

## **Council – 23 April 2007**

### **Corporate Risk Management**

**Portfolio:** Councillor M Longhi

**Service:** Performance Management – Risk Management

**Wards:** ALL

#### **Summary of report**

This is the second annual report to Council outlining the council's risk management strategy. The effective management of risk is critical to the successful operation of our business and is measured within the Corporate Performance Assessment (CPA). The council strength in this area is enhanced in scoring the maximum score of 4 in the risk management section of the 2006 Use of Resources (CPA) assessment. This report briefly outlines corporate risk management arrangements and a summary of progress over the past 12 months.

#### **Recommendations**

Council are recommended to:

- (1) Note the report and appendix which set out the range of activities that have embedded risk management in all council activities.
- (2) Acknowledge the work undertaken by the Audit Committee in ensuring that risk is being actively managed within the organisation.

#### **Resource and legal considerations**

Risk management is a key aspect of the governance framework and an integral part of service planning. It enables resources to be targeted appropriately, projects to be managed effectively and our risk exposure to be minimised, whilst ensuring that we are able to seize and maximise our opportunities. Effective risk management can also assist in reducing insurance costs and mitigating legal claims. It also ensures that we meet our statutory requirements under regulation 4(1) and 4(2) of the Accounts and Audit Regulations 2003.

#### **Citizen impact**

Proactive risk management enables the council to maximise opportunities and minimise risks to service users, residents and other stakeholders. A cohesive approach to risk management through the continued revision of the risk management strategy will provide positive assurance that there is a joined up approach to risk and will aid the council and its partner organisations in delivering key services to the people of Walsall.

## **Environmental impact**

Effective risk management in all services, including those delivering environmental services, supports continuous improvement and influences risk management outcomes, regulation, audit and inspection findings and satisfaction with the council.

## **Performance and risk management issues**

The revised risk management strategy 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 harder test within the CPA process, and the imminent Corporate Assessment/JAR inspections and the requirements of the new white paper – strong and prosperous communities. Our risk management arrangements are formally reviewed annually by our external auditors under the CPA Use of Resources assessment.

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

The strategy has been endorsed by Cabinet, Audit Committee and the Strategic Leadership Team (SLT) and is clear evidence of the recognition of the importance and value of risk management. It 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 the further endorsement by Cabinet and Council strengthens the strategic approach to the council's policy-making activities.

By having a robust risk management strategy and framework in place the council has significantly reduced its vulnerability due to heightened awareness of current and future risk exposure and by reducing the likelihood of financial and reputational losses and criticism. This makes service delivery more secure and opportunity maximisation greater.

## **Equality implications**

Fair and equal access to all services is supported by effective risk management. The risk management strategy supports services by providing a risk management framework that embraces and fully supports the delivery of equality.

## **Consultation**

Audit Committee has overall responsibility for ensuring effective risk management in the council and it comprises a major component of their work programme. Members, managers and colleagues at all levels across the council are involved in the preparation and monitoring of risk registers and the effective management of identified risks. All directorates have a number of identified risk champions and there is also an identified member champion for risk management. There is a core risk champions group where all directorates are represented and best practice, experience, new initiatives and information is discussed, shared and disseminated throughout the directorate risk champions.

The council also consults with external bodies such as brokers, insurers, external consultants and recognised bodies such as ALARM, IRM and CIPFA.

## **Vision 2008**

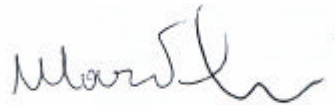
The council is aware that organisations that manage risk most effectively are those where senior managers are actively involved in, and take responsibility for, the identification and management of risks. Risk management is known to be key to sound governance and to the council's vision of becoming an excellent authority by 2008.

## **Background papers**

Risk management strategy at **Appendix 1**.



**Carole Evans – Executive Director**  
**13 April 2007**



**Councillor M Longhi - Portfolio Holder**  
**13 April 2007**

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## **1. Corporate Risk Management Strategy**

- 1.1 The council's revised risk management strategy was presented to and noted by Council in April 2006. This strategy has been reviewed (**Appendix 1**) and was approved by Audit Committee on 16 January 2007 and endorsed by Cabinet on 21 March 2007. This document takes account of the prevailing internal and external environment.

## **2. Embedding risk management**

- 2.1 The council is recognised as having strong risk management arrangements. This is evidenced in scoring the maximum of 4 in the risk management section of the 2006 Use of Resources CPA assessment. However, we recognise that risk management continues to evolve and an action plan is used as a rolling document to secure the continuous improvements to this area of work, as with any area of activity in the organisation.

- 2.2 A great deal of work has been undertaken over the past year to develop and enhance the robust risk management structure already in place. A number of these key areas are detailed below. This list is not exhaustive as much work is undertaken at operational level throughout the organisation.

- Strategic risks continue to be prioritised and actions agreed. SLT have managed 35 key strategic risks since the establishment of the strategic risk register in May 2003. The risks within the top five boxes from each directorate's risk matrix are reported to SLT for consideration and where appropriate elevated on to the strategic risk register.
- A corporate project register has been developed (which is split between strategic and other projects). The Walsall Project Approach (WPA) has also been developed, a significant part of which relates to risk management. An audit of risk within strategic projects has been undertaken with all strategic projects now complying with the corporate approach to managing risk.
- A partnership healthcheck has been undertaken with the overall outcome being very positive and 12 recommendations made. The SLT have agreed that a task and finish group will be established to deal with the recommendations within this report. It is anticipated that the outcome will include a comprehensive partnership register, partnership initiation documentation, partnership toolkit and a code of practice for partnerships. The management of risk will form an integral part of these documents and, where possible, partners will be encouraged to adopt the council's methodology.
- A member champion for risk management has been identified and has been extremely instrumental in driving the risk management agenda particularly amongst members and acting as a catalyst for change and improvement in relation to risk.
- Bespoke training sessions have been provided for Cabinet and chairs and vice chairs of scrutiny concentrating on Cabinet's role as decision makers and also the individual portfolio holders' roles in respect of their services. The scrutiny chairs and vice chairs training was aimed at introducing risk management as a scrutiny tool. This enabled proactivity in terms of supporting and informing decisions

either already taken/to be taken by Cabinet and reactive in questioning and challenging decisions already made. These sessions were well received and members' comments have been reported to and taken on board by SLT.

- Further risk awareness training for staff has been undertaken including the following:
  - Risk management in projects training sessions have been delivered to 80 officers.
  - Risk management awareness sessions (47 trained this year giving a total of 290 staff trained to date)
  - Risk champions training (10 trained this year giving a total of 32 to date).
- The risk management strategy has been updated and is at **Appendix 1**.
- The Audit Committee have undertaken a risk workshop to refresh their risk register and matrix. They will review this periodically throughout the municipal year.
- To further enhance the council's commitment to partnership working a risk management workshop has been undertaken with Walsall Borough Strategic Partnership to develop and embed risk management within its management team and throughout the partnership. The partnership has agreed to use the council's corporate approach to risk management and to adopt the methodology used within Walsall Council. It will encourage its partner organisations to also adopt this method of risk identification.

### **3. Corporate Risk Management Action Plan**

- 3.1 This continuous improvement plan is informed by our own professional knowledge, emerging best practice and findings from inspections. It also includes the actions to respond to the new CPA Key Line of Enquiries (KLOE) inspection framework for 2007 and the Corporate Assessment (CA) due in late 2007/8. This provides assurance to Audit Committee, Cabinet, SLT and other stakeholders that risk is being proactively managed at all levels within the organisation and that processes continue to be developed and streamlined to meet organisational needs.

### **4. CPA – Key Lines of Enquiry (KLOE) 2007**

- 4.1 The CPA KLOE seeks to assess how well the council manages its significant business risks. The main areas of assessment are:
- How risk is managed with partnerships.
  - Member development.
  - How risk is reported within council/cabinet reports.
  - How risk is embedded in the way in which policy and decisions are made.
- 4.2 The KLOE places much emphasis on the involvement of councillors in the management of risk. In particular it seeks assurance that:
- Staff and councillors jointly champion and take overall responsibility for embedding risk management.
  - There is a member committee with specific responsibility included in its terms of reference to consider corporate risk management.

- The members with specific responsibility for risk management have received risk management awareness training.
- The member committee with responsibility for risk management receives reports at least quarterly and take appropriate action to ensure that corporate business risks are being actively managed, including reporting to full council at least annually.
- A senior officer and member jointly champion and take overall responsibility for embedding risk management throughout the council.

The work undertaken over the past twelve months has contributed to the successful delivery of these requirements.

## **5. Current and Future Developments**

- 5.1 Actions from the corporate risk management action plan will continue to be monitored, reviewed and updated to ensure continuous improvement and development. A corporate health check was undertaken in August 2004. A review/further healthcheck will take place later this year. The way in which the awareness of risk management is raised with all members is being considered and discussions will be held with the member champion for risk management to consider how this can be achieved. Consideration is currently being given to the way in which operational risk assessments will be undertaken and reported.



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## **Foreword by Carole Evans - Executive Director**

This is the third edition of the Council's Risk Management Strategy. The main objective of the strategy is to set out how the council wishes to manage its risks and seize opportunities in an objective and mainstreamed way in order to facilitate delivery of the council's vision, aims and objectives.

The Risk Management Strategy is very much a part of the council's mainstream activity. Whilst this document seeks to bring together in one place the major components of the strategy, in practice elements of it are evident in a range of council documents such as the corporate plan, capital strategy, financial and performance monitoring reports, and of course in our activities, processes and culture.

Walsall Council has long embraced risk management as an integral and important part of our business processes. We recognise the concept and its practices as a key element in the management of the council and it is enshrined in our 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 challenges of the local government white paper – strong and prosperous communities.

The 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 the service in serving the people of Walsall.

The use of a comprehensive risk management process throughout the organisation helps support our effective and efficient use of resources, and therefore continuously improve our services. Everyone within the organisation has a role to play. By fully implementing this policy a contribution will be made to the overall corporate governance agenda within Walsall.

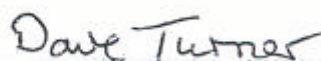


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Carole Evans  
Executive Director  
Chief Finance Officer

This strategy has been endorsed by the Executive Management Team (EMT) and the Audit Committee



David Martin  
Interim Chief Executive  
4 January 2007

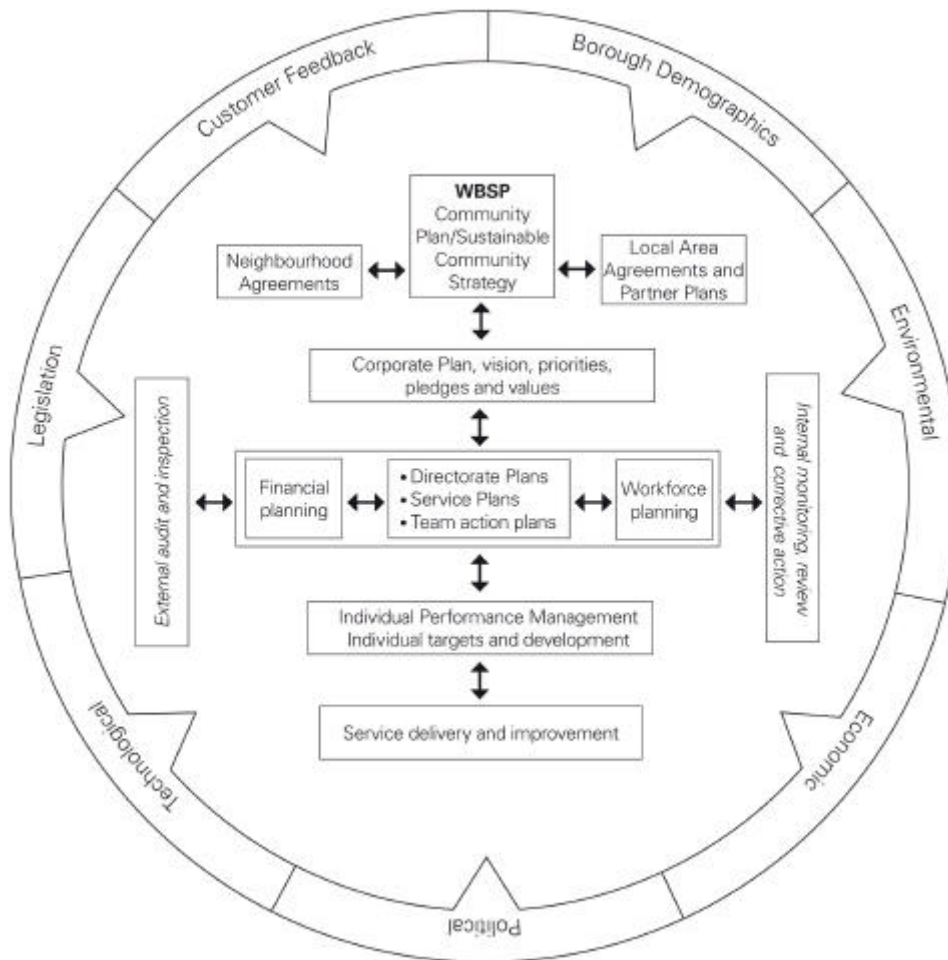


Councillor Turner  
Chair of the Audit Committee  
16 January 2007



# 1. INTRODUCTION

Walsall Council's Risk Management Strategy (RMS) supports our Corporate Integrated Planning & Performance Framework (CIPPF) set out below.



At the heart of the council's corporate plan is the long-term vision for the organisation which, in collaboration with our partners, is working to achieve:

1. A clean and green borough.
2. Make it easier for people to get around.
3. Ensure all people are safe and secure.
4. Make our schools great.
5. Make Walsall a healthy and caring place.
6. Encourage everyone to feel proud of Walsall.
7. Make it easier to access local services.
8. Strengthen the local economy.
9. Listen to what local people want.
10. Transform Walsall into an excellent local authority.

This vision, together with the objectives set out in the Corporate Plan, is underpinned by targets which cover the key areas of the council's activity. The RMS provides the framework to manage business and operational risks in the performance of all council activities and to support sound corporate governance. The anticipation and assessment of risks to the delivery of these objectives and targets is a vital part of our activities. It is also

important that the changing nature of how we deliver services is acknowledged within the risk management process. In particular, the increasing use of partnership working provides fresh risks and opportunities for us to manage, control and exploit.

We have set out a framework which enables and encourages the management of risks, which includes the requirement to produce a statement on internal control. The risk management service has provided advice to directorates through the RMS, risk management methodology documents, and the publication of a risk management toolkit.

Our objectives relate to the whole of the borough and contribute to those of the Black Country sub region, West Midlands region and the Birmingham, Coventry and Black Country City Region. As a result they can be influenced by an enormous variety of risks and opportunities.

The RMS demonstrates our commitment to maintaining a systematic approach to risk management ensuring that we effectively manage the risks that the council faces and maximise opportunities. Risk management performed vigorously and comprehensively assists in maintaining stability and directly contributes to service provision.

Embedding the framework for dealing with all these risks will be achieved by building on a regular process of risk assessment. This process identifies and scores key risk factors, and results in a register of key risks. This enables managers to maintain controls and plans which respond to those risks, and learn from experience. Transparency and accountability are of paramount importance.

It would be impossible to identify every theoretical or actual risk and opportunity. So it is important to focus on receiving early warning of when risks become more imminent or start to impact and enable us to optimise our position to take full advantage of opportunities.

The RMS will be reviewed annually to take account of our evolving objectives, changing legislation, Government initiatives, best practice and experience gained within the council.

## **2. CONTEXT**

Risk management is an integral aspect of corporate governance, which requires the maintenance of a sound system of internal control. The Accounts and Audit Regulations 2003 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 Executive Director (CFO) as an integral part of the annual Statement of Accounts.

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

- Integrate risk management into the culture of the Council;
- 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.

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 assessed as an integral part of our external auditor's work into the Use of Resources. As at December 2006 our arrangements scored the maximum possible 4.

### **The need for a risk management strategy**

Mandatory codes of governance exist in the private sector and other parts of the public sector. 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 sectors. 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. In addition the corporate assessment for Comprehensive Performance Assessment (CPA) includes risk management arrangements and the Use of Resources assessment includes several detailed references to risk management within internal control theme.

### **The benefits of having a risk management strategy**

- Risk management will alert EMT 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 as to 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 earlier, by making sure processes are not over engineered and are fit for purpose, and achieving a behavioural shift, risk management will produce a cultural change that will pay for itself many times over.

The council's approach to risk management, which underpins the strategy and provides a vision of what we are aiming for, is summarised below:

**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 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.

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.

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

### **3. ROLES, RESPONSIBILITY AND AUTHORITY**

The responsibility for the implementation of the strategy is as follows:

#### **Members**

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.

## **Member Champion**

The member risk champion has a pivotal role in ensuring that the principles of risk management are adopted universally 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 risk management strategy.
- 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.
- Participate in the core risk champions' forum.
- Actively promote risk in other member forums through either membership or networking.

## **Audit Committee**

Audit Committee has responsibility for ensuring our risk management arrangements are sound and effective. Their responsibilities are to:

- approve the RMS (for forwarding to full council) and implementation plan and review it 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 statement of internal control (SIC);
- identify and prioritise risks facing the council working with appropriate officers.

## **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 embrace the concepts of risk and consider relevant issues in making decisions. Cabinet's role is to:

- Formally endorse the RMS
- Consider relevant risk and opportunities in making decisions.
- Embrace the RMS 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.

## **Scrutiny**

Scrutiny and Performance Panels 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.

## **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 RMS.
- 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 RMS 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.

## **Executive Management Team**

Executive directors will demonstrate their commitment to risk management through:

- informing and involving members in the identification of the key risks facing the council and the actions being taken to manage them;
- incorporating the risk management process into service planning processes;
- actively identifying and assessing strategic risks on a regular basis;
- encouraging staff to be open and honest in identifying risks or missed opportunities;
- ensuring that the risk management process is part of all major projects and change management initiatives;
- monitoring and reviewing action plans regularly to reduce or control the significant risks via the performance management framework;
- recommending to Cabinet the RMS and subsequent revisions thereof.

## **Directorate Management/Leadership 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:

- 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.

## **Service Management Teams**

These teams are required to:

- 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, BVPIs and targets;
- Embed risk management into all projects undertaken to deliver the service;
- Ensure all operational areas have health and safety controls in place.

## **Project Managers**

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

## **Corporate Risk Manager**

The corporate risk manager will:

- Manage the integrated approach, policy, strategy and processes on behalf of the council and its management team.
- Monitor and review the RMS.
- Establish a standard risk management process to be used across all activities of the council including project management, service planning, procurements, performance reviews and partnerships.
- Analyse service risks to identify key risks and common risks across services and report to EMT 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 risk champions' forum.
- 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.

## **Risk Champions**

Risk champions form a team of senior officers from each directorate 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 manager for review and reporting to the EMT 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:

- 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.
- Embed the risk management process within all planning processes so that it is not seen as an 'add-on' or bureaucratic requirement.
- Support EMT in implementing a practical and workable approach to risk management within their respective directorate.
- Make recommendations to directorate management teams and EMT 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.
- 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.
- Liaise with the co-ordinating role regarding risk management progress and developments.
- Ensure that key managers and directors accept and own the risks within their department.

### **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 process.

### **Individuals**

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.

### **Internal Audit**

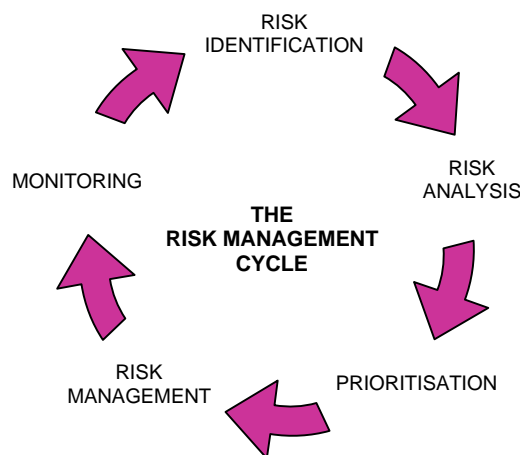


To maintain independence and objectivity, Internal Audit is not responsible or accountable for risk management or for managing risks on management's behalf. However, they also use the council's approach to risk management and support the use of it by others through their regularity work. In particular,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

- Challenge established processes;
- Challenge risk identification and evaluation;
- 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

We have an established process to identify risks associated with our activities enabling us 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 implemented to ensure all managers and all employees understand and implement this strategy. The way in which we will ensure risk is managed within existing process throughout the organisation is detailed below:

##### **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 those risks will sit with EMT and relevant members.

##### **Corporate and Service Planning**

A risk assessment will be undertaken for both corporate and service plans. This will identify the key risks facing the Council or a particular service in its delivery of that plan. This will ensure that key obstacles to the delivery of the corporate vision 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, health checks, best practice; CPA/CA requirements 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 health checks. It also includes the actions to respond to the new CPA Key Lines of Enquiries (KLOE) inspection framework for 2006 and the CPA – Corporate Assessment. This document provides assurance to audit committee, cabinet, EMT and other stakeholders that risk is being proactively managed at all levels within the organisation and 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 EMT for consideration and, where considered appropriate, elevated to the strategic 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, BVPIs, targets and corporate health indicators will also be risk assessed at the start of each planning cycle etc.

### **Project Management**

The Council has adopted a project management methodology that will be applied to all projects within the Council. The methodology includes a requirement that the project manager is responsible for ensuring that risks are identified, recorded and regularly reviewed.

### **Partnerships**

Increasingly Walsall Council is working in partnership to deliver its objectives. The council has developed a partnership protocol to provide guidance in respect of its partnership working. 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.

### **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.

### **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 will become a duty in 2005 following the adoption of the Civil Contingencies Act.

## Health and Safety

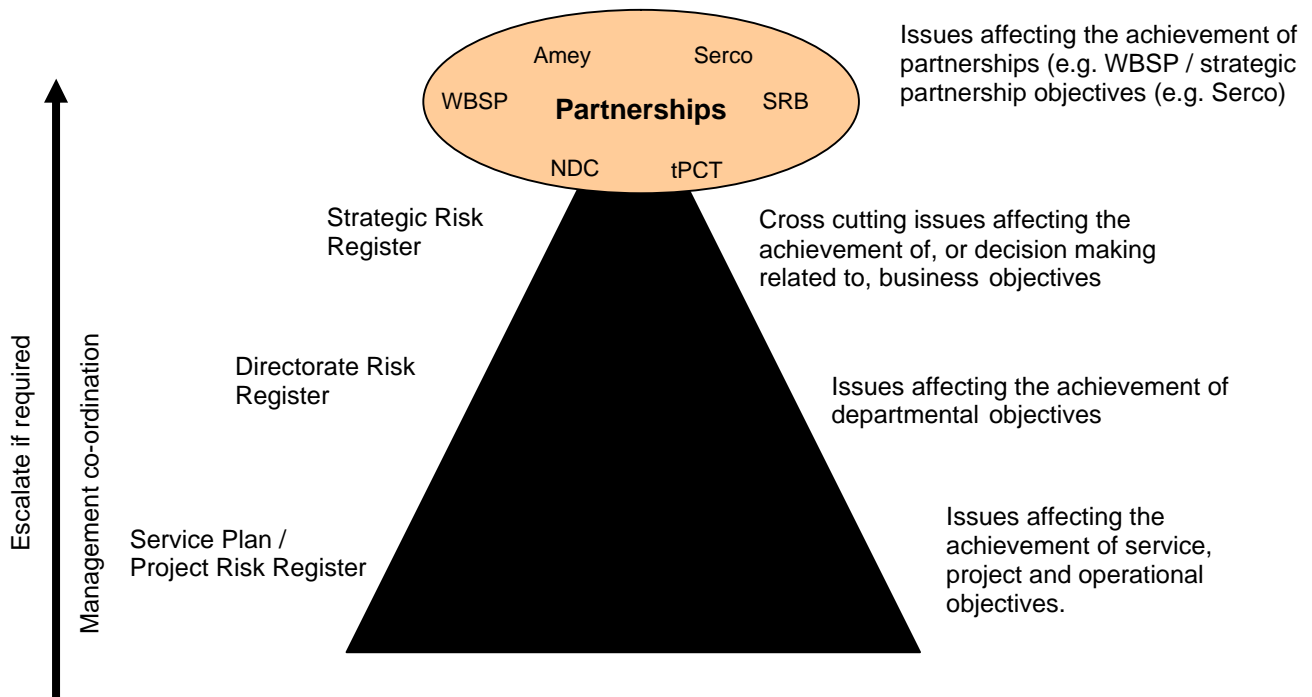
We have a strong commitment to adopting health and safety requirements which is underpinned by a comprehensive health & safety management system. We are committed to a total quality approach to health & safety management which involves the following:

- 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.

## 5. EMBEDDING RISK MANAGEMENT

Risk management is an important part of the service planning process. This enables the proper consideration of strategic, operational and cross cutting risks.



This strategy and 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 implementation of risk management as an integral part of good management. The milestones to be met in embedding risk management are:

Milestone	Frequency
EMT monitors agreed corporate actions and assesses additions/deletions to strategic 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 divisional, service and project risk registers.	Quarterly

Directorates, divisions, services and projects to clearly identify existing 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 community 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 project risk profiles, as appropriate, where these do not already exist.	At project initiation
Statement on Internal Control (incorporating risk management) made by Leader, Chief Executive and Executive Director (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

## 6. EVIDENCE OF COMPLIANCE

To demonstrate compliance with this strategy the following documentation will to be available for audit by both Internal Audit and the Audit Commission:

- Risk Management Strategy
- Related policy statements and procedures
- Risk profiles of Walsall MBC activities
- Risk Assessments – all premises
- Business continuity / contingency / emerging and plans
- Internal Audit reports
- Risk Management Plan and Risk Register (where appropriate)
- Contract/project proposal review and sign-off
- Audit/review records
- Strategic Risk Register

- Directorate Risk Register
- Service Risk Registers
- Project / risk assessment and registers
- Partnership risk registers / assessments
- Contractual / contract risk assessments registers
- Reports: council, cabinet, EMT, audit committee

## 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 Performance Assessment:** An Audit Commission inspection process aimed at helping councils delivers better services and continuous improvement.

**Consequences:** The positive or negative outcomes of decisions, events or processes. Risk events create 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.

**DM/LT:** Directorate Management/Leadership Team.

**EMT:** Executive 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.

**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:** 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 approach looks at risks in the following categories – Political, Economic, Social, Technological, Legislative, Environmental, Professional/Managerial, Financial, Legal, Physical, Partnership/Contractual, Competitive and Customer/Citizen.

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

**Risk Management:** 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 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.

**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.

## Categories of Risk

Risk	Definition	Examples
Political	Associated with the failure to deliver either local or central Government policy or meet the local administration's manifest commitment	<ul style="list-style-type: none"> <li>• New political arrangements</li> <li>• Political personalities</li> <li>• Political make-up</li> <li>• Member support / approval</li> <li>• Electorate dissatisfaction</li> <li>• Impact of election changes.</li> </ul>
Economic	Affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance cover, external macro level economic changes or consequences proposed investment decisions	<ul style="list-style-type: none"> <li>• Cost of living</li> <li>• Changes in interest rates and/or inflation</li> <li>• Poverty indicators</li> </ul>
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the council's ability to meet its objectives	<ul style="list-style-type: none"> <li>• Staff levels from available workforce</li> <li>• Ageing population</li> <li>• Health statistics</li> </ul>
Technological	Associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the council's ability to deliver its objectives	<ul style="list-style-type: none"> <li>• E-Gov. agenda</li> <li>• ICT infrastructure</li> <li>• Staff/client needs</li> <li>• Security standards</li> <li>• Using new or existing technology</li> <li>• Lack of, or failure of, technology</li> <li>• Disaster recovery</li> <li>• Hacking or corruption of data</li> <li>• Breach of security</li> </ul>
Legislative	Associated with current or potential changes in national or European law	<ul style="list-style-type: none"> <li>• Government policy</li> <li>• Legislation, internal policies and regulations, grant funding conditions etc</li> <li>• Data Protection, Freedom of Information, Race Equality and Diversity, Disability Discrimination, Human Rights, Employment Law, TUPE, Health &amp; Safety</li> <li>• Potential for legal challenges, judicial reviews</li> </ul>
Environmental	Relating to the environmental consequences of progressing the council's strategic objectives	<ul style="list-style-type: none"> <li>• Recycling, green issues, energy efficiency,</li> <li>• Land use, noise, contamination, pollution;</li> <li>• Impact of planning or transportation policies</li> </ul>
Professional/ Managerial	Associated with the particular nature of each profession, internal protocols and managerial abilities	<ul style="list-style-type: none"> <li>• Staff restructure, key personalities, internal capacity,</li> <li>• Lack of management support.</li> <li>• Loss of key staff, recruitment and retention issues</li> <li>• Internal management arrangements and protocols, poor communication</li> <li>• Capacity issues – enough, training</li> </ul>



## APPENDIX A

		<p>issues, availability, sickness absence etc</p> <ul style="list-style-type: none"> <li>• Emergency preparedness / Business continuity</li> </ul>
Financial	Associated with financial planning and control	<ul style="list-style-type: none"> <li>• Budget overspends, level of council tax, level of reserves, inadequate insurance cover, system procedure weaknesses</li> <li>• Budgetary pressures, loss of/reduction in income cost of living, interest rates, inflation etc</li> <li>• Financial management arrangements, Investment decisions</li> <li>• Affordability models and financial checks</li> <li>• External funding issues incl. loss of (or reduction in) funding</li> <li>• System / procedure weaknesses that could lead to fraud.</li> </ul>
Legal	Related to possible breaches of legislation	<ul style="list-style-type: none"> <li>• Client brings legal challenge</li> </ul>
Physical	Related to fire, security, accident prevention and health and safety	<ul style="list-style-type: none"> <li>• Offices in poor state of repair, use of equipment, data protection</li> <li>• Management and control of resources including land, property, equipment, information</li> <li>• Could include health and safety or business continuity issues</li> <li>• Abuse of intellectual property</li> </ul>
Partnership/ Contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification	<ul style="list-style-type: none"> <li>• Partnership agencies do not have common goals, new initiatives or projects, change programmes.</li> <li>• Partnership agreements / arrangements / relationships</li> <li>• Project management arrangements</li> <li>• Project failure – failure to deliver on time, to budget or specification</li> <li>• Change programmes, new ways of working, new policies/procedures</li> </ul>
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value	<ul style="list-style-type: none"> <li>• Fail to win quality accreditation, position in league tables</li> </ul>
Customer/ Citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens	<ul style="list-style-type: none"> <li>• Managing expectations, extent of consultation</li> <li>• Demographic change</li> <li>• Impact on customer of service or project failure</li> <li>• Consultation and Communication</li> <li>• Current and changing needs and expectations of customers Crime and disorder</li> <li>• Consumer protection</li> <li>• Effects on physical and mental health and sense of social wellbeing</li> <li>• Loss of independence and need for social care support</li> <li>• Healthy and safety risks</li> <li>• Impacts on health inequalities</li> </ul>

## APPENDIX A