Audit Committee – 19 January 2010

Revised Corporate Risk Management Strategy (CRMS) – 2010/11

Summary of report

The corporate risk management strategy (CRMS) was revised and approved in January 2009. This document has been reviewed and the revised strategy is attached at **Appendix 1** This strategy has been discussed and endorsed by the Corporate Management Team (CMT).

Recommendations

1. Endorse the revised draft corporate risk management strategy.
2. Refer the CRMS to Cabinet for their consideration and approval.

Sponsoring Director

Rory Borealis – Executive Director (Resources)

11 January 2010

Governance

Audit Committee's responsibility for risk management includes the following:

- Reviewing the mechanisms for the assessment and management of risk.
- Giving assurance about the process.
- Ensuring the council meets its statutory requirements, as stipulated within the Accounts and Audit Regulations 2006 as follows:
  - Regulation 4 (1) - The relevant body shall be responsible for ensuring that the body has a sound system of internal control which facilitates the effective exercise of the bodies functions and which includes arrangements for the management of risk.
  - Regulation 4 (2) - The relevant body shall conduct a review at least once a year of the effectiveness of its system of internal control and shall include a statement on internal control with any financial statements the body is required to publish. The outcome of the review is set out in the Statement of Internal Control (SIC) which is signed off by the Leader of the Council and the Chief Executive indicating that they are satisfied that there are robust arrangements in place for the management of risk.

Audit committee is also required to ensure that it receives reports on risk management on a regular basis and takes appropriate action to ensure that strategic business risks are being actively managed, including reporting to full council as appropriate. The Use of Resources – Key Lines of Enquiry (KLOE) requires that the audit committee can demonstrate the impact of its work in providing:

- effective challenge across the organisation; and
- assurance on the risk management framework and associated internal control environment to the board and the public.

Resource and legal considerations

Risk management is a key aspect of the council's governance framework and an integral part of service planning. It enables resources to be targeted appropriately, projects to be managed effectively and the council's risk exposure to be minimised, whilst ensuring the organisation is able to seize and maximise its opportunities. Effective risk management can also assist in reducing insurance costs and mitigating legal claims.

Performance management and risk management issues

The revised corporate risk management strategy (CRMS) takes account of many factors currently affecting the organisation, such as the re-alignment of services to reflect changing national and local agendas; increased partnership working; the Use of Resources assessment and Corporate Area Assessment (CAA). The council's risk management arrangements were formally reviewed annually by external auditors under the then Comprehensive Performance Assessment - Use of Resources assessment. In 2006, 2007 and 2008 the council received the maximum possible score of 4 for its risk management arrangements, recognising its strength in this area.

The council was assessed under the new Use of Resources – KLOE in 2009 which is split into three themes:
- managing finances
- governing the business
- managing resources.

Risk management and internal control is considered under the Governing the Business theme.

The approach taken is different to the way in which these assessments were previously undertaken with a move away from a 'checklist' of criteria to illustrative characteristics of performance. The emphasis being on a professional rounded judgement by the auditor against the headline KLOE. This new approach is more challenging for both audited bodies and the auditors.

The council has achieved a score of 3 which indicates that the council is 'performing well'.

The revised strategy seeks to develop, strengthen and refine the processes. It defines the roles, responsibilities, implementation, and how it connects with corporate and service planning, programme/project management, partnership working and evidence of compliance.

Audit Committee endorsement is clear evidence of the recognition of the importance and value of risk management and further emphasises the council's commitment to continuous improvement; focusing on outcomes and issues that will make a difference not only to the organisation but to the community it serves. Whilst Audit Committee has the regulatory responsibility for risk management, further endorsement by Cabinet following Audit Committee's approval further embeds the council's strategic approach into its policy-making activities.

Equality implications

None arising directly from this report.

Consultation

Other authorities and external partners i.e., ALARM, IRM, CIPFA

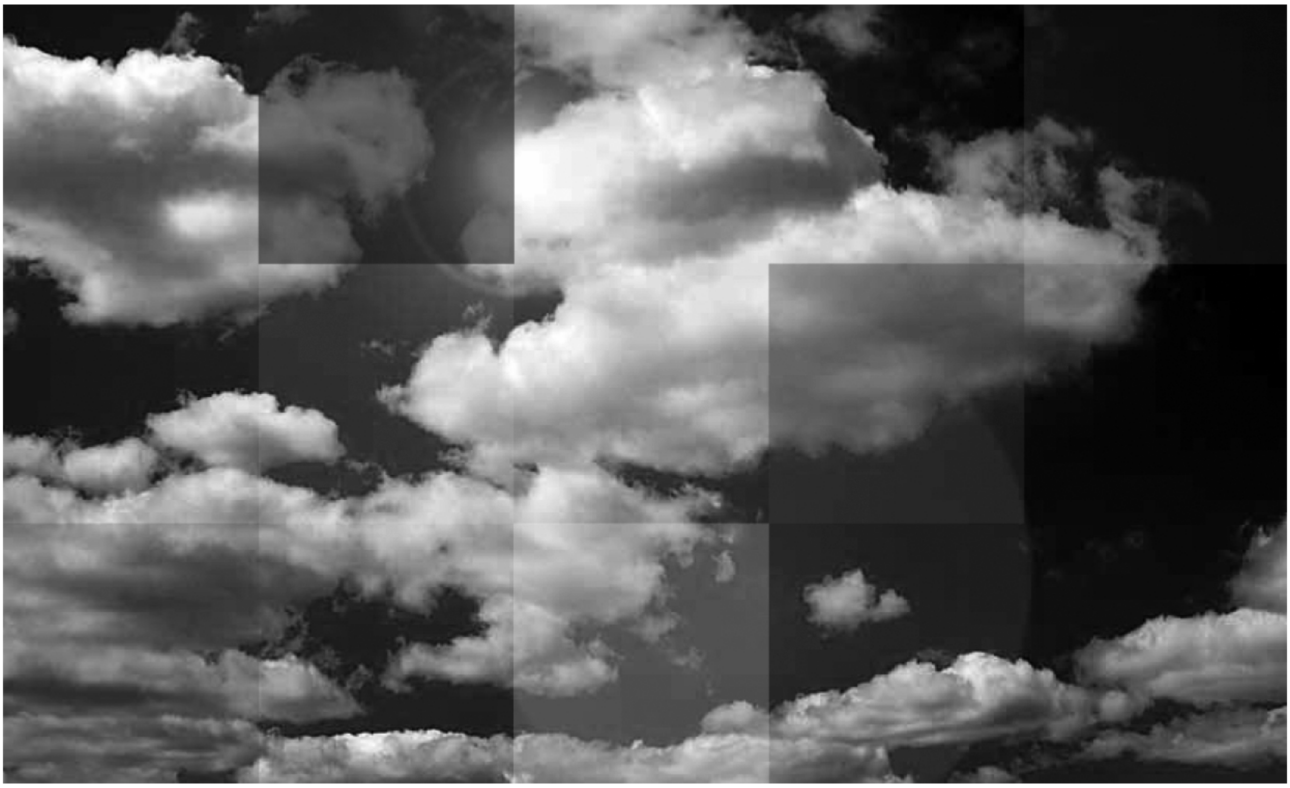
Background papers

Risk Management Strategy 2008/09
Audit Committee report 13.1.09
Cabinet report 4.2.09
Council report 20.4.09
CMT report 7.1.10

Author

Ann Johnson – Corporate Risk and Insurance Manager
☎ 01922 652912
✉ johnsona@walsall.gov.uk

DRAFT **Appendix 1**



Corporate Risk Management Strategy

Version 1.1
December 2009

Walsall Council

CONTENTS

Foreword

As Chief Executive of Walsall Council it is my responsibility to ensure that there are effective corporate governance arrangements across the council which includes ensuring that the council's risk management policy and strategy is formally embedded within the organisation.

Walsall Council has long embraced risk management as an integral and important part of its business processes and recognises that the concept and its practices are a key element in the management of the council and an integral part of governance culture. The principles of corporate governance apply as much (if not more) in the public sector as they do in the private sector in exercising our community leadership role, working with a wide range of partners, providing diverse and sensitive services and making decisions that impact on the lives of residents, visitors, businesses and other stakeholders. We aim to build on our past success to ensure that the council is well prepared to take on the many new challenges it will be required to face in the future.

The council's financial position, both revenue and capital, is extremely tight with ever increasing requirements to make efficiency savings whilst continuing to provide improving services and will continue to require stringent management and at times difficult decisions over resource priorities. It is important that the maximum amount of resources can be channelled into achieving the council's objectives instead of 'firefighting', when those issues that could have been foreseen and managed, or the impact reduced, manifest themselves diverting precious time and resources from delivering the services which make a difference to the lives of the people of Walsall.

We must not lose sight of the fact that risk is inextricably linked to opportunities and innovation. The council cannot be risk averse and it needs to take full advantage of opportunities for improving services. Therefore it needs to be pro-active and prepared in the way that it manages risk.

By managers having a better understanding of the importance of, and fully implementing risk management, it will make a huge contribution to improving overall corporate governance within the council. Better identification of risks and their management will mean that better use of resources is achieved. If we all use the resources available to us more efficiently and effectively then the service to our customers can only improve.

This strategy enables everyone involved with the delivery of council services to have a thorough understanding of how important the management of risk is to them achieving the objectives of their service in serving the people of Walsall.

This strategy has been endorsed by the Corporate Management Team (CMT) and the Audit Committee (AC).

Paul Sheehan Chief Executive XX MONTH 2010	Councillor Rose Martin Chair of the Audit Committee XX MONTH 2010

1. INTRODUCTION

Risk management is centred around making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made. This is achieved through transferring, controlling and living with risk.

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. In order to meet our objectives it is appreciated that some risks must be taken. It is important, however, that these risks are actively controlled. One of the biggest risks that Walsall Council could face would be to do nothing at all.

Risk management is the process by which risks are identified, evaluated and controlled. It is part of the code of corporate governance which considers how well the authority carries out its duties and responsibilities against six key components:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision in the local area.

- Members and officers working together to achieve a common purpose with clearly defined functions and roles.

- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviours.

- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

- Developing the capacity and capability of members and officers to be effective.

- Engaging with local people and other stakeholders to ensure robust public accountability.

Risk management is not a new process; it is a formalisation of processes that are already in place. Risk management is integral to a well managed council; it is something that managers undertake every day of their lives. It is so intrinsic to their jobs that often they do not realise they are doing it. It is crucial that the aims and objectives of directorates or the council as a whole can be clearly linked with the risks involved. This strategy seeks to ensure that the risks to all services achieving their aims and objectives are identified and effectively managed.

2. CONTEXT

Risk management is an integral part of corporate governance, which requires the maintenance of a sound system of internal control. The Accounts and Audit Regulations 2006 require the Council to have in place arrangements for the management of risk.

Regulation 4(1) states *"the relevant body shall be responsible for ensuring that the body has a sound system of internal control which facilitates the effective exercise of the bodies functions and which includes arrangements for the management of risk"* placing responsibility with all directors for risk management and maintaining sound systems of internal control within their area of service delivery.

Regulation 4(2) states *"the relevant body shall conduct a review at least once a year of the effectiveness of its systems of internal control and shall include a statement on the internal control with any financial statements the body is required to publish"* and requires the directors to make an annual assurance statement on risk management and internal control which is embraced in a single statement made by the Leader of the Council, the Chief Executive and the Chief Finance Officer (CFO) as an integral part of the Annual Statement of Accounts.

In 2004 "The Good Governance Standard for Public Services" was issued and a further update on corporate governance is contained within the "Delivering Good Governance in Local Government: Framework and Guidance Note for English Authorities", published in the summer of 2007 by CIPFA. This expands on the six core principles in "The Good Governance Standard for Public Services" and states that:

> "Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk. All authorities should aim to meet the standards of the best and governance arrangements should not only be sound but also be seen to be sound".

Section 4 of the Council's Financial and Contractual Rules 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 key aspect of the system of internal control is the identification of key risks to the organisation and key controls needed to mitigate these risks. The Annual Governance Statement (AGS) is required to be signed by the Chief Executive and Lead Member. In previous years the Chief Finance Officer (CFO) also signed the AGS and has done so this year as a significant proportion of the internal framework falls within his remit and to reflect accountabilities. The requirement falls on the authority and not, as previously, on an individual officer (CFO).

The need for a risk management strategy

Mandatory codes of governance exist in the private sector and other parts of the public sectors. The CIPFA/SOLACE document; *"Corporate Governance in Local Government – A Keystone for Community Governance"*, which comprises a framework and guidance notes, is adopted as best practice. The framework comprises five themes, with risk management being one of them.

The management of risk is now considered best practice in both the public and private sector. The concepts within the CIPFA/SOLACE document were further updated in 2004 with the publication of "The Good Governance Standard for Public Services" which describes six core principles, one of which is "taking informed transparent decisions which are subject to scrutiny and managing risk".

The "Delivering Good Governance in Local Government: Framework and Guidance Note for English Authorities", published in the summer of 2007 by CIPFA, builds on this core principle with Section 8 of the guidance note relating specifically to risk management. This states that:

> "Good governance requires that risk management is embedded into the culture of the organisation, with members and managers at all levels recognising that risk management is part of their job".

Greater involvement and awareness of risk management regarding the implications of decisions taken by members is essential to improve corporate governance and risk management. The emphasis is on being risk aware rather than risk averse.

The benefits of having a risk management strategy

- Risk management will alert Cabinet, Audit Committee, Corporate Management Team (CMT) and other stakeholders to the main service and financial issues. This will allow early and proportionate management handling.
- It contributes to better decision making and the process of achieving 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.
- It provides assurance to members and management on the adequacy of arrangement for the conduct of business and the use of resources. It demonstrates openness and accountability of various inspectorate bodies and stakeholders more widely. This links in to the completion of assurance statements whereby directors must annually certify the effectiveness of the internal controls within the service area. Risk management can inform this process as it can be used to demonstrate that senior officers are actively identifying key risks, reviewing the appropriateness and effectiveness of key controls against these risks, and are able to highlight areas of significant control weakness.
- It leads to greater risk awareness and an improved control environment, which should mean fewer incidents and other control failures. In some cases this can result in lower insurance premiums.

By identifying risks at an early stage and ensuring that processes are not over engineered, are fit for purpose, and are achieving a behavioural shift risk management will encourage a cultural change that will pay back.

Risk management is not simply a compliance issue, but rather a way of viewing our operations with a significant impact on long-term viability. It is critical to success and is a focal point for senior management and members. It helps us to demonstrate openness, integrity and accountability in all of our dealings. It is also 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. While 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 while also exploring opportunities is important in ensuring that these working arrangements contribute positively to service delivery.

Risk management is a comprehensive business tool and is part of our day to day management of the business. As risk management is an integral part of our activities and is embedded in existing processes our risks are proactively managed and opportunities are seized.

Our use of this sound risk management approach will continue to achieve many benefits for Walsall Council. It will assist in demonstrating that we are continuously improving and have effective governance.

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

- Integrate risk management into the culture of the organisation.
- Manage risk in accordance with best practice.
- Anticipate and respond to changing social, political, environmental and legislative requirements.
- Prevent injury, damage and losses and reduce the cost of risk.
- Raise awareness of the need for risk management by all those connected with the council's delivery of services.
- 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.

These objectives will be achieved by:

- Establishing clear roles, responsibilities and reporting lines within the council for risk management.
- Providing opportunities for shared learning on risk management across the council.
- Offering a framework for allocating resources to identified priority risk areas.
- Reinforcing the importance of effective risk management as part of the everyday work of employees by offering training.
- Incorporating risk management considerations into all levels of service planning.

- Monitoring of arrangements, at all levels, on an on-going basis by management.

The effectiveness of risk management is externally assessed as an integral part of the Use of Resources – Key Lines of Enquiry 2009.

Comprehensive Area Assessment (CAA)
Use of Resources (UOR) and Comprehensive Area Assessment (CAA)

The Comprehensive Area Assessment (CAA) has an emphasis on forward looking risk management, particularly with regard to looking at the risks arising in the medium and long term to the delivery of the council's strategic outcomes. It expects risk management to be embedded in our partnership arrangements as we are placing increasing reliance on them to help us to meet strategic outcomes and deliver the long term vision in Walsall 2021**.** These requirements are detailed in the Use of Resources Key Lines of Enquiry.

Use of Resources is an external assessment of how well organisations are managing and using their resources to deliver value for money and better and sustainable outcomes for local people. From 2009 this assessment will form part of the new comprehensive area assessment (CAA) framework as well as other relevant performance assessment frameworks.

Auditors will produce a judgement for each of the following three themes:

- **managing finances** – focussing on sound and strategic financial management;
- **governing the business** – focussing on strategic commissioning and good governance; and
- **managing resources** – focussing on the effective management of natural resources, assets and people

Auditors will reach judgements on these themes by considering specified key lines of enquiry (KLOE).

Risk management is a key component of the 'governing the business' theme and features strongly throughout all of the key lines of enquiry (KLOE) and throughout the comprehensive area assessment (CAA). It is essential, therefore, that the council's policies and strategies are robust to deal with the challenges presented by these assessments.

Walsall Performance Framework

The corporate risk management strategy (CRMS) supports the Walsall Performance Framework and its component parts which are integral to the council's business operations and inextricably linked to other strategic and operational activities.

The management of risk at all levels within the organisation is an integral part of seizing opportunities, delivering excellent services and achieving continuous improvement. It is recognised that strategic risk management, as a corporate self diagnostic tool, provides demonstrable evidence of the organisation's capacity to improve and enables us to seize and maximise our opportunities. Hence risk and opportunity management is an integral part of every planning process within this framework.

3. ROLES, RESPONSIBILITY AND AUTHORITY

The roles and responsibilities of individuals and groups to implement the strategy are as follows:

Elected Members:

Full council

The Local Government Act 2000 gives the council collectively responsibility for approving the council's policy framework. The role of full council is therefore to:

- Formally approve the Corporate Risk Management Strategy (CRMS).
- Receive an annual report on risk management activity ensuring that it has the highest profile and enables members to deepen their understanding of this important activity.
- Embrace the CRMS in undertaking their various roles.
- Support management in the use of risk and opportunity management as an integral part of the council's business practices.

Cabinet

Cabinet are at the heart of the decision making process and has a key role in proposing the budget and policy framework to full council. In effecting their role, cabinet should fully embrace the concept of risk management and consider relevant issues in making decisions. Cabinet's role is to:

- Ensure that the council identifies and effectively manages corporate business risks in line with this strategy.
- Ensure that the systems for managing risk develops and remains effective to take account of new and emerging risks, control failures, organisational change or business objectives.
- Ensure that the importance of regular and systematic assessment of the risks facing the business and the value of embedding risk management within business processes is fully understood.
- Formally endorse the CRMS.
- Fully consider relevant risk and opportunities in making decisions.
- Embrace the CRMS in undertaking their various roles.
- Support management in the use of risk and opportunity management as an integral part of the council's business practices.
- Ensure that the systems employed for the management of risk in programmes, projects and partnerships are robust and ensure timely delivery and good governance.
- Cabinet will have a shared understanding with CMT of the major risks facing the council and will contribute to the development of the Corporate Risk Register (CRR) providing challenge to the Corporate Management Team (CMT) about the management of the corporate risks.
- Portfolio holders will support the development of, and have a shared understanding of, the risk registers that relate to their individual portfolios working with officers to ensure the management of identified risks.

Member Champion

The member risk champion has a pivotal role in ensuring that the principles of risk management are thoroughly adopted throughout the organisation in the delivery of council services. The main activities of this role are to:

- Raise awareness of the importance of proactive management of risk within the member arena.
- Review and input into the CRMS.
- Review the arrangements in conjunction with the corporate risk manager for managing the council's strategic risks.
- Act as a catalyst for change and improvement in relation to risk.
- Active involvement in the council's preparations for assessment under various inspection regimes in relation to risk management.
- Jointly championing with a senior officer and support the embedding risk management throughout the council.
- Work with officers, directors and other risk champions to further develop and refine risk management processes.
- Actively participate in the core risk champions group (CRCG).
- Actively promote risk in other member forums through either membership or networking.
- The member risk champion will usually be a cabinet member or a member nominated by cabinet/CMT to undertake this role and will be reviewed annually in conjunction with this strategy to reflect political/operational changes.

Scrutiny

Scrutiny and Performance Boards also have a role in ensuring that when scrutinising decisions, risk management principles have been used, and when contributing to policy development and performance management that risk management is being effectively adopted.

Members (individual)

Councillors are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the council faces, and will be made aware of how these risks are being managed through the annual strategic and service planning process.

- All members, as community representatives, will discuss perceived risks within the local community and feed them into the appropriate discussions. The discussion with officers will happen through Cabinet members, portfolio holders and/or scrutiny members.
- Members are responsible for (this responsibility may not rest with a single committee) and engage in corporate risk management and work closely with the audit committee.
- Members, when involved via regulatory committees, and other roles such as membership of programme/project boards and/or accountable bodies.
- Members should be aware of the key risks within their portfolio services and within any projects/partnership working upon which they represent the council's interests.
- Members should request sight of risk registers as appropriate and challenge the robustness of risk assessments within committee reports.

Audit Committee

Audit Committee has the responsibility for ensuring the council's risk management arrangements are sound and effective. Their responsibilities are to:

- Approve the CRMS (for forwarding to full council) and implementation plan and review annually.
- Monitor the council's risk management and internal control arrangements.
- Commission and review an annual assessment of the effectiveness of the risk management and internal control framework.
- Approve the disclosure of the annual governance statement (AGS).
- Identify and prioritise risks facing the council working with appropriate officers.

Officers: These officers are integral to the risk management process. They will be responsible for:

Chief Executive

- Leading on the wider corporate governance agenda of which risk management is a part.
- Receiving assurance statements on internal control from Directors and signs off the Annual Governance Statement (AGS) along with the Leader of the Council, the Assistant Director, Finance – Section 151 officer and the Assistant Director – Legal Services Monitoring Officer.

Executive Directors

- Identifying new and emerging risks to the council.
- Giving a view of the medium to long terms risks to the council including assumptions in respect of government policy, financing, business change and partnership working.
- Providing leadership for the process.
- Receiving the updated CRR and review the effectiveness of actions put in place by Executive Directors, Assistant Directors/Heads of Service to manage corporate risks on a quarterly basis.
- Nominating new risks, amendments and deletions to the CRR as appropriate.

Assistant Directors, Heads of Service

- Feeding key risks into the CRR via their directorate risk registers.
- Identifying those risks arising from corporate initiatives, business change, major projects/programmes, cross cutting issues, the external environment – including legislative changes, partnership working and from assessing the wider implications of their directorate's service provision.
- Having a particular duty to reduce the impact of high risks that are likely to occur.
- Making arrangements for embedding risk management throughout their directorate, which will assist them in providing assurance to the Chief Executive each year.
- Reporting to CMT regarding progress with corporate risks and directorate risks on an ongoing basis.

- Embedding risk management throughout their directorate. This includes the process of reporting or nominating risks and opportunities arising from business change activities and those identified by divisions and services, up to the directorate risk register.
- Ensuring that risk management has been explicitly considered in framing service plans.
- Reviewing and updating their directorate risk registers at least quarterly. Directorate risk registers are to include the corporate risks.
- Feeding new key risks identified and opportunities, such as from projects, partnership working and business change to CMT and to update their risks within the CRR at least quarterly.
- Reporting to CMT regarding progress on their management of corporate risks.
- Providing an annual assurance statement on risk management and internal control within their service area by end June each year by obtaining management assurance and utilising control risk self assessment information from their evaluation of the effectiveness of controls in place and the degree to which they have been constantly applied.

Directorate and Service Management Teams

- Carry out service risk and opportunity assessment as part of service planning and internal/external reviews, eg: external audit inspections and reviews, Equalities & Human Rights Commission inspections, Ofsted, Comprehensive Area Assessments and the associated Key Lines of Enquiry, results of Equality Impact Assessments (EqIA) etc. taking account of key corporate risks.
- Have responsibility to put in place actions to take advantage of opportunities and to reduce risks.
- Monitor and review the effectiveness of these actions.

Core Risk Champions Group (CRCG)

The CRCG consists of a team of assistant directors/heads of service representing each of the directorates together and the member risk champion. Their role is to provide strategic leadership of risk management ensuring that it is adequately progressed within directorates, supporting executive directors and liaising with the risk management and insurance team on progress and developments.

The following are the aims and objectives of the core risk champions:-

- The group will support councillors who are responsible for governing the delivery of services to the local community. They will ensure that members understand the strategic risks that the council faces and will make them aware of how these risks are being managed through the annual strategic and service planning process.
- As a group support members of Audit Committee whose key role is one of internal governance ensuring the council meets its statutory requirements and that there are robust arrangements in place for the management of risk.
- To encourage a holistic approach to the management of risks so as to allow effective assessment to take place at key points during the development and delivery of services.
- To embed the risk management process within all planning processes so that benefits of adopting the process are realised and demonstrated to all.

- To support executive directors (CMT) in implementing a practical and workable approach to risk management within their respective directorate, advising on appropriate infrastructure requirements.
- As a group make recommendations to directorate management teams (and CMT) on treatment of generic and cross-cutting risks and promoting and ensuring a process exists to regularly review risks and identify future risks which may follow legislative and other changes.
- The appropriate risk champion to report regularly and offer assurance or advice to officers and members on the management of risk within their directorate.
- Act as the first point of contact for risk management enquiries from own directorate providing advice and guidance as necessary.
- Liaise with the corporate risk management team regarding risk management progress and developments.
- To ensure that key managers and directors accept and own the risks within their department.
- Consider opportunities/new innovative ways of working.
- Establish an individual Terms of Reference (ToR) within each directorate taking into account the distinct activities/requirements for that directorate.

Risk Champions

Risk champions are nominated by each directorate and form a team of senior officers who are committed to ensuring that risk management is embedded within the organisation. Their remit has further been extended to ensure that directorate risk registers are updated quarterly and forwarded to the corporate risk and insurance manager for review and reporting to CMT and members. They receive bespoke training which is designed to develop key skills and understanding of strategic risk management. The training increases risk champions' knowledge of strategic risk management, offering explanations as to how it fits into both the corporate governance agenda and the continuous improvement agenda. They are introduced to a number of methodologies relevant to the process giving them the ability to effectively contribute to strategic and operational management throughout the organisation.

They support the continued development of risk management through:

- Encouraging a holistic approach to the management of risks so as to allow effective assessment to take place at key points during the development and delivery of services.
- Embedding the risk management process within all planning processes so that it is not seen as an 'add-on' or bureaucratic requirement.
- The production and maintenance of up-to-date directorate risk register (including the risks identified from business change programmes)
- Supporting CMT in implementing a practical and workable approach to risk management within their respective directorate.
- Embedding risk management into the day-to-day running of their directorate
- Making recommendations to directorate management teams and CMT 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.
- Reporting regularly and offer assurance or advice to officers and members on the management of risk within their directorate.

- Acting as the first point of contact for risk management enquiries from their respective directorate.
- Liaising with the co-ordinating role regarding risk management progress and developments.
- Ensuring that key managers and directors accept and own the risks within their directorate.
- Co-ordinating responses to corporate risks.

They are also a point of contact to provide risk registers and risk management information from the directorate to the Corporate Risk Team (CRT) and receive information from CRT with regard to risk management within their directorate.

Corporate Risk and Insurance Manager

- Manage the integrated approach, policy, strategy and processes on behalf of the council and its management team.
- Monitor and review the CRMS.
- Establish a standard risk management process to be used across all activities of the council including programme/project management, service planning, procurement, performance reviews and partnerships.
- Analyse service risks to identify key risks and common risks across services and report to CMT for consideration.
- Consider insurance management information reports, and take forward any identified initiatives arising from them.
- Review criteria for reporting risks to members on committee reports.
- Link risks to procurement strategy.
- Determine risk assessment within performance and scrutiny reviews.
- Develop toolkit for guidance to officers and members.
- Analyse risk appetites and prioritisation approaches to ensure consistency of approach and feedback to services.
- Share experiences and best practice council-wide through the core risk champions group (CRCG).
- Develop the management of risk in partnerships.
- Communicate risk management information across the council through workshops and training sessions.
- Consider and implement recommendations on possible actions in respect of operational risks or loss control initiatives.
- Critically review the UOR key lines of enquiry and CAA requirements ensuring that the CRMS delivers the required outcome.

Directorate Management Teams

The directorate management teams are pivotal in the promotion and embedding of risk management within Walsall. The directorate management teams' key tasks are to:

- Implement board policies on risk and control.
- Support and promote risk management throughout the council.

- Develop and implement relevant action plans for the key risks.
- Regularly (quarterly) monitor management action plans and risks.
- Be actively involved in the identification and assessment of strategic risks.
- Ensure all of those involved in the council's risk management arrangements receive relevant training and guidance.
- Ensure that risk training is provided as part of the induction process for all new members of staff and also staff promoted within the council who have new risk management responsibilities.

Performance Boards

The purpose of performance boards is to monitor all performance related issues arising from the business of the council including:

- Ensuring national and local targets are met.
- Development and implementation of operational plans, policies, procedures and budgets.
- Monitoring of operating and financial performance.
- Prioritisation and allocation of resources.
- Establish, monitor and review projects.

Each board is required to include a regular assessment of risk management activity and key risks as follows:

- Actively review and monitor the risks identified within the directorate.
- Ensure risk management action plans are developed to manage identified risks.
- Monitor the risk management action plans to ensure appropriate action is being undertaken.
- Review the directorate risk registers and produce regular progress reports to directorate management teams as part of the existing performance management framework.

Senior Managers

- Ensure risks to the delivery of the service are identified and managed appropriately.
- Report to directorate management teams on key risks and risks to the delivery of key performance indicators, national targets and programme/project management targets.
- Embed risk management into all programmes, projects and partnerships undertaken to deliver the service.
- Ensure all operational areas have robust health and safety controls in place.
- Monitor the effectiveness of risk management actions in place.
- Provide assurance that systems and controls are consistently applied and are operating effectively to mitigate risk and assist in the achievement of service outcomes using control risk self assessment.
- Report on progress to Executive Directors/Assistant Directors/Heads of Service/Directorate Management Team at least quarterly.

Project/Programme Managers

Project/programme managers have a responsibility to ensure that the risks associated within the programme/project are identified, recorded and regularly reviewed as part of the project management programme process. The Walsall Programme and Project Approach (WPPA) clearly sets out how risks are to be managed within programmes/projects and it is the responsibility of all project/programme managers to ensure that this guidance is adhered to.

Employees

Each member of staff is responsible for the ownership and undertaking of their risk management functions in accordance with this strategy and for its implementation within the framework of Walsall Council's procedures and directives. All new staff are issued with a copy of the risk management strategy when they commence employment with the council in order for them to fully understand their role in the risk management process.

Internal Audit

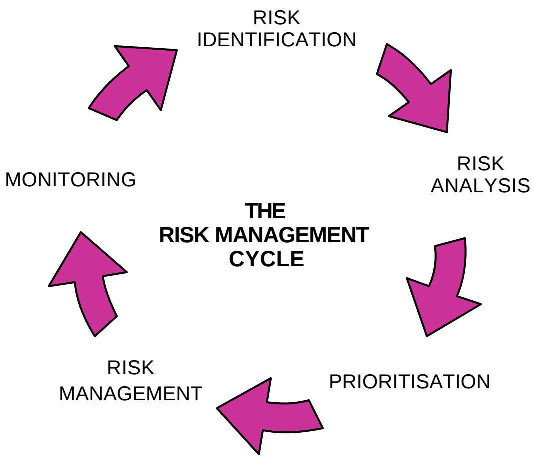
To maintain independence and objectivity, the internal audit service is not responsible or accountable for risk management or for managing risks on the manager's behalf. However, they do use the council's approach to risk management and support the use of it by others through their regularity work. In particular, internal audit will:

- challenge established processes;
- challenge risk identification and evaluation;
- review risk management action plans ensuring that where risk management actions have been undertaken they are working adequately and that proposed actions are being implemented, and the degree to which they are being consistently applied.
- provide assurance to officers and members on the effectiveness of controls;
- be responsible for undertaking an annual assessment of the Council's risk management and internal control mechanisms as part of the review of corporate governance arrangements.

4. PROCESS AND IMPLEMENTATION

For this strategy to be effective there must be commitment to implement it throughout the council. Members, Executive Directors, Assistant Directors and Heads of Service must be able to demonstrate their commitment to risk management by identifying, profiling and prioritising corporate and cross-cutting risks.

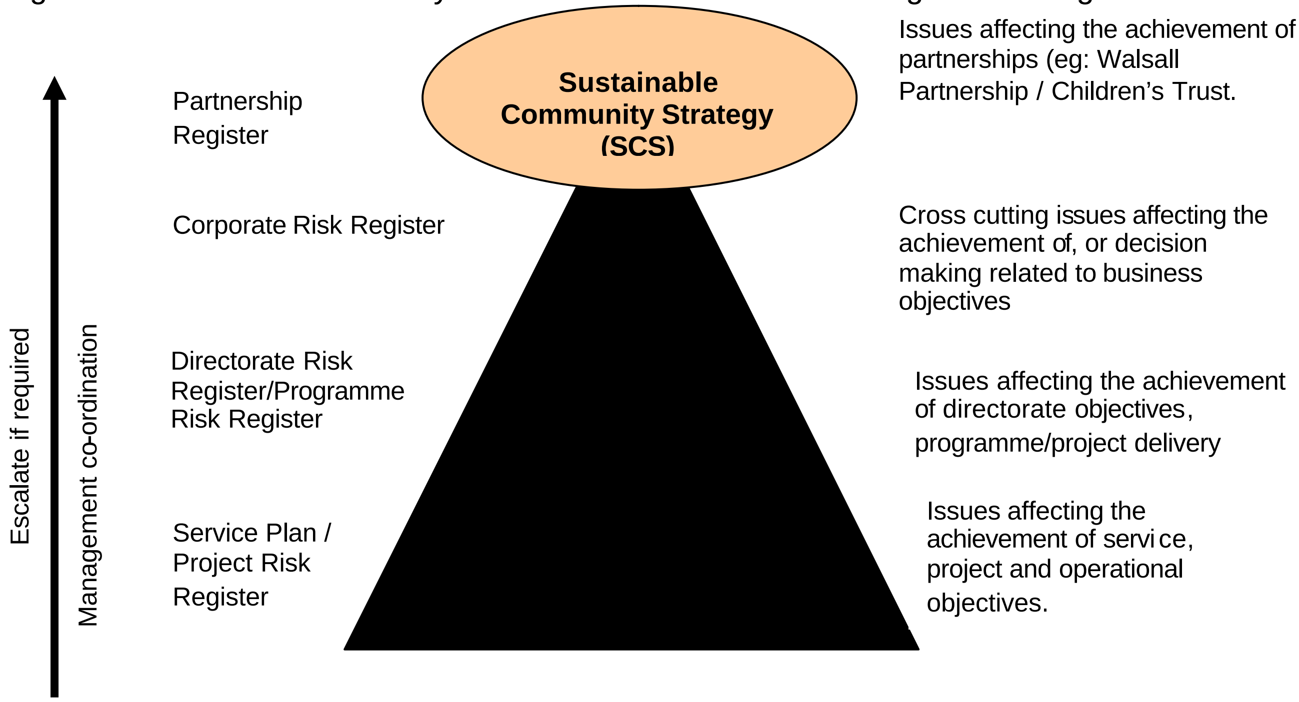
To enable this to happen the council has adopted an established risk management methodology to identify risks associated with its activities enabling it to assess risks in terms of likelihood and impact and evaluate reduction and mitigating measures. The diagram below identifies the risk management cycle.



A training programme has been developed 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 section 5.

5. EMBEDDING RISK MANAGEMENT

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



Corporate Plan

Within the corporate planning process the risks to achieving the corporate objectives will be identified and prioritised and action plans produced. The responsibility for managing these risks resides with CMT and relevant members.

Corporate and Service Planning

A risk assessment will be undertaken for corporate, directorate and service plans. This will identify the key risks facing the Council or a particular service in its delivery of individual plans. This will ensure that key obstacles to the delivery of the corporate objectives will be identified and managed at all tiers across the Council.

Corporate Risk Management Action Plan

The corporate risk management action plan addresses recommendations from inspections, healthchecks, best practice; UoR and CAA assessments and is reviewed and updated each quarter. This continuous improvement plan is informed by our own professional knowledge, emerging best practice and findings from inspections and corporate healthchecks. It also includes the actions to respond to the Key Lines of Enquiries (KLOE) inspection framework (UOR). This document provides assurance to Audit Committee, Cabinet, CMT and other stakeholders that processes continue to be developed and streamlined to meet organisational needs.

Directorate Plans / Service Plans / Team Plans

Within the service planning process the risks to achieving the service objectives will be identified and prioritised. Service objectives support the delivery of the corporate objectives. Responsibility for managing those risks rests with the service management teams. The key risks facing individual directorates / services will be referred to CMT for consideration and, where considered appropriate, will be elevated to the corporate risk register.

Performance Management

The monitoring of the risks and the associated risk management action plans will be incorporated into the quarterly service plan monitoring arrangements. The risks also inherent in the achievement of statutory PIs, NIS, targets and corporate health indicators will also be risk assessed at the start of each planning cycle.

Programme/Project Management

The council has adopted a programme/project management methodology that will be applied to all programmes/projects across the organisation. The methodology includes a requirement that the programme/project manager is responsible for ensuring that risks are identified, recorded and regularly reviewed. Programmes and projects are considered at various boards set up to ensure the delivery of those programmes/projects including performance boards and reports to cabinet and CMT. Risks inherent in these programmes/projects will be identified and reviewed by these boards.

Partnerships

Increasingly Walsall Council is working in partnership to deliver its objectives. 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.

A partnership protocol, toolkit and partnership register has been developed to ensure that there is robust governance across all partnerships which includes the management of risk. All officers will be required, when entering into any future partnerships, to ensure that they do so within these approved protocols and with appropriate authentication.

Cabinet Reports

Within cabinet reports material considerations are identified in respect of the recommendation or key decision being taken. These include financial, legal, staffing, sustainability, equality and community safety issues. The majority of the risks relating to the recommendation or key decisions are contained within the body of the report. In future these will also include areas such as use of resources, asset management and environmental, social and economic issues.

Business Continuity

Business continuity is a specific risk management process designed to establish and manage the risks that may interrupt or stop effective service delivery. It is essential that we have in place effective business continuity plans for key services. This requirement became a duty in 2005 following the adoption of the Civil Contingencies Act. There is increasing pressure on local authorities to deliver its services though partnership working, shared services, outsourcing etc. This requires greater resilience to be built into the organisation through its contractual and partnership arrangements to ensure the robustness of the partner organisations to continue to deliver these services.

Health and Safety

The council has a strong commitment to health and safety which is underpinned by a comprehensive health and safety management system. It is committed to a total quality approach to health and safety management which involves the following:

- Setting objectives.
- Developing management to achieve objectives.
- Measuring against objectives.
- Acting upon findings.

The fulfilling of these objectives will support the provision of a safe, fulfilling, healthy and balanced work life for all staff.

This strategy, the information contained within the risk management policy statement and the risk management methodology provide a framework to be used by all levels of staff and members in the embedding of risk management as an integral part of good management and good business practice.

6. MILESTONES

The milestones to be met in embedding risk management are:

Milestones	Frequency
CMT monitor agreed corporate actions and assess additions/deletions to corporate risk register.	Quarterly
Directorate key risks reviewed and new significant risks or opportunities fed into the corporate risk register on a quarterly basis. Directorate key risks to be informed by directorate, service and business change programme/ project risk registers.	Quarterly
Directorates, services and business change programme/projects to clearly identify existing risk controls regarding the risks identified, and the degree to which they are consistently applied. Evidence of the application of controls to be maintained and cross referenced onto the action plans.	Quarterly or as required by the action plan or project plan
Directorates, divisions, services and projects to evaluate existing controls for the degree of mitigation the controls provide and if further control is desirable.	Quarterly or as required by the action plan or project plan
Directors give assurance to Chief Executive regarding internal control, including the management of key risks, within their area of service delivery.	Quarterly
Directors to ensure that risk identification is intrinsically linked to service plan objectives.	Through performance boards
Directors to include performance on managing risks within performance monitoring of service plans and of senior officer's performance contracts/plans and IPMs.	As per IPM guidelines
Include risk management in staff induction/refresher training where this has not yet been incorporated.	Ongoing
Review claims management information with directorates.	Quarterly
Incorporate elements of the business continuity plans where appropriate, e.g. service continuity arrangements.	Annually
Introduce directorate risk champions and develop directorate risk profiles, where these do not already exist.	Quarterly
Develop service unit/business unit risk profiles where these do not already exist.	As and when required
Develop programme/project risk profiles, as appropriate, where these do not already exist.	At programme project initiation and throughout life cycle
Annual Governance Statement (incorporating risk management) made by Leader, Chief Executive and Chief Finance Officer (CFO), approved by members and published in performance plans and annual accounts.	Signed annually every June
Monitor, update and review the CRMAP to include recommendations and actions arising from various inspection outcomes, changes in legislation etc.	Quarterly
Core risk champions group (CRCG) will provide strategic leadership of risk management and meet to discuss processes and best practice in line with the business change agenda.	Quarterly following CMT

Milestones	Frequency
Audit Committee to review CRR, approve and endorse strategy and select risks for scrutiny	Quarterly following CMT and annually (CRMS)
Cabinet receive report on risk management activity Approve and endorse strategy	Annually
Council receive report on risk management activity Approve and endorse strategy	Annually

7. EVIDENCE OF COMPLIANCE

To demonstrate compliance with this strategy the following documentation will need to be available for audit by both internal and external auditors:

- Corporate Risk Management Strategy.
- Related policy statements and council procedures.
- Business continuity/contingency/emergency plans – including tests and reviews.
- Internal Audit reports.
- Risk Management Action Plans and Risk Registers.
- Contract/programme/project proposal review and sign-off.
- Corporate Risk Register.
- Directorate Risk Register.
- Service Risk Register.
- Programme/project/risk assessments and registers.
- Partnership risk registers/assessments/initiation documents.
- Contractual/contract risk assessments/registers.
- Reports/minutes: council, cabinet, CMT, audit committee, performance boards/management team meetings.
- Annual Governance Statement.
- Risk management training arrangements.
- Strategic policies, plans, financial plans, performance management and project/programme management plans and reports.
- Governance arrangements and plans for significant partnerships including risk management.
- Procedure notes and manuals for business critical systems.
- Business continuity plans including tests and reviews.

8. RISK MANAGEMENT GLOSSARY

Action Owner: A nominated person who is responsible for confirming the existence and effectiveness of mitigating actions.

Assumption: A belief or logical view underlying a plan or decision.

Comprehensive Area Assessment (CAA): National regulatory framework for public bodies.

Consequences: The positive or negative outcomes of decisions, events or processes. Risk events ate consequences.

Contingency Plan(ning): The process of identifying and planning appropriate responses to be taken when, and if, a risk actually occurs.

Corporate Governance: The Audit Commission defines Corporate Governance as *"the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions and lead and control their functions, to achieve their objectives."*

Cost/Benefit Analysis: A risk management tool used to make decisions about accepting risk or using some other risk management technique.

CRCG: Core Risk Champions Group.

CRMS: Corporate Risk Management Strategy.

DMT: Directorate Management Team.

Exposure: The susceptibility to loss.

Frequency: A measure of likelihood expressed as the number of occurrences of an event in a given time.

Gross Risk: The "pure" risk without the benefit if mitigating actions.

Impact: Effect or consequences of a risk.

Incident: An event or circumstance which could have, or did lead to unintended and/or unnecessary harm to a person, and/or a complaint, loss or damage.

Lead Officer: person responsible for development and implementation of the risk management action plan. The lead officer needs to be informed by the risk owner about the risk and their responsibilities in respect of developing an action plan.

Likelihood: A qualitative description of a probability or frequency of the risk event occurring.

Mitigating Action: Any action that seeks to reduce the likelihood or impact of a risk event to an acceptable level.

Net Risk: The remaining level of risk after mitigating action has been taken.

Opportunity management: An uncertain event with a positive probable impact.

PB: Performance Board.

Probability: Extent to which a risk event is likely to occur. A measure (expressed as a percentage) of likelihood.

Risk: The chance of something happening that will have an impact on business objectives. |It is defined as the combination of the probability (likelihood) of an event and its consequences (impact). Risks can bring both negative and positive impacts.

Risk Analysis: The use of information to work out how often something might occur and the size of the impact.

Risk Assessment: The identification of risk, the measurement of risk, and the process of communicating about risks.

Risk Categories: There are, in practice, different types of risk. The council's general approach looks at risks in the following categories:
Political, Climate Change, Fraud and Corruption, Economic, Social, Technological, Legislative/Regulatory, Environmental, Competitive, Customer/Citizen Professional/Managerial, Financial, Legal, Physical, Partnership/Contractual.

However, there are also other risks to consider with specific regard to projects and partnerships: Resources, Governance Roles and Responsibilities, Business Case [Sustainability Impact Assessment (SIA), Sustainability Environmental Appraisal (SEA)], Change Management, Benefits Realisation, Skills, Communication, Strategic Fit, Contractual, Project Management, Environmental Sustainability, Technical, Operational.

Risk Identification: The process, by which risk events, which could affect the organisation's objectives, are identified, described and recorded.

Risk Management: Risk management is a central part of any organisation's strategic management. It is the process whereby organisations methodically address the risks attaching to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities. It is a consistent, robust approach for managing identified risks. It is concerned with both the positive and negative aspects of risk.

Risk Matrix: A model that visually displays the relationship between the likelihood and impact of specific risks. Visually it is a 6x4 box that plots likelihood and impact as high, medium or low.

Risk Owner: The person accountable for ensuring that action plans are in place. They are also accountable for the management of the risk and have a responsibility to report on progress. They take on a quality assurance role and should challenge the quality and effectiveness of the actions within the action plan if necessary. The risk owner needs to inform the lead officer about the risk and their responsibilities in respect of developing an action plan. Risk owners should also support the lead officers in implementing the action plans and where necessary unblock any barriers.

Risk Prioritisation: The process of ranking risks into a logical order by establishing how significant they are in terms of likelihood and impact.

Risk Register: A formal listing of identified risks, together with the results of the risk analysis and risk evaluation procedure, as well as details of any risk treatments.

Risk Treatment: Selection and implementation of appropriate options for dealing with risk.

SCS: Sustainable Community Strategy.

CMT: Corporate Management Team.

Stakeholder: Any individual group, or organisation able to affect, be affected by, or that believes it might be affected by, a decision or activity.

Terminate: An informed decision not to become involved in a risk situation. (i.e. to choose another path, which does not encounter that risk)

Threat: A combination of risk, the consequences of that risk, and the likelihood that the negative event will take place.

Tolerate: An informed decision to accept the likelihood and the consequences of a particular risk, rather than trying to mitigate it.

Transfer: An informed decision to transfer the risk to another party, who will accept the risk and/or reap the rewards.

Treat: An informed decision to take additional action to further minimise the likelihood or impact of an identified risk.

Uncertainty: A condition where the outcome can only be estimated.

9. RISK MANAGEMENT REPORTING STRUCTURE

APPENDIX 1