

Corporate Risk Management Strategy

Part 1 : Strategy

Part 2 : Risk management process

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Part 1: Strategy

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Foreword

The council's approach to the management of risk is straight forward and has been developed over a number of years. In summary the council will identify, prioritise and manage its risks the strategy for which is outlined in this document.

As Chief Executive of the council I will ensure that there are effective governance arrangements in place across the council, these arrangements will include a risk management strategy and process that is embedded within the organisation.

The principles of corporate governance and risk management assist us in the delivery of our wide ranging services and in exercising our community leadership role. The aim of this strategy is to ensure that we are well prepared to take on the many challenges we will be facing. This will include identifying risks at an early stage and putting actions in place to mitigate the potential effects of these.

We acknowledge that with innovation comes risk. To make the most of innovation and opportunity we should not be risk averse but we do need to be risk aware: Aware of the risks that new processes and approaches bring and what actions we can take to reduce the likelihood and/or the impact of these risks if they do occur.

All managers within the council have a role to play in the identification of the risks within their own areas of activity and expertise. Some of these risks will impact on the wider organisation and will be managed at a corporate level through the Corporate Management Team. Managers will also identify risks at service delivery level including directorate, service area and project management levels. Each directorate will have their own specific arrangements in place to record and manage the service and project level risks within the broader umbrella of this strategy and processes and will be required to demonstrate the effective management of these risks as part of the Annual Governance Statement process.

Independent assurance and scrutiny of the adequacy of the risk management strategy and processes rests with the Audit Committee. It is the role of Audit Committee to seek assurance that action is being taken to identify and manage risks effectively and that the strategy and processes that underpin this are appropriate and fit for purpose.

This strategy and process document provides a framework to be used by officers and Members to imbed the principles of risk management as an integral part of good management and business practice. If applied consistently we will have a robust framework for the management of risk that supports our innovative approach to service delivery.

Paul Sheehan, Chief Executive
Date: 7th April 2016

Fred Bell, Chair of Audit Committee
Date: 7th April 2016

Risk management Policy Statement

It is the policy of the council to identify, analyse and economically control the risks that threaten the objectives (both strategic and operational) or assets of the council.

The aims in achieving this are:-

- Ensure that service delivery is not disrupted.
- Provide a safe environment for those who come into contact with the council.
- Take all reasonable steps in the management of risk.
- Protect the assets of the council.

In implementing the general statement it is our policy to:-

- Identify the risks that threaten the objectives or assets of the council.
- Evaluate the consequences of the identified risks on the council in terms of their likelihood and impact.
- Take reasonable steps to reduce the likelihood and/or impact of the identified risks. Where it is not economically prudent to control identified risks further we will:
 - Retain the risk where it is economically advantageous to do so.
 - Transfer the risk to a third party via contract or an insurance policy.
- Establish a corporate risk management strategy and process.
- Provide training, guidance and support to officers and Members to help them understand and implement the policy in a consistent manner.

The aim of risk management is to allow business risks to be taken within a structured and transparent framework that encourages the taking of appropriate risks. The risk management process is the tool that is used to demonstrate that risks have been considered in an appropriate, structured and consistent way.

Introduction

The council recognises that there are risks involved in everything we do and we have a duty to manage these risks in a balanced, structured and cost effective way. This document:

- (a) is supported by council members, the Chief Executive and the Corporate Management Team who are accountable for effective risk management within the council;
- (b) explains the council's underlying approach to risk management documenting the roles and responsibilities of Members, officers and other key parties for the ongoing management of risk as well as explaining key aspects of the council's risk management process; and
- (c) forms part of the council's overall internal control and governance arrangements.

The council's Constitution clearly sets out that the council will manage its risks through a planned, balanced and systematic approach. It sets out the role of Audit Committee and that of council officers. A link to the Constitution is shown below:

<https://cmispublic.walsall.gov.uk/cmris/Documents/Constitution.aspx>

It is important to understand that risk management is about being risk aware and making the most of opportunities, rather than being risk averse and avoiding risk altogether.

Risk management is the process by which risks are identified, evaluated and managed. It is integral to the framework for corporate governance and will support the delivery of our key objectives. The Corporate Risk Management Strategy (CRMS) will help support and underpin these processes.

The management of risk is an important business tool in a well run organisation. It supports the aims and objectives of directorates, service areas, individual projects and the council as a whole.

Context

Why do we have a risk management strategy

- It is considered good practice to identify, evaluate and manage risk to ensure the well-being of the organisation.
- It will alert Cabinet, Audit Committee, the Corporate Management Team and other stakeholders to the main service and financial risks. This will allow early and proportionate management handling.
- Better decision making and the achievement of objectives. When embedded within existing planning, decision taking and option appraisal processes, risk management provides a basis for ensuring implications are thought through, the impact of other decisions, initiatives and projects are considered, and conflicts are balanced. This will influence success and improve service delivery.
- Provides assurance to Members and management on the adequacy of arrangements for the conduct of business and the use of resources. This links in to the completion of the Annual Governance Statement whereby Audit Committee, the Leader of the Council and the Chief Executive must annually certify the effectiveness of internal controls within the council. Risk management informs this process and should be used to demonstrate that the organisation is actively identifying key risks, reviewing the appropriateness and effectiveness of key controls against these risks, highlighting areas of significant control weakness and demonstrate that these are being actively addressed.
- Leads to greater risk awareness and an improved control environment, which should mean fewer incidents and control failures.
- Managed well it can support provision of value for money for Walsall tax payers.

As well as being considered best practice and being integral to corporate governance it is also a statutory requirement. Our policy has due regard to the Accounts and Audit Regulations 2015 that require the council to have in place arrangements for the management of risk and ensure the council is fully compliant with the following:

Regulation 4(1) *“the relevant body (The Council) is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk.*

Regulation 4(2) *“the relevant body (Audit Committee in Walsall) must conduct a review at least once in a year of the effectiveness of its system of internal control and following the review the body or committee must approve an annual governance statement, prepared in accordance with the proper practices in relation to internal control.*

Part 4 of the council’s Financial and Contractual Rules (Section 7 – Financial Rules, paragraphs 4.1 and 4.2) places responsibility with all managers to ensure they perform their duties in accordance with the council’s risk management framework (this includes identifying, evaluating, recording and managing the risks existing within their service area) and maintaining sound systems of internal control within their area of service delivery. The link below details the relevant sections:

http://inside.walsall.gov.uk/index/audit_financial_and_contract_rules.htm

The council has to review the annual governance statement (AGS) which is required to be signed by the Leader of the Council and the Chief Executive. One of the key aspects of the system of internal control is the identification of key risks to the organisation and the controls needed to mitigate these risks.

Risk management can help us to demonstrate openness, integrity and accountability in all of our dealings. It should be focussed on outcomes by ensuring that risks are identified and managed before they become issues thus ensuring less service interruption, timely delivery of services and projects and better outcomes for local people.

It is vital that we develop the use of risk management in our dealings with third parties such as through partnerships, contracts and major procurements. These areas contain significant risks for the council, they also have the potential to provide significant benefits if well managed. The use of risk management to mitigate risks and maximising opportunities is important in ensuring that these working arrangements contribute positively to service delivery.

The Council's risk management strategy's objectives are to:

- Ensure that risk management is used as an effective business tool focussed on improving outcomes for local people whilst maintaining an effective and easily auditable process.
- Improve business planning through a risk based decision making process.
- Integrate risk management into the culture of the organisation.
- Anticipate and respond to changing social, political, environmental and legislative requirements.
- Mitigate against and, where possible, prevent injury, damage and losses and reduce the cost of risk.
- Raise awareness of the importance and need for risk management by all those connected with the council's delivery of services.

These objectives will be achieved by:

- Establishing clear roles and responsibilities within the council for risk management.
- Providing opportunities for shared learning on risk management across the council.
- Reinforcing the importance of effective risk management as part of the everyday work of employees by providing training.
- Incorporating risk management considerations into all levels of service delivery.
- Reporting of arrangements, at all levels, on an on-going basis.

The corporate risk management process details the agreed arrangements that should operate to ensure the effective management of risk across the council. It should be noted that whilst the council has developed an approach that best meets its own needs the arrangements take into account national good practice, where appropriate for Walsall.

Risk Appetite

Once risks have been identified they will be scored based on their “likelihood” (score 1 – 6) and their “impact” (score 1 – 4) to produce an overall score for that risk. These scores are then plotted on the following table.

Likelihood	6				
	5				
	4				
	3				
	2				
	1				
		1	2	3	4
Impact					

Risk Scores

1-3 = Low (Green)

4-12 = Medium (Amber)

15-24 = High (Red)

Risk Appetite -

Risks in this area will be actively managed

The highlighted hatched area at the top right of the table shows the “Risk Appetite” that has been agreed by the Corporate Management Team and Audit Committee for the council.

Risks that fall above the threshold are those risks that are considered to be of greatest concern and require further management actions to this end. The expectation is that a Management Action Plan is completed for all of the risks that fall into this area.

Management Action Plans can be produced for those risks that fall below the threshold - these will be produced at the Risk Owner’s discretion.

Part 2 : Risk management process

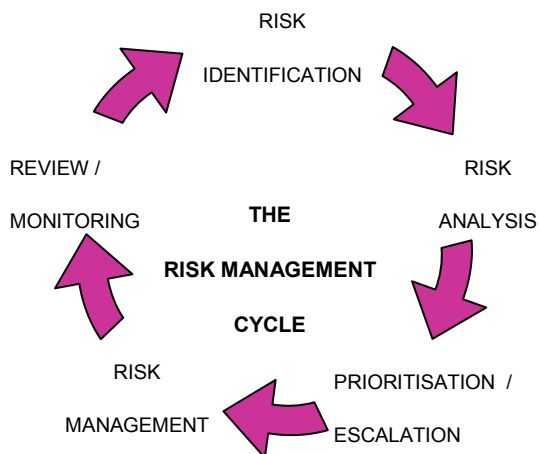
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The Risk Management Process

For this strategy to be effective there must be a commitment to implement it throughout the council. People at all levels should be able to demonstrate their commitment to risk management by identifying, profiling and prioritising corporate and cross-cutting risks.

The diagram below identifies the risk management process.



A training programme is available to ensure Members, managers and all employees understand and implement this methodology. The way in which risk is managed within existing processes throughout the organisation is detailed in the following section 'Embedding Risk Management – Establishment of Risk Registers, Risk Escalation and Devolvment'.

The council recognises that the approach to risk management should, at all times, be proportionate to the level of risk present. Risks within any decision making process should be considered. A formal approach to risk management will involve, for example, undertaking a risk assessment or detailing risks in a report. The link to the Cabinet report protocols is listed below:

http://inside.walsall.gov.uk/index/service_information/constitutional_services-2/cabinet_report_guidelines-2.htm

This strategy is just one part of the council's risk management framework, which also includes a 6 x 4 risk matrix scoring system, risk assessment template/management action plan and service continuity planning templates. Our adopted process can be found at:

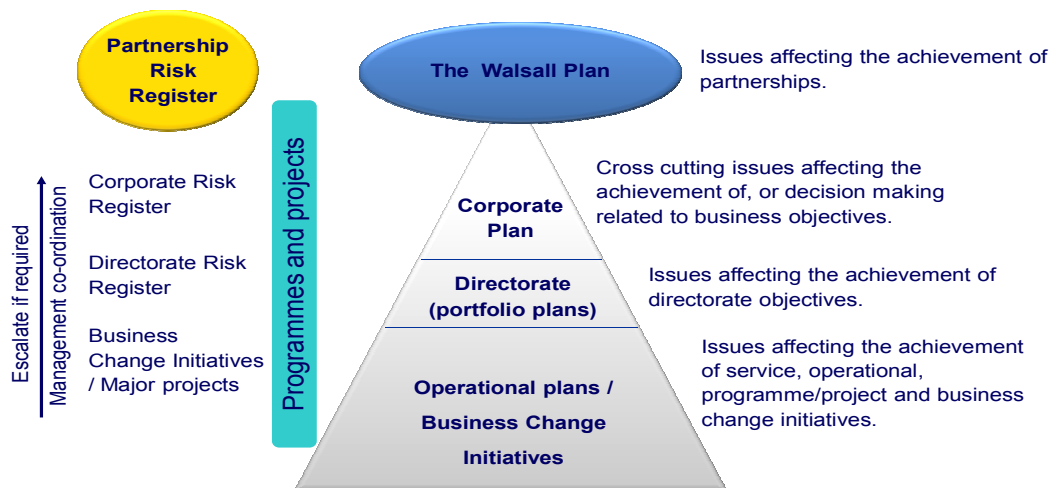
http://inside.walsall.gov.uk/index/service_information/risk_and_insurance.htm

The assessment process requires an evaluation of the likelihood and potential impacts of the identified risks. Likelihood is scored on a scale from 1 – 6 (1 being almost impossible and 6 being very high). Impacts are scored on a scale of 1 – 4 (1 being negligible and 4 being catastrophic impact)

As a guide to assist in the evaluation process a guidance document has been produced that provides suggested definitions for each of these scores. A copy of these can be found attached to this document at Appendix1.

Embedding Risk Management – Establishment of Risk Registers, Risk Escalation and Devolvment

Risk management enables the proper consideration of strategic, operational and cross cutting risks. It is an integral part of corporate planning, and corporate governance. The diagram below identifies the way in which risk is embedded throughout the organisation.



Corporate Risks

Within the corporate planning process the risks to achieving the corporate objectives will be identified, prioritised and managed via the Corporate Risk Register. The responsibility for managing these risks resides with CMT and relevant Members, where appropriate. Individual risk owners are required to review the corporate risks regularly to ensure that key risk management actions are being implemented in a timely manner. Reports are made to members and risk owners can be called on to discuss the activities being undertaken to manage the risk.

Process for escalation / devolvment

From time to time, risks may be considered as no longer appropriate to be included within the Corporate Risk Register (CRR) either as a result of the risk no longer existing or being reduced to an acceptable level. In the case of the latter, following agreement by CMT, the risk may be devolved to a directorate risk register.

Part of the role of managing risk is the systematic review of internal and external activities to enable the early identification of emerging or changing risks. This is known as horizon scanning. This is co-ordinated by the risk management team and items identified are reported to CMT for consideration and identifying at the level at which risks should be managed.

Directorate Risks

Each executive director (ED) is responsible for establishing an appropriate process to identify, prioritise and manage the risks to the delivery of the objectives within their remit and a process for escalation, where appropriate, to CMT and the CRR. Risks should be regularly reviewed at Directorate Management Teams (DMT's). A directorate risk register is one possible approach to managing this.

It is for individual ED's to decide on their approach and to be directly accountable to the Chief Executive and Audit Committee on management of risks within their remit.

Business Change and major projects

Any newly identified risk and opportunities from major projects and business change initiatives will be included in relevant registers. Any key risks facing individual programmes / projects may be referred to the directorate management team for consideration and inclusion within the directorate's own risk processes.

If undertaking change initiatives or any major project consideration should be given to the risks involved throughout the process and any significant risks highlighted and referred, as appropriate, for consideration.

Partnerships

The work with partners to deliver our priorities is important and it is essential that within any partnership environment the risks to achieving the objectives set by the partnership are clearly identified, analysed, prioritised and managed. It is also essential that risks that the council may face when entering into a partnership are clearly identified and managed. These will be at both a strategic and operational level and, where the council is the accountable body, it is paramount that ownership of the associated risks are established.

Joint working at the West Midlands level is still developing since the removal of key bodies and previous joint working arrangements, with talks underway to create a structure for regional Joint working. This includes proposals for a Combined Authority.

Four West Midlands LEP's (excluding Birmingham and Coventry) have agreed to continue to fund the WMES (West Midlands European Service) to co-ordinate the joint working in the development and delivery of the EU Investment Strategies, together with the development and sharing of best practice and their implementation where possible.

As the council enters into more and more significant partnerships, such as the established Black Country Local Enterprise Partnership (LEP), with Government funding increasingly channelled / influenced by / awarded to LEP's, effective co-ordination and achievement of joint objectives becomes key.

Any key risks should be referred to directorate management teams for consideration and, where appropriate, inclusion in their directorate risk process.

Roles, Responsibility and Authority

In order to ensure the successful implementation of this strategy, the key roles and responsibilities of individuals and groups have been established and are set out below:

Group / Individual	Role / Responsibility
The Council	<ul style="list-style-type: none"> • Ensure that the financial management of the council is adequate and effective and that the council has a sound system of internal control which facilitates the effective exercise of the council's functions and includes arrangements for the management of risk.
All Members	<ul style="list-style-type: none"> • Support and promote risk management. • Consider the risks involved in any key decisions made.
Cabinet	<ul style="list-style-type: none"> • To have regard for the risks faced by the council within the Cabinet decision making process.
Portfolio Holders	<ul style="list-style-type: none"> • Support the development and have a shared understanding of the risks that relate to their portfolio.
Audit committee	<ul style="list-style-type: none"> • To provide independent assurance of the adequacy of the risk management framework and the associated control environment. • Consider the effectiveness of the council's risk management arrangements as part of the wider governance framework (i.e.: Annual Governance Statement). • Seek assurances that action is being taken on risk related issues identified by auditors and inspectors and provide appropriate challenge. • Review the effectiveness of key control strategies including risk management. • Endorse the CRMS.
Chief Executive and Corporate Management Team	<ul style="list-style-type: none"> • To ensure that the corporate risk register reflects those organisational risks which may prevent it delivering on its objectives for Walsall residents and service users and manages these in an appropriate and proportionate way. • To determine the council's overall approach to risk management and supporting processes. • Support and promote risk management throughout the council. • To oversee the development / review of the council's Risk Management Strategy / Framework. • To take responsibility for ensuring that risk management is embedded in business processes, including financial planning, performance management and the council's decision making processes.
Section 151 Officer [Officer Champion for Risk]	<ul style="list-style-type: none"> • To ensure that the Risk Management Framework, including the Strategy and guidance, are kept up to date and reflective of best practice and relevant to the organisation. • Active involvement in and bring influence to bear on all material business decisions to ensure immediate and longer term

Group / Individual	Role / Responsibility
	<p>implications, opportunities and risks are fully considered and alignment with the organisation's financial strategy.</p> <ul style="list-style-type: none"> • Be proactive in managing change and risk; be focussed on outcomes; and help to resource the council's plans for change and development. • Applying strong internal controls in all areas of financial management and risk management. • Making recommendations on the treatment of generic and cross-cutting risks and prompting and ensuring a process exists to identify future issues which may follow legislative and other changes. • Supporting effective governance of the council through the development of risk management and reporting framework.
Executive directors	<ul style="list-style-type: none"> • Champion and ensure that risk management is implemented in their directorate. • To ensure that the risks which may prevent the directorate/service from delivering its objectives for Walsall residents and service users are identified and manage these in an appropriate and proportionate way. • Identify relevant lead officers / risk owners as appropriate • To ensure that portfolio holders are briefed on significant risks that fall within their portfolio and actions to address these. • Consider cross cutting, joint working and risks within partnership working. • Escalate risks as appropriate to CMT / CRR.
Risk Champions (where identified)	<ul style="list-style-type: none"> • To support the continued development of risk management by embedding risk management in the day to day running of their respective directorate and acting as a point of contact to provide support and information as appropriate.
Internal Audit (Mazars)	<ul style="list-style-type: none"> • To offer independent, objective assurance and advice on risk management activity. • To review risk management arrangements and make recommendations on actions to be considered. • To provide assurance on the effectiveness of controls, including annual assessment of the council's risk management and internal control mechanisms as part of the AGS. • To provide support on risk management across the council. • To co-ordinate the reporting of the corporate risk register to senior officers and Members and provide advice and challenge as appropriate. • To support the identification of and analyse key new and emerging risks and report to CMT for consideration (horizon scanning). • Support communication of the risk management strategy and process, and update as appropriate, across the council through

Group / Individual	Role / Responsibility
	risk reviews and training sessions. <ul style="list-style-type: none"> • Advise on possible actions that may be required in respect of business change initiatives.
Insurance Service	<ul style="list-style-type: none"> • To consider insurance management information reports, and take forward any identified initiatives arising from identifying incidents that can add value to the business and avoid loss control. • Promoting operational risk management awareness.
All Employees	<ul style="list-style-type: none"> • To understand the risks that relate to their role and activities and their role in reporting on and managing these. • To report new or emerging risks in a timely manner.

What can we provide you with to help you manage risk effectively?

Whilst it is primarily management's responsibility to understand, identify and manage risk, these arrangements will also be subject to audit as part of the aspects of the external and internal auditors annual work programme. Therefore, adequate arrangements should be in place to demonstrate effective risk management. Advice on this should be taken where appropriate; however the following should provide satisfactory evidence;

- Corporate risk management strategy.
- Contract/programme/project proposal review and sign-off.
- Directorate risk registers (or their equivalent) and their associated action plans.
- Business change initiatives / major projects / risk assessments / associated action plans and registers.
- Contractual/contract risk assessments/registers.
- Business continuity/contingency/emergency plans.
- Reports/minutes: Council, Cabinet, CMT, Audit Committee, management team meetings.
- Governance arrangements and plans for significant partnerships including risk management arrangements.
- Partnership risk registers/assessments/initiation documents/protocol.
- Procedure notes and manuals for business critical systems.
- Evidence of the process undertaken to identify and report and actively manage risks where necessary.

All of the above assists in providing evidence, as appropriate, to support the Annual Governance Statement [AGS].

Useful Contacts

Contact Officers:

Head of Finance ☎ 652326

Insurance & Loss Control Advisor. ☎ 650543

Insurance & Loss Control Officer. ☎ 653792