June 2016. Following feedback from both management and members of this Committee, the Strategic Risk Management Group has reviewed the Council's risk management framework.

The Council's insurers, Zurich Municipal (ZM), were engaged to support the review of the risk management framework. ZM put forward suggestions based upon their risk expertise and knowledge of the latest thinking and best practice in the insurance and risk management environment.

A key outcome of the review is the production of a new Risk Management Strategy, which is attached in the appendix. The strategy sets out the five key steps within the risk management process (identification; analysis; treatment; updating of the risk register; and monitoring, reporting and review) as well as the roles and responsibilities across the Council in terms of risk management.

The strategy also includes a '5x5' risk map matrix for assessing both the threats and opportunities for each strategic risk in terms of both the likelihood and impact. This extended matrix would more accurately reflect the direction of travel in terms of the effect of the mitigation measures implemented to help manage a particular risk compared to the '3x3' matrix that the Council presently uses. It would also assist the Council to direct risk management resources to the areas where they will have the most influence. It is intended to introduce this for financial year 2019/20.

A supporting Risk Management Handbook is being prepared for publication once the updated strategy is approved.

The Strategic Risk Management Group members welcomed the proposed documents and the insight that ZM was able to provide. It agreed that the Risk Management Strategy should be updated to reflect the issues identified and presented to this Committee for formal approval.

Recommendation

The Committee is asked to RESOLVE that the new Risk Management Strategy be approved.

Background papers

Nil

APPENDIX**RISK MANAGEMENT STRATEGY****Foreword**

The Broxtowe Borough Council Risk Management Strategy, revised in December 2018, aims to improve the effectiveness of risk management across the Council. Effective risk management will allow the Council to:

- have increased confidence in achieving its priorities and outcomes
- constrain threats to acceptable levels
- take informed decisions about exploiting opportunities
- ensure that it gets the right balance between rewards and risks
- improve partnership working arrangements and corporate governance.

Ultimately, effective risk management will help to ensure that the Council maximises its opportunities and minimises the impact of the risks it faces, thereby improving its ability to deliver priorities, improve outcomes for residents and mitigating legal action and financial claims against the Council and subsequent damage to its reputation.

The Risk Management Strategy provides a comprehensive framework and process designed to support both Members and Officers in ensuring that the Council is able to discharge its risk management responsibilities fully. The Strategy outlines the objectives and benefits of managing risk, describes the responsibilities for risk management, and provides an overview of the process that the Council has in place to manage risk successfully. Detailed information on how to implement this policy and tools to assist in the implementation are provided in the Broxtowe Borough Council Risk Management Handbook.

The Council will review the Risk Management Strategy in line with Corporate Plan review dates. Any variations from this Strategy will be agreed by the Governance, Audit and Standards Committee.

Introduction

Whilst risk management is a statutory requirement, it is not simply a compliance exercise. It is an indispensable element of good management and corporate governance, which is essentially the way that an organisation manages its business, determines strategy and objectives and goes about achieving its goals.

Risk management will help identify and deal with the key risks facing the Council in the pursuit of its goals. Its implementation is crucial to the Council and essential to its ability to discharge its various functions as a strategic partner, deliverer and commissioner of public services, custodian of public funds and significant employer.

The risk management process outlined within this Strategy should be used to identify and manage all risks to the Council's ability to deliver its priorities. This should cover both strategic priorities, operational activities (e.g. delivery of actions identified in business plans and service plans) and the delivery of projects or programmes.

Broxtowe Borough Council defines a risk as:

“The chance of something happening that may have an impact on objectives”.

A risk is an event or occurrence that would prevent, obstruct or delay the Council from achieving its objectives or failing to capture business opportunities when pursuing its objectives.

Positive consequences or opportunities are the possibility that an event will occur and positively affect the achievement of objectives. Opportunities can be channelled back into objective setting and business planning processes, formulating plans to seize those opportunities.

Risk Management

Risk management involves adopting a planned and systematic approach to the identification, evaluation and control of those risks which can threaten the objectives, assets, or financial wellbeing of the Council. It is a means of minimising the costs and disruption to the Council caused by undesired events.

Risk management covers the whole range of risks and not just those associated with finance, health and safety and insurance. It can also include risks as diverse as those associated with public image (reputation), environment, technology and breach of confidentiality amongst others.

The benefits of successful risk management include:

- **Improved service delivery –**
Fewer disruptions, efficient processes, improved controls
- **Improved financial performance and value for money –**
Increased achievement of objectives, fewer losses, reduced impact and frequency of critical risks
- **Improved corporate governance and compliance systems –**
Fewer legal challenges, robust corporate governance, fewer regulatory visits
- **Improve insurance management –**
Lower number/level of claims, lower impact of uninsured losses and reduced insurance premiums.

Risk Management Process

The Council's risk management process has five key steps as outlined below. Further information on the process and its use is outlined within the Risk Management Guidance Document that will be made available on the intranet.



Process Step	Description
Risk Identification	Identification of risks which could significantly impact the Council's aims and objectives – both strategic and operational.
Risk Analysis	Requires consideration to the identified risks potential consequences and likelihood of occurring. Risks should be scored against the Council's risk matrix
Risk Treatment	Treat; Tolerate; Transfer; Terminate – Identify which solution is best to manage the risk (may be one or a combination of a number of treatments)
Completing the Risk Register	Document the previous steps within the appropriate risk register. Tool for facilitating risk management discussions. Standard template to be utilised to ensure consistent reporting.
Monitoring, reporting and reviewing the risks	Review risks against agreed reporting structure to ensure they remain current and on target with what is expected or manageable.

Broxtowe Borough Council Risk Matrix

Risk – Threats						
Likelihood	Almost Certain - 5	5	10	15	20	25
	Likely – 4	4	8	12	16	20
	Possible - 3	3	6	9	12	15
	Unlikely - 2	2	4	6	8	10
	Rare – 1	1	2	3	4	5
		Insignificant – 1	Minor – 2	Moderate – 3	Major – 4	Catastrophic – 5
Impact						

Roles and Responsibilities

Group / Individual	Roles and Responsibilities
Full Council / Policy and Performance Committee	<ul style="list-style-type: none"> The Policy and Performance Committee has overall responsibility for many of the Council's policies. Full Council delegated responsibility for risk management to the Governance, Audit and Standards Committee.
Governance, Audit and Standards Committee	<ul style="list-style-type: none"> Understanding of risk management and the Council's risk management framework. Review and approve the Risk Management Strategy. Review and challenge the content of the Strategic Risk Register and the adequacy of associated risk management arrangements. Approve risk tolerance levels, the Council's "risk appetite" i.e. definition of high(red), medium(amber) and low(green) risks as recommended by General Management Team. Promote risk management within the Council. Support and encourage wider risk management training and briefings to maintain corporate knowledge.

Other Committees	<ul style="list-style-type: none"> • Review and challenge strategic risk information. • Challenge risk management information provided to the Policy and Performance Committee and Finance and Resources Committee as part of decision making. • Promote the benefits of embedded risk management process and open culture of challenge and review.
Elected Members	<ul style="list-style-type: none"> • Responsible for governing the delivery of services to the local community and a responsibility to understand the risks facing the Council and be aware of how these risks are being managed. One way of gaining assurance that identified risks are being effectively managed is by robust and constructive challenge and scrutiny. • Requesting sight of corporate risk registers as appropriate, and challenging the robustness of risk assessments in Committee reports.
Chief Executive	<ul style="list-style-type: none"> • Overall responsibility for ensuring that strategic risks are effectively managed within the Council. • Provide an annual governance statement to include assurance on strategic risks.
General Management Team (GMT)	<ul style="list-style-type: none"> • Promote understanding of the management of risk in accordance with best practice, throughout the Council. • Preparing and recommending changes to the Risk Management Policy and Strategy. • Propose the 'risk appetite' of the Council i.e. the definition of high, medium and low risks. • Reporting key strategic risks to the Governance, Audit and Standards Committee. • Approving the report on risk management provided by Strategic Risk Management Group. • Ensure that 'key decision' reports include a section to demonstrate that arrangements are in place to manage any risks (where appropriate).
Strategic Risk Management Group	<p>The Strategic Risk Management Group is pivotal in the promotion and embedding of risk management by managing a culture change within the Council. It is responsible for managing strategic risks, as well as supporting services in their individual areas of responsibility.</p> <p>The group is chaired by the Head of Finance Services and attended by Heads of Service and the Chief Audit and Control Officer as 'Risk Champions'.</p>

	<p>Its key tasks are to:</p> <ul style="list-style-type: none"> • Review the Council's approach to risk management and supporting processes and recommend for approval any subsequent changes. • Recommend any appropriate changes to the Risk Management Strategy to GMT and Members. • Overall responsibility for identifying, analysing and scoring strategic and service risks. • Determine and prioritise action on strategic risks, allocating individual ownership of the key risks. • Monitor progress of risk arrangement activities as part of existing performance management approach. • Preparing, monitoring and reviewing the Strategic Risk Register and report periodically to GMT and Governance, Audit and Standards Committee on strategic risk. • Consider escalated operational risks and recommend mitigating actions. • Promote a risk aware culture and embedded risk management throughout the Council. • Ensure that the Council has robust and effective processes and procedures in place that are consistently applied for the management of operational risks, including health and safety risks.
Head of Finance Services	<ul style="list-style-type: none"> • Corporate risk management champion. • Overall responsibility for implementing the risk management framework and embedding risk management throughout the Council. • Oversight of the Insurance and Risk Management team.
'Risk Champions'	<p>Risk Champions identified across the Council are typically Heads of Service with responsibility to support risk management process within their service area.</p> <ul style="list-style-type: none"> • Act as point of contact for officers within the directorate to assist in the application of risk management. • Attend the Strategic Risk Management Group to provide updates on strategic and operational risks from within their service area. • Responsibility for supporting the Council in its aim of embedding risk management across the organisation. • Identifying areas of non-compliance with the Risk Management Strategy.

Heads of Service	<p>The primary role is to:</p> <ul style="list-style-type: none"> • Contribute towards the identification and management of operational risks within their service area. • Maintain awareness of and help promote the approved risk management strategy to all employees. • Ensure that risks which have been identified are addressed and mitigated and that any high risks are addressed urgently. • Ensure that risk management is incorporated into Business Plans and project plans.
All Employees	<p>All employees have a responsibility to:</p> <ul style="list-style-type: none"> • Manage risk effectively in their job and to report opportunities and risks to their service managers. • Participate in risk assessment and action planning where appropriate. • Adhere to Council policies and procedures. • Attend training and development sessions as appropriate.
Project Leaders	<p>Ensure that the risks associated with projects are identified, recorded and regularly reviewed as part of the project management process.</p>
Internal Audit	<p>Internal Audit's role is to maintain independence and objectivity. Internal Audit is not responsible or accountable for risk management or for managing risks on behalf of management. Internal Audit will:</p> <ul style="list-style-type: none"> • Audit the risk management process. • Assess the adequacy of the mechanisms for identifying, analysing and mitigating key risks. • Provide assurance to management and members on the effectiveness of controls. • Use corporate risk registers to drive the Audit Plan and ensure that resources are used on the areas of highest risk and where the need for assurance is greatest.