CAERPHILLY COUNTY BOROUGH COUNCIL

RISK MANAGEMENT STRATEGY

INTRODUCTION

1.1 Purpose and Objectives of the Strategy

The purpose of this Risk Management Strategy is to establish a framework for the effective and systematic management of risk, which will ensure that risk management is embedded throughout the Council and makes a real contribution to the achievement of the Council's vision and objectives.

The objectives of this strategy are:
• Define what risk management is about and what drives risk management within the Council;
• Set out the benefits of risk management and the strategic approach to risk management;
• Outline how the strategy will be implemented;
• Identify the relevant roles and responsibilities for risk management within the Council.

Risk management is not a new responsibility, but simply the formalisation of what is already part of normal good working practices. It is important to emphasise, therefore, that Risk Management should not be an "add on". It is not a separate activity that happens once a year along-side other management activities. Rather, it should form an integral part of the performance management approach of the Council.

There is a detailed Risk Management Guidance document that accompanies this Strategy and gives further detail on how the risk management process should be carried out.

1.2 Approval, Communication, Implementation and Review of the Risk Management Strategy

This Risk Management Strategy will be endorsed by the Executive and reviewed by the Audit Committee and, following approval, issued to:-
• All Members of the Council;
• Corporate Management Team;
• All Managers;
• Key Stakeholders such as Local Strategic Partners;
• Other interested parties such as the Wales Audit Office.

It will be placed on the Council's intranet site so that all members of staff can have access and easily refer to it. It will be part of the staff induction process so that individual members of staff are aware of both theirs' and others' role and responsibilities for risk management within the Council, departments and services.

The strategy will be reviewed internally each year and following any key changes in Central Government policy or inspection regimes, and following internal reorganisation or changes in policy.

1.3   What Is Risk Management?

Risk can be defined as "the uncertainty of outcome, whether a positive opportunity or a negative threat, of actions or events".

Risk Management can be defined as:

> "The management of integrated or holistic business risk in a manner consistent with the virtues of economy, efficiency and effectiveness. In essence 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.*

Risk Management is about identifying and managing those obstacles and weaknesses that could have a negative impact on service delivery. The holistic approach is vital to ensuring that all elements of the organisation are challenged, including decision making processes, working with partners, consultation processes, existing policies and procedures and, also, the effective use of assets – both staff and physical assets. Once the obstacles have been identified, the next stage is to prioritise them to identify the key obstacles to the organisation moving forward. Once prioritised, it is essential that steps are taken to then effectively manage those key obstacles/risks. The result is that major obstacles or blockages that exist within the organisation can be mitigated to provide the Council with a greater chance of being able to achieve its objectives.

The risks facing the Council will change over time, some changing continually, so this is not a one-off process. Instead, the approach to risk management should be continual and the risks and the approach to managing them should be reviewed regularly.

It is important to note that risks can also have an upside; their impact can in some cases be positive as well as negative. Risk is also often said to be the flipside of opportunity, so the whole risk management process can also help the Council identify positive opportunities that will take it forward.

Risk management needs to be seen as a strategic tool and will become an essential part of effective and efficient management and planning.

1.4   Why Do We Want (and need) To Do Risk Management?

Risk management will, by adding to the business planning and performance management processes, strengthen the ability of the Council to achieve its objectives and enhance the value of the services provided.

1.4.1 We Are Required To Do It

Risk management is something that the Council is required to do, for example:

- The CIPFA/SOLACE framework on Corporate Governance requires the Council to make a public assurance statement annually on, amongst other areas, the Council's risk management strategy, process and framework. The framework requires the Council to establish and maintain a systematic strategy, framework and processes for managing risk;
- The Accounts & Audit Regulations for Wales 2005 introduced a requirement from 1st April 2005 for a complete Statement of Internal Control. This ensures that due regard is given to our corporate governance arrangements to include our approach to performance management and risk management;
- This has since been updated by Regulation 4(3) of the Accounts and Audit Regulations 2011, which requires all relevant bodies to prepare an Annual Governance Statement.
- Risk management is increasingly becoming best practice in both the public and private sectors.

1.4.2 Benefits Of Risk Management

Successful implementation of risk management will produce many benefits for the Council if it becomes a living tool. These include:

- a consistent approach to the way risks are managed throughout the Council;
- improved informed decision making – risks reported and considered within Council decision making;
- becoming less risk averse in innovation (because you understand) and, hence, more innovative;
- improved business planning through a risk based decision making process;
- a focus on outcomes not processes;
- improved performance (accountability and prioritisation) - feeds into performance management framework;
- better governance - and demonstration of it to stakeholders;
- helping to protect the organisation.

The main benefit though is that the Council will be more likely to achieve its vision and the key objectives underpinning this, because the barriers are being actively identified and managed.

1.5 Where Does Risk Management Fit?

In short, the answer is "everywhere". Effective risk management should be applied within all decision making processes at an *appropriate scale.* So, the risk management approach should encompass the Council's:

Strategic and Corporate risks	• Risks that need to be taken into account in judgment about the medium to long term goals and objectives of the Council. • Risks that affect the successful delivery of corporate objectives and impact across the Council as a whole.
Service risks	Risks that affect the successful delivery of individual service objectives. They are often built into the service

	planning process.
Operational risks	Risks that managers and staff will encounter in the daily course of their work.
Project risks	Effective management of risk within projects is key to their eventual success, so major projects should have a robust risk management approach.
Partnership risks	The increasing number and scale of partnership working with public, private and voluntary sector partners exposes us to risk, so significant partnerships should have a robust risk management approach.

There is, therefore, a consistent approach from the top to the bottom of the Council. So a mechanism will exist for risks to be escalated up (bottom up) within the Council whilst the top risks are also explicitly identified and managed (top down).

In practice this means that the Council will carry out risk assessments and develop the following risk registers:
• Corporate risk register (CRR) – the strategic and corporate risks, related specifically to the Single Integrated Plan and Improvement Plan objectives.
• Service risk register (SRR) – the risks facing the service and the achievement of its service objectives, as outlined in the Service Business Plan (currently the Service Improvement Plan – SIP).   Depending on the structure and complexity of the service there may also be a need / desire to have Business Unit risk registers which feed into the Service risk register.

Given the changing landscape of local government, the importance of projects and partnerships are ever increasing, so a more specific and tailored risk management approach is required.

1.5.1 Project Risk Management
A project can be defined as:

"a temporary organisation that is needed to produce a unique and predefined outcome or result at a pre-specified time using predetermined resources"
PRINCE2

And, to be effective, managers need to be able to control three aspects of the project:
• that the project delivers on time;
• that the project delivers to quality;
• that the project delivers to budget.

It is quite obvious that effective risk management will help this process, and is a requirement of all effective project management approaches. Risks should be identified and managed from the very outset and throughout the life of the project. It is essential that risks are effectively communicated and escalated within the project structure.

All major projects should have their own risk registers relevant to the project objectives and plan. Any significant risks identified should be reported to the relevant officers, group, committee and included in the relevant service and / or corporate risk register.

1.5.2 Partnership Risk Management

*"A third of those working in partnerships experience problems, according to auditors. These problems arise when governance and accountability are weak: leadership, decision-making, scrutiny and systems and processes such as **risk management** are all under-developed in partnerships."* Governing Partnerships, Audit Commission, 2005

Effective risk management of the Council's significant partnerships is, therefore, essential. This will require clarity of what partnerships are and, in particular, which are significant. Those then require a twin track approach to risk management:
- Outside looking in – the risks to the Council in getting involved in the partnership;
- Inside out – the risks to the partnership achieving its objectives.

The outside looking in risk should be included in the relevant service and / or corporate risk register. Each significant partnership should develop their own risk register relevant to the partnership's objectives and plan. This should be developed in conjunction with all of the partners. Risk management should be integrated within the governance processes of the partnership.

RISK MANAGEMENT STRUCTURE

2.1 Reporting Structure

The risk management process is a continuous one and risks can, therefore, be reported at anytime. However, risks will be formally reported in accordance with the existing business planning process and Quarterly Performance Management Meetings.

Services will, therefore, be required to revisit their risks in the light of any change and at least on a quarterly basis. They will report any new risks identified, progress on actions to mitigate existing risks, and any changes to the perceived level of risk as part of the Quarterly Performance Management Meetings or on an exceptions basis if any significant activity occurs between the Quarterly Performance Management Meetings.

Similarly, they will consider new corporate risks, changes to existing risks and escalated risks on at least a quarterly basis. They will report on the top corporate risks, the progress on actions to mitigate those existing risks, and any significant changes to the perceived level of those risks formally to the Cabinet, Audit Committee and Scrutiny Committee on a three monthly basis. Any significant activity occurring between the formal reporting will be considered and reported on an exceptions basis.

The Risk Management Group will act as a filter to assess Service risks which need to be escalated for consideration by the Corporate Management Team and also the Corporate risks which need consideration at a Service level. This will ensure a consistent top down and bottom up approach and that there is always an up to date view of the key risks facing the Council and how they are being managed.

This risk management strategy should also be reviewed and updated if considered necessary on an annual basis. The reporting structure is represented below:
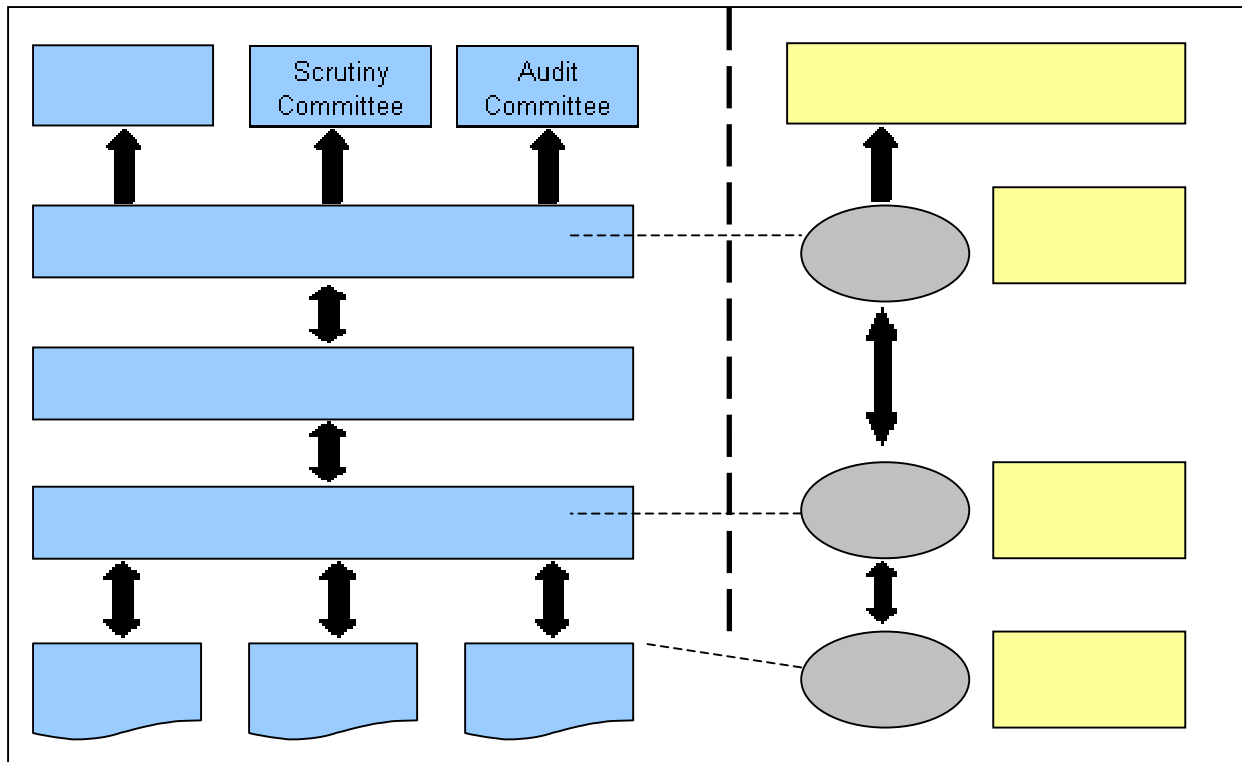
2.2 Roles and Responsibilities

The following describes the roles and responsibilities that Members and officers will play in introducing, embedding and owning the risk management process:

2.2.1 Cabinet

- Approve the Risk Management Strategy;
- Approve the "risk appetite" of the Council i.e. the definition of high (red) risk, medium (amber) risk and low (green) risk as recommended by the Corporate Management Team;
- Hold the Corporate Management Team accountable for the effective management of risk;
- Monitor the arrangements for managing the Council's strategic and corporate risks through quarterly progress reports;
- Consider the risks involved when making any decisions;
- Receive and review the risk register and resultant action plans for the top corporate risks;
- Make an appropriate allocation of resources to address identified risks and

risk management framework;
- Ensure that appropriate and effective communication reporting lines are in place in the context of risk management;
- The Leader approves the Annual Governance Statement, and publishing it in the annual Statement of Accounts.

2.2.2 Audit Committee
- Review the effectiveness of the risk management and internal control framework;
- Review the Council's Risk Management Strategy and how it is being implemented;
- Review and challenge the risk register and resultant action plans for the top corporate risks;
- Receive, review and challenge progress in implementing action plans for the Council's key strategic and corporate risks;
- Satisfy itself that robust processes and procedures exist and are applied for the management of operational risks, including health & safety risks.

2.2.3 Scrutiny Committee
- Identify significant risks to be scrutinised in more detail as part of their annual work programme, as appropriate;
- Receive, review and challenge progress in implementing action plans for the Council's key strategic and corporate risks;
- Satisfy itself that robust processes and procedures exist and are applied for the management of operational risks, including health & safety risks.

2.2.4 Lead Member – Risk Management
The Lead Member for risk management is the Portfolio Holder for Performance, Property Services and Asset Management. Responsibilities include:
- Champions and encourages the use of effective risk management within the Council – to both members and officers;
- Raise awareness of risk management within the Council and to ensure that training and education needs in respect of risk management are identified and addressed;
- Attends the Audit Committee and Scrutiny Committee to report progress on risk management, with appropriate officers;
- Attempts to resolve issues/barriers facing the embedding of effective risk management.

2.2.5 All Members
Members are responsible for governing the delivery of services to the local community and have a responsibility to understand the risks that their Council faces 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, constructive challenge and scrutiny.

2.2.6 Chief Executive and Corporate Management Team
The Chief Executive and Corporate Management Team are pivotal in the promotion and embedding of risk management by managing a culture change

within the Council. They are responsible for managing strategic and corporate risks, as well as the service risks in their individual areas of responsibility.

Their key tasks are to:
- Review the Council's approach to risk management and supporting processes and recommend for approval any subsequent changes;
- Recommend the Risk Management Strategy to members;
- Propose the "risk appetite" of the Council i.e. the definition of high (red) risk, medium (amber) risk and low (green) risk;
- Support and promote risk management throughout the Council – with each member ensuring that it works effectively in their own areas of responsibility;
- Actively identify, analyse and profile strategic and corporate risks at least quarterly;
- Determine and prioritise action on strategic and corporate risks, allocating individual ownership of the key risks to appropriate members of Corporate Management Team. Each Director will act as lead officer for the risks allocated to them and be held accountable for ensuring that risk improvements are delivered;
- Receive escalated service risks and consider their inclusion onto the corporate risk register;
- Monitor progress of risk arrangements as part of existing performance management arrangements;
- Report quarterly to the Executive on the key risks and their management;
- Ensure that (where appropriate) "key decision" reports include a section to demonstrate that arrangements are in place to manage any risks;
- Ensure that the Council has robust processes and procedures in place that are consistently applied, for the management of operational risks, including health & safety risks;
- The Chief Executive is required to agree and sign the Annual Governance Statement, ensure publication of it in the annual Statement of Accounts.

2.2.7 Officer Risk Champion
The Deputy Chief Executive/Director of Corporate Services is the Officer Risk Champion and leads on all risk management issues. Responsibilities include:
- Ensuring that a Risk Management Strategy is developed and reviewed annually to reflect the changing nature of the Council;
- Ensure that a robust framework is developed to deliver and implement the Strategy;
- Inform on a regular basis of developments in the risk management processes and outcomes;
- Champion the process of risk management as good management practice and a valuable management tool;
- Chair the Risk Management Group.

2.2.8 Risk Management Group
- Annually assess the progress of risk management within the Council and report to , the Audit Committee and Scrutiny Committee;
- Research, consider and recommend improvements to the risk management process within the Council;

- Recommend the risk management strategy and subsequent revisions to Corporate Management Team,;
- Support and promote risk management throughout the Council;
- Be the point of contact in the Council for risk management advice and guidance;
- Ensure that the Council has robust processes and procedures in place that are consistently applied for the management of all risks;
- Regularly monitor progress being made to compile risk registers and implement action plans and flag up issues for the , the Audit Committee and Scrutiny Committee;
- Assess Service Risk Registers and escalate significant risks and common themes to the Corporate Management Team;
- Assess the Corporate Risks identified and escalate down any risks to the relevant Service(s);
- Recommend the inclusion of any new risks it discovers onto the appropriate risk registers.

2.2.9 Heads of Service
Their primary role is to manage service risks by:
- Promoting risk awareness within their Service;
- Facilitate risk assessments within their service area to develop a Service Risk Register – linked to the service performance plan;
- Receive escalated Business Unit risks and consider their inclusion onto the Service Risk Register;
- Actively identify, analyse and profile Service risks on a quarterly basis - linked to the service performance plan;
- Determining and prioritising action on Service risks, allocating individual ownership of the key risks to appropriate managers within their service;
- Escalate the top risks, those above the acceptable tolerance line, for consideration by Risk Management Group;
- Incorporating the risk management process into service planning processes – ensuring that these are fed into the business plan;
- Encouraging staff to be open and honest in identifying risks or missed opportunities;
- Ensuring that the risk management process is an explicit part of all major projects and change management initiatives;
- Monitor and report progress of risk management activities as part of existing performance management arrangements;
- Ensure that processes and procedures for the management of operational and Heath & Safety risks are consistently and robustly applied within the Service.

2.2.10 Internal Audit
To maintain independence and objectivity, Internal Audit is not responsible or accountable for risk management or for managing risks on management's behalf. Internal Audit will:
- Audit the risk management process;
- Support risk identification and assessment workshops, as appropriate;
- Assess the adequacy of the mechanisms for identifying, analysing and mitigating key risks;

- Provide assurance to officers and Members on the effectiveness of controls;
- The Risk Register will drive the Internal Audit Strategic Plan to ensure resources are used on the areas of highest risk and where the need for assurance is greatest.

2.2.11 Project Leaders

Project leaders have a responsibility to ensure that the risks associated with their projects are identified, recorded and regularly reviewed as part of the project management process. Significant risks must be reported and included in the relevant Service Risk Register or the Corporate Risk Register.

2.2.12 All Staff

All staff have a responsibility to:
- Manage risk effectively in their job and 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.

2.3 Links to Other Business Processes

There is a link between risk management, emergency planning and business continuity, however, it is vital for the success of risk management that the roles of each, and the linkages, are clearly understood. The diagram below sets out to demonstrate the differences.
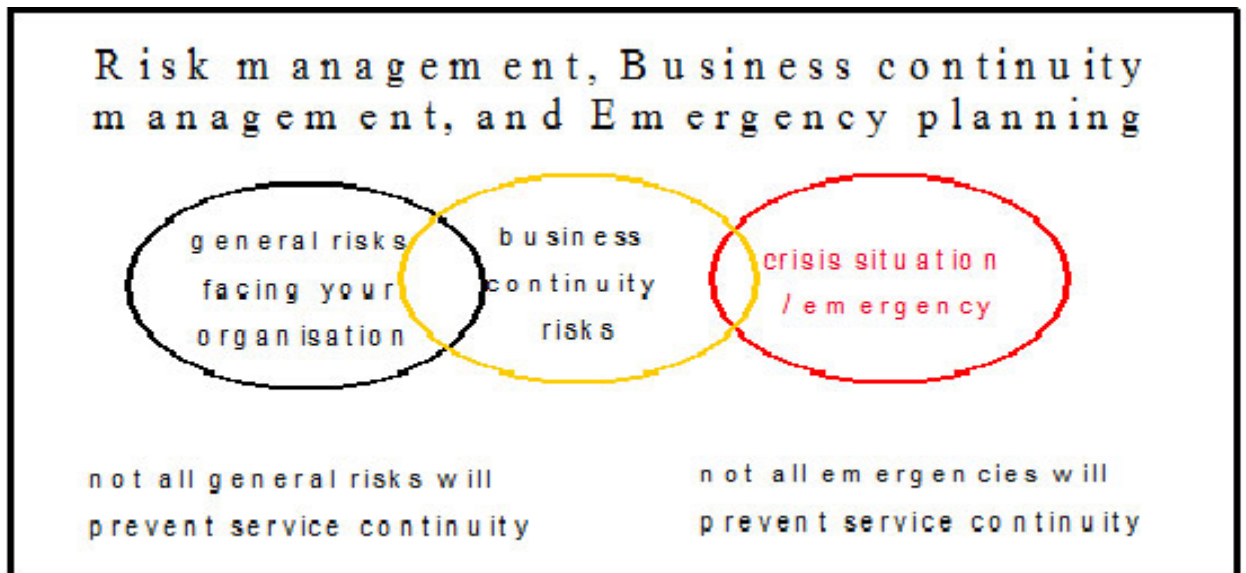
- **Risk Management** is about trying to identify and manage those risks which are more than likely to occur and where the impact on our objectives can be critical or even catastrophic.

- **Business Continuity Management** is about trying to identify and put in place measures to protect your priority functions against catastrophic risks that can stop your organisation in its tracks. There are some areas of overlap e.g. where the I.T infrastructure is not robust then this will feature as part of the organisation risk assessment and also be factored into the business continuity plans.
- **Emergency Planning** is about managing those incidents that can impact on the community (in some cases they could also be a business continuity issue) e.g. a plane crash is an emergency, it becomes a continuity event if it crashes on the office!

The Council has recognised there is a link between Risk Management and Business Continuity Management and Emergency Planning and this is reflected by the lead officers in these areas being members of the Risk Management Group thus ensuring collaboration, sharing of information, and reducing duplication.

CONCLUSION

This strategy will set the foundation for integrating risk management into the Council's culture. It will also formalise a process to be applied across the Council to ensure consistency and clarity in understanding the role and benefits of strategic risk management.

The quarterly reporting and escalation of risks should interlock with the existing quarterly arrangements for performance reporting. The intention being that the management of risks is incorporated into business plans so that reporting on performance naturally reports progress on the mitigation of risks.

The adoption of the strategy will formalise the risk management work undertaken to date and will move the Council towards meeting the requirements of recognised best practice and inspection.