

## Warwick District Council Risk Management Strategy

### **Purpose of strategy**

The purpose of the strategy is to embed risk management in the Authority by establishing a risk management framework that provides:

- an efficient control environment
- the overt allocation of accountability for risk management throughout the organisation
- a well-established risk assessment process
- performance monitoring of risk management activity
- communications process to support risk management

### **Definition and scope of risk management**

The Council has adopted the Audit Commission's definition of risk and risk management as contained in its Management Paper, 'Worth the risk: improving risk management in local government'. Although the Audit Commission has been recently abolished its definition of risk is still relevant and relied upon by many organisations.

*Risk is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and successfully execute its strategies. Risk management is the process by which risks are identified, evaluated and controlled. It is a key element of the framework of governance together with community focus, structures and processes, standards of conduct and service delivery arrangements.*

*The overall process of managing risk can be divided into:*

- *Risk analysis, or assessment, which includes the identification, estimation and evaluation of the risks; and*
- *Risk management that encompasses the planning, monitoring and controlling activities based on the information derived from risk analysis.*

### **Aims and objectives**

The risk management policy of Warwick District Council is to adopt best practices in the identification, evaluation, and cost-effective control of risks to ensure that they are eliminated or reduced to an acceptable level.

It is acknowledged that some risks will always exist and will never be eliminated. All employees must understand the nature of risk and accept responsibility for risks

associated with their area of authority. The necessary support, assistance and commitment of senior management will be provided.

The risk management objectives of the Council are to:

- integrate risk management into the culture of the Council
- manage risk in accordance with best practice
- consider legal compliance as a minimum standard
- anticipate and respond to changing social, environmental and legislative requirements
- prevent injury and damage and reduce the cost of risk
- raise awareness of the need for risk management.

These objectives will be achieved by:

- establishing a risk management organisational structure to act in an advisory and guiding capacity which is accessible to all employees
- including risk management as an agenda item at meetings as appropriate
- continuing to demonstrate the application of risk management principles
- providing risk management awareness training
- maintaining documented procedures for the control of risk and the provision of suitable information, training and supervision
- maintaining an appropriate incident reporting and recording system, with investigation procedures to establish cause and prevent recurrence
- preparing contingency plans in areas where there is a potential for an occurrence having a catastrophic effect on the Council and its service delivery capability
- maintaining effective communication
- monitoring arrangements on an ongoing basis.

### **Definition of the Council's risk appetite**

An organisation's risk appetite is the amount of risk that it is prepared to take in order to achieve its objectives. Defining the organisation's risk appetite provides the strategic framework for effective decision-making. Risk appetites for local authorities will be lower due to the regulatory nature of most services and because of their stewardship obligations for public resources. However, local authorities may be forced to take risks beyond their choosing to comply with central government directives or to satisfy public expectations of improved services.

Warwick District Council's risk appetite is determined by individual circumstances. In general terms, the Council's approach to providing services is to be innovative and to seek continuous improvement within a framework of robust corporate governance. This framework includes risk management that identifies and assesses risks appertaining to actions being considered or proposed. Decisions on whether to proceed with such actions should only be taken after the careful assessment of the identified risks and an analysis of the risks compared to the benefits.

However, in all circumstances and at all times:

- The Council would wish to manage its financial affairs such that no action will be taken that would jeopardise its ability to continue to provide services within its available resource; and
- The Council would wish to secure the legal integrity of its actions.

### **Roles and responsibilities**

In its management paper, "Worth the risk: improving risk management in local government", the Audit Commission sets out clearly the responsibilities of members and officers. Although the Audit Commission no longer exists, the guidance that it produced is still relevant and thereby applied by the Council. An extract of the guidance is set out below:

"Members need to determine within existing and new leadership structures how they will plan and monitor the council's risk management arrangements. They should:

- Decide on the structure through which risk management will be led and monitored;
- consider appointing a particular group or committee, such as an audit committee, to oversee risk management and to provide a focus for the process;
- agree an implementation strategy;
- approve the Council's policy on risk (including the degree to which the council is willing to accept risk);
- agree the list of most significant risks;
- receive reports on risk management and internal control – officers should report at least annually, with possibly interim reporting on a quarterly basis;
- commission and review an annual assessment of effectiveness; and
- approve the public disclosure of the outcome of this annual assessment, including publishing it in an appropriate manner.

The role of senior officers is to implement the risk management policy agreed by members.

It is important that the Chief Executive is the clear figurehead for implementing the risk management process by making a clear and public personal commitment to making it work. However, it is unlikely that the Chief Executive will have the time to lead in practice and, as part of the planning process, the person best placed to lead the risk management implementation and improvement process should be identified and appointed to carry out this task. Other people throughout the organisation should also be tasked with taking clear responsibility for appropriate aspects of risk management in their area of responsibility."

Summarised below are the risk management roles and responsibilities for the various groups and individuals within the Council.

### Executive

To oversee the effective management of risk throughout the Council; to hold the senior management team accountable for the effective management of risk by officers of the Council.

### Finance and Audit Scrutiny Committee

To scrutinise and review the management of risk on behalf of Executive.

### Elected Members

To promote the importance of risk management in all that the Council does; to champion the cause of risk management.

### Chief Executive

To be the clear figurehead for implementing the risk management process by making a clear and public personal commitment to making it work.

### Senior Management Team

To ensure that the Council manages risk effectively through the development of a comprehensive risk management strategy; to monitor delivery by receiving reports from the Council's Risk Management Group and from the Audit & Risk Manager.

### Risk champion<sup>1</sup>

To champion the cause of risk management within the Council, particularly at the strategic level; to take personal responsibility for ensuring that the risk management objectives as set out in the policy are achieved.

### Risk manager<sup>2</sup>

To support the Council and its departments and services in the effective development, implementation and review of the risk management strategy.

### Risk management group

To determine, implement and review the Council's risk management policy and its risk management strategy. The risk management group is responsible for developing specific programmes and procedures for establishing and maintaining risk management activities. This group will ensure the dispersal of vital information and, where appropriate, provide guidance, interpretation and understanding of the systems involved.

*The terms of reference of this group are set out as Annexe 1.*

### Departmental management teams

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<sup>1</sup> This officer is the Deputy Chief Executive (AJ)

<sup>2</sup> This officer is the Audit and Risk Manager.

To ensure that risk is managed effectively in each service area within the agreed risk management strategy; to report to the Risk Management Group on how hazards and risks have been managed within their service area.

#### Service managers

To manage risk effectively in their particular service areas; to report on how hazards and risks have been managed to their Departmental Management Team or directly to the Risk Management Group.

#### Asset Steering Group

To ensure that WDC's property assets are provided, maintained and utilised to meet the current and future needs of the Council and its service users.

#### Assets Compliance and Delivery Group

Responsible to the Asset Steering Group for ensuring the compliance of corporate assets including HRA stock and also for delivering work streams and objectives from the Asset Steering Group.

#### Health and Safety Advisor

To advise on all matters pertaining to health and safety in relation to the Council as an employer and provider of services.

#### Insurance & Risk officer

To advise on practices which will minimise the likelihood of adverse events occurring and arrange insurance cover where necessary and appropriate.

#### Employees

To manage risk effectively in their jobs and report hazards and risks to their service managers.

*The responsibilities of the various groups and individuals are summarised in the table that is included as Annexe 2.*

## **Methodology for identifying and assessing risk**

### **Risk Identification and Categorisation**

Risks can be categorised under strategic and operational.

**Strategic risks** are those risks identified as potentially damaging to the achievement of the Council's objectives. These can be sub-classified into:

- Political
- Social
- Legislative
- Competitive
- Economic
- Technological
- Environmental
- Customer/citizen

**Operational risks** are those risks that should be managed by departmental officers who will be responsible for operating and maintaining the services. These can be sub-classified into:

- Professional
- Legal
- Contractual
- Environmental
- Financial
- Physical
- Information

### **Risk Assessment**

For risk registers, the following definitions are applied for the measurement of risk in respect of probability and consequences:

#### **Probability of Occurrence**

<b>Estimation</b>	<b>Description</b>	<b>Indicators</b>
5: High (Probable)	Likely to occur each year (e.g. considered as more than 50% chance of occurrence in any year).	<ul style="list-style-type: none"><li>• Potential of it occurring several times within the specified period (for example - ten years).</li><li>• Has occurred recently.</li></ul>
4: Medium to High	Apply judgement	Apply judgement
3: Medium (Possible)	Likely to occur during a 10 year period (considered as between 5% and 25% chance of occurrence in any year).	<ul style="list-style-type: none"><li>• Could occur more than once within the period (for example - ten years).</li><li>• Could be difficult to control due to some external influences.</li><li>• There's a history of occurrence.</li></ul>
2: Low to Medium	Apply judgement	Apply judgement
1: Low (Remote)	Not likely to occur in a 10 year period (considered as less than 2% chance of occurrence in any year).	<ul style="list-style-type: none"><li>• Has not occurred.</li><li>• Unlikely to occur.</li></ul>

## Consequences

Estimation	Description
5: High	<ul style="list-style-type: none"> <li>• Financial impact on the organisation is likely to exceed £500K</li> <li>• Significant impact on the organisation's strategy or operational activities</li> <li>• Significant stakeholder concern</li> </ul>
4: Medium to High	Apply judgement
3: Medium	<ul style="list-style-type: none"> <li>• Financial impact on the organisation likely to be between £100K and £250K</li> <li>• Moderate impact on the organisation's strategy or operational activities</li> <li>• Moderate stakeholder concern</li> </ul>
2: Low to Medium	Apply judgement
1: Low	<ul style="list-style-type: none"> <li>• Financial impact on the organisation likely to be less than £10K</li> <li>• Low impact on the organisation's strategy or operational activities</li> <li>• Low stakeholder concern</li> </ul>

## **Annexe 1 to Strategy: Risk Management Group - Terms of Reference**

The terms of the reference of the risk management group comprises:

### ***Overall aim***

- To ensure that effective Risk Management is in place across the Council.

### ***Membership***

- The Group will comprise representatives from key services across the Council.

### ***Specific Objectives and Responsibilities***

- Promote best practice in the management of risks.
- Assist in the identification and evaluation of risks that could threaten achievement of the Council's objectives.
- Help develop, implement and review the corporate risk management strategy and policy.
- Help managers maintain and develop their risk registers by periodically reviewing them and making recommendations on their improvement.
- Review events and disseminate information regarding lessons learnt in an attempt to help services improve on the management of risk.
- Compile and implement an annual work plan that helps to embed risk management in the organisation.
- Help create a risk-aware culture by, for example, instilling in staff the need to manage risks in their jobs.
- Identify cross-cutting and strategic risks for the attention of senior management.
- Make recommendations to management on practices and procedures that it is intended will improve the management of risks within Warwick District Council.
- Oversee the development and implementation of a consistent approach to risk management across the Council's services.



## **Annexe 2 to Strategy: Summary of Responsibilities**

	Develop the corporate risk management strategy	Agree the corporate risk management strategy	Provide advice and support on strategy development and implementation	Implement the strategy	Share experience of risk and risk management issues	Review the effectiveness of the strategy
Elected members / Executive		▪				▪
Chief Executive		▪		▪		▪
Senior management team	▪	▪		▪		▪
Risk champion	▪		▪	▪	▪	▪
Audit & Risk Manager	▪		▪	▪	▪	▪
Risk management group	▪		▪	▪	▪	▪
Departmental management teams				▪	▪	▪
Service managers				▪	▪	▪
Asset Compliance Group				▪	▪	
Health & Safety Adviser			▪	▪	▪	
Insurance & Risk Officer			▪	▪	▪	
Employees				▪	▪	

# Application of Risk Management Activities and of a Risk Management Culture in the Council

## Programme of Service Risk Register Reviews

Until fairly recently, the Finance & Audit Scrutiny Committee had a programme of service risk register reviews. This proved to be a very effective process and helped to raise the profile of risk management throughout the organisation as well as the value derived from it. The programme of reviews was later incorporated within overall service area reviews that included contract risk registers, performance information and budgetary/financial information but this too has ceased. Service area management teams are required to review their service risk registers at least quarterly.

## Risk Management Group

The Council has a Risk Management Group comprising representatives from services whose main purpose is to champion risk management throughout the organisation.

## Risk Management Training

Risk management training is provided as and when required, for example after Council elections or, in the case of managers, for new starters.

## Committee Reports Risk Template

Committee reports are now required to detail the risk management implications in respect of the issues contained in the report. This requirement raises the profile of risk management and helps to ensure the proper consideration of risks when embarking on new projects or developing strategies and policies.

## Project Risk Registers

Project risk registers are now routinely in place for specific projects such as the Local Plan and Europa Way. In the case of the Local Plan, until its implementation, this was reviewed by SMT regularly. There is of course scope for the greater use of project risk registers.

## Identification of Emerging Risks

SMT now review 'potentially emerging risks' and these are included in the quarterly Significant Business Risk Register report to Executive. Clearly, emerging risks or triggers, if they are significant, corporate or strategic, had always been included on the SBRR, but potentially emerging risks had not been highlighted in any way, either on the SBRR or in the covering report. These are risks related to events that may or may not happen such as ideas or proposals. It was felt that emerging risks should be mentioned in the covering report in order that they are brought to Members' attention. Future reports will describe any developments in respect of these prospective events.

**Performance Management Information: Risk Management Indicators**

Risk management information is used as a key indicator of organisational performance. The number of red, amber and green risks recorded on the service risk registers (in total) and on the Significant Business Risk Register is monitored by SMT quarterly. The information, together with other Governance data, is presented to SMT in the following way:



**Service Activities**

Services embed risk management approaches and practices in many of their activities, whether day-to-day or strategic. Numerous examples exist including the administration of Section 106 agreements, fire risk assessments, buildings security, and the delivery of community events. Aside from tangible examples, there is no doubt that managers more and more demonstrate a risk management culture in delivering their services. This can be hard to evidence, however, as it can sometimes be based on a state of mind rather than discernible activities.