Bolton Council

Risk Management

Policy Statement

April 2009

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BOLTON COUNCIL
RISK MANAGEMENT POLICY STATEMENT

1.   INTRODUCTION
1.1   Risk Management can be defined as the culture, process and structure directed towards the achievement of the potential opportunities and threats affecting the achievement of an organisation's objectives.

1.2   Risk cannot be avoided, but it must be managed. Consideration of risk should not stifle innovation. The Council recognises that it has to deliver services in an increasingly litigious and risk averse society. However, Risk Management is a tool for exploiting opportunities as well as a safeguard against potential threats..

1.3   Though "risk" is commonly regarded as a negative, Risk Management is as much about exploiting potential opportunities as preventing potential problems. Effective Risk Management is a fundamental principle of Corporate Governance

1.4   The purpose of this strategy is to explain how the Council will implement sound management of risks and opportunities. Risk Management is not just the responsibility of a few individuals – all employees, Elected Members and the extended business community have responsibility for risk management. SOLACE stated in 2000 *"If a council doesn't have effective risk management, then it doesn't have effective management."* This statement is brought up to date by the British Standard *BSI 31100:2008* which states that "*Risk Management is an essential part of good management.*"
The management of risk is central to the achievement of Bolton Council's three main aims; *Economic Prosperity, Narrowing the Gap and Transforming Services*

2.   POLICY STATEMENT
2.1   Bolton Council is committed to an embedded culture of Risk Management throughout all its operations and processes to ensure that opportunities are maximised and risks are effectively identified and managed to minimise any financial or organisational disruption.

2.2   The Council's Health and Safety Policy forms a vital element in the overall management of the Council's risks and is complimentary to the Risk Management Strategy.

2.3   The Risk Management Strategy is embedded throughout the management processes of the Council and is a critical and positive element of the Council's approach to delivering sound Corporate Governance and Best Value. This is demonstrated by the integration of Risk Management within the Corporate Business Process Planning Model.

2.4   All stakeholders, service users, partnerships, staff and providers are affected by the implementation and integration of this Risk Management Strategy.

3.   OBJECTIVES
Risk cannot be totally eliminated from Council services and activities, but Bolton Council is committed to the management of risk in order to:
- Identify current and future opportunities which may produce improvements in service delivery, financial or other impact to the Council.
- Identify current and future assets and exposures to risk which have resulted in, or may give rise to, loss producing events (in terms of service delivery, financial or other impact on the Council).
- Evaluate all future projects and activities using the risk management process.

- Take reasonable physical or financial steps to avoid or reduce the impact of such risks.
- Ensure that all systems of work reflect the positive risk management culture of the authority.
- Establish a comprehensive information base of insurable and uninsurable losses.
- Maintain a detailed understanding of insurance, other risk transfer and other risk financing methodologies.
- Purchase insurance for those risks which cannot be reasonably foreseeable, avoided or reduced further, where economically viable.
- Establish a safer environment for its staff and the public it serves.

4. ORGANISATION

- The Executive Member for Strategy & External Relationships has executive responsibility for the Council's Risk Management Strategy.
- The Audit Committee have responsibility to review the effectiveness of the risk strategy and to seek assurance that risks identified above the tolerance limit are being managed.
- The Director of Corporate Resources is the EMT Lead Officer for the development, monitoring and review of the Council's Risk Management Strategy.
- The Corporate Risk Officer is the operational Lead Officer for supporting the Council in the effective development, implementation and review of the Risk Management Strategy.
- Departmental PMG Members are to act as "Risk Champions" within their Department.

5. FINANCIAL TARGETS

- To maximise the use of council resources
- To minimise costs by reducing risk
- To pursue self-funding where financially viable
- To undertake a cost benefit analysis of all projects
- To seek more cost efficient use of risk managed resources

6. RISK REGISTER

The corporate risk register holds details of strategic and operational risks that have been identified to be above the risk appetite.
EMT identify strategic risks and mentor their management.
Departments are responsible for identifying and recording all operational risk issues.
The Corporate Risk Officer is responsible for ensuring that users maintain the risk register and that entries are reviewed on a regular basis.

7. REPORTING

The Risk Register is to be updated on a quarterly basis and Risk Champions are to produce update reports for the Corporate Risk Officer. These updates together with progress on the strategic risks are reported to The Executive on an annual basis.
An annual report is also submitted to the Audit Committee detailing the actions throughout the year and outlining the work programme for the forthcoming year.

BOLTON COUNCIL
RISK MANAGEMENT STRATEGY

1.   INTRODUCTION

Risk Management at Bolton Council involves maximising opportunities and minimising risks. In identifying the key aims and objectives for the Council it is essential that the risks to achieving them are identified and a process put in place to manage those risks.

Bolton Council provides a wide range of services both in-house and with external partners. It is important that it protects and preserves its assets from loss or damage and that it minimises the risk of actions that may affect its ability to provide services to the residents of the Borough.

In this strategy "risk" is defined as something happening that may have an impact on the achievement of our objectives. A Risk Management strategy is an essential element of our strategic planning process. The Council has a corporate plan covering the whole range of Council activities and the Risk Management strategy should be seen as sitting under this broader umbrella.

This strategy describes the processes that everyone within the Council will put in place and link together to identify, analyse, control and monitor and report on the risks faced by the Council.

The purpose of this Risk Management strategy is to achieve the following:

- To direct risk management activities across the Council.
- To support each service/business unit in identifying the risks to which they are exposed.
- To identify in-house/external expertise to give advice.
- To provide guidance or best practice in loss control.
- To stimulate managers and others to manage risk effectively.
- To ensure that adequate risk management financing is available.

2.   RISK MANAGEMENT PROCESS

Risk Management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of controlling them and/or responding to them. Risk Management is not an end in itself; rather it is a means of minimising the costs and disruption caused by an undesired event. Risk cannot be totally eliminated and the Council does not want to become risk averse. The aim is to reduce the frequency of the risk and its negative impact on the Council.

Risk Management- The logical and systematic process of identifying, analysing, evaluating and monitoring risks to assist the Council meet its objectives and maximise opportunities

Hazard- is an event or situation which can cause harm, damage or loss.
Examples: Trailing wire, faulty machinery, inadequate safety measures, lack of financial investment

Risk- is the chance that damage or an adverse outcome of some sort will occur as a result of a particular hazard.
Examples: Tripping over the trailing wire, injury due to faulty machinery, lost opportunity due to lack of investment

Strategic risk- Any risk which has a direct impact on the achievement of the overall objectives of the Council or a Department or which cuts across operational/divisional boundaries as opposed to risks that impact on any discreet part of the Council.

Operational risk- Any risk that impacts on the achievement of operational or divisional objectives.

Risk register- A composite, prioritised list of the identified and evaluated risks outlining their likelihood and potential impact, and will include an action plan to manage the risk to an acceptable level.

Risk appetite- The level of risk that the Council is prepared to seek, accept or tolerate

Risk Management is integral to everyone's day to day responsibility and is linked to both strategic planning and operational management.

3   THE RISK MANAGEMENT CYCLE

Risk Monitoring

Risk Identification

Risk Control
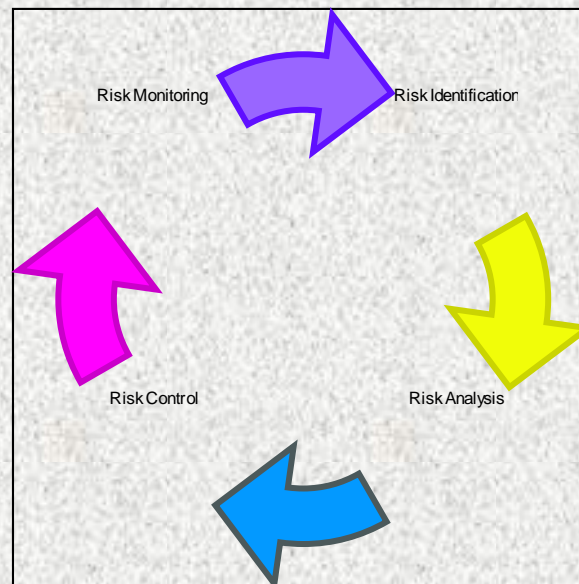
Risk Analysis

3.1   Risk Identification
A systematic approach to finding, recognising and describing all the risks and opportunities faced by the Council

3.2   Risk Analysis
The identified risks have to be assessed for the probability of them occurring and the potential severity should they occur. An estimate of the likely costs due to such risks should also be made.

3.3   Risk Control
Total risk avoidance or elimination is impossible. Risk control is the process of taking action to minimise the likelihood of the risk occurring and/or reducing the severity of the consequences should it occur. There are five approaches to controlling risks:

Tolerate- Recognising that not all risk can be eliminated it may be appropriate to register an activity "at risk" but continue with it.
The Council will tolerate acceptable risks for example:
When it is mitigated by internal control
When it cannot be mitigated cost effectively
When the risk generates greater opportunities than risks

Treat- This allows the activity to continue but manages the risk to an acceptable level.

Terminate- Do things differently thereby removing the risk

Transfer – For example purchase insurance to cover the financial burden of the activity

Take the opportunity – Not an alternative to the above, but an option to consider whenever tolerating, treating, terminating or transferring. This course of action is suitable when the Council is confident in the embedded process of risk management and the opportunity aspect of a risk can be determined and focussed upon.

Example: Funding a capital project means loss of financial resource, but the speculation on the opportunities of the project outweigh the decision not to proceed

3.4   Risk Monitoring

The risk cycle is continuous. The effectiveness of the risk controls must be monitored and reviewed. Over time new risks may emerge, or existing risk may wane.

The information generated from applying the risk cycle will help to ensure risks are managed over time.

4.   CATEGORIES OF RISK

Hazards and associated risks are divided into two categories; strategic or operational. When conducting risk identification it is useful to sub-categorise risks. The categories are neither prescriptive nor exhaustive, nor should they be considered in isolation as risk knows no boundaries.   However, they should provide a framework for identifying and categorising a broad range of hazards and risks facing each service.

4.1   STRATEGIC

Hazards and risks which need to be taken into account in judgments about the medium to long term goals and objectives of the Council.   These may be:-

- **Political**
Those associated with failure to deliver either local or central government policy, or meet the local administration's manifesto commitments.

- **Economical**
Those 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 the consequences of proposed investment decisions.

- **Social**
Those relating to the effects of changes in demographic, residential or socio economic trends on the Council's ability to deliver its objectives.

- **Technological**
Those 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.

- **Legislative**
Those associated with current or potential changes in national or European Law (e.g. the appliance of TUPE Regulations).

- **Environmental**
Those relating to the environmental consequences of progressing the Council's strategic objectives (e.g. in terms of energy efficiency, pollution, recycling, landfill requirements, emissions, etc).

- **Competitive**
Those associated with current or potential changes in national or European Law (e.g. the appliance of TUPE Regulations).

Those affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver Best Value.

- **Customer/Citizen**
Those associated with failure to meet the current and changing needs and expectations of customers and citizens.

Managing strategic risks is a core responsibility for senior managers in close liaison with Elected Members.   Strategic risk assessments should be undertaken as part of the community, corporate and service planning process and as a key element of service reviews.   Strategic risk assessment draws on techniques such as group assessment, brainstorming and SWOT or PESTLE analysis. EMT hold a formal risk identification workshop every two years. Identified risks are assigned to a specific Director who will then take responsibility for managing that risk. Quarterly reviews of the strategic risks are carried out and are reported to both Executive and Audit Committee.

The current Strategic risks within Bolton are shown at appendix 1

4.2   OPERATIONAL

Hazards and risks which managers and staff will encounter in the daily course of their work. These may be:-

- **Professional**
Those associated with the particular nature of each profession (e.g. social work service concerns over children at risk; housing service concerns as to the welfare of tenants).

- **Financial**
Those associated with financial planning and control and the adequacy of insurance cover.

- **Legal**
Those related to possible breaches of legislation.

- **Physical**
Those related to fire, security, accident prevention and health and safety (e.g. hazards/risks associated with buildings, vehicles, plant and equipment, etc).

- **Contractual**
Those associated with the failure of contractors to deliver services or products to the agreed cost and specification.

- **Technological**
Those relating to reliance on operational equipment (e.g. IT systems or equipment and machinery).

- **Environmental**
Those relating to pollution, noise or energy efficiency of ongoing service operation.

Two criteria can be used to determine the scale of risk associated with each hazard:

- The likelihood of the risk even occurring;

- The impact of the consequences should it occur.

An example of a risk matrix showing a risk appetite

LIKELIHOOD		Negligible	Marginal	Critical	Catastrophic
A	Very High		[shaded]	[shaded]	[shaded]
B	High		[shaded]	[shaded]	[shaded]
C	Significant			[shaded]	[shaded]
D	Low				[shaded]
E	Very Low				[shaded]
F	Almost Impossible				
		IV	III	II	I

IMPACT

Identified risks should be plotted on the risk matrix as shown above. The shaded box combinations are levels of risk that the Council is not prepared to seek, accept or tolerate. Thus, risks below the shaded areas are within the Council' risk tolerance.

To assist officers in the subjective areas of quantifying likelihood and impact the following guidelines have been issued.

Likelihood descriptors

Description	Descriptor	level
Is expected to occur in most circumstances	Very High	A
Will probably on a regular basis	**High**	B
Will probably occur at some time.	**Significant**	C
May occur at some time or in some circumstances	**Low**	D
Is unlikely to, but could, occur at some time in some circumstances	**Very low**	E
May occur only in exceptional circumstances	**Almost Impossible**	F

Impact descriptors

Description	Descriptor	Level
• Insignificant disruption on internal business – no loss of customer service • No impact on achieving corporate objective • No injuries • No property damage • Requires no disciplinary action against staff • No reputational damage • No or insignificant environmental damage • Low financial loss <£50,000	**NEGLIGIBLE**	IV
• Some disruption on internal business only – may result in customer service disruption • Little impact on achieving corporate objective • Minor injury (first aid treatment) • Little property damage • Requires disciplinary action against the staff responsible • Minimal reputation damage (minimal coverage in local press) • Minor damage to local environment • Medium financial loss (>£50,000 - < £100,000)	**MARGINAL**	III
• Major disruption to The Council – serious damage to organisation's ability to service customers (loss of service for more than 48 hours but less than seven days) • Partial failure to achieve corporate objective • Requires resignation of Director and / or Cabinet Member • Numerous injuries • Severe property damage • Coverage in national (broadsheet) press and/or low national TV reporting • Extensive / multiple injuries • Major damage to local environment • Major financial loss (>£100,000 ->£2,000,000)	**CRITICAL**	II
• Loss of service delivery for more than seven days • Non delivery of corporate objective • Requires resignation of Chief Executive and / or Leader of the council • Loss of life • Permanent loss of property • Extensive coverage in national press and broadsheet editorial and/or national TV item • Significant local, national and/or international environmental damage • Huge financial loss >£2,000,000	**CATASTROPHIC**	I

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5. ROLES AND RESPONSIBILITIES

To ensure the effective implementation and co-ordination of the Council's Risk Management Strategy, clarity around the respective roles and responsibilities of those involved is important.

Whilst it is recognised that everyone within the organisation has a role to play when it comes to risk management, certain Officers and Elected Members have specific roles and responsibilities.

A brief overview of the differing roles of those involved is shown in the table overleaf

Member/Officer/Group	Responsibility
Executive Member for Corporate Strategy and Finance	Executive responsibility for the Council's Risk Management Strategy
Executive Members	Risk Management in their portfolio area
Audit Committee	Review effectiveness of risk strategy and seek assurance that action is being taken on risk related issues
Director of Corporate Resources	EMT Lead for the development, monitoring and review of the Council's Risk Management Strategy
Corporate Risk Officer	Corporate operational lead for the Council's Risk Management Strategy
Departmental PMG member	Departmental Risk Champions- to promote risk management
Departmental Management Team supported by their Corporate Business Planning Lead Officer	▪ Co-ordinating risk management within their Department ▪ Supporting service managers in developing, managing and monitoring risk action plans ▪ Ensuring effective integration with CBPP at a departmental level
Members of PDG's and Scrutiny Committees	To monitor progress and effectiveness of the Risk Management Strategy within the Corporate Business Planning Process.
Service Managers/ Team Leaders	Development, management and monitoring of risk plans within their service
Employees	To manage risk effectively in their jobs

6. MINIMUM STANDARDS FOR RISK MANAGEMENT

6.1 Annual risk identification workshop in each department.
- In April/May, to feed into the departmental Big Issues process
- Make use of the risk register identified in the previous year's process and any updates to it, but also include scope to think more widely about risks against the objectives of the department
- Must include all officers responsible for producing SIAPs

6.2 Action plans produced from the risk identification workshops to be completed and input on the risk register system by the beginning of June.

6.3 Updates on actions to be recorded at least quarterly by responsible officers identified for each action.

6.4 SIAPs to include a separate narrative section on risk management. Should consider
- Risks of actions identified in the SIAP
- All risks against the objectives of the service. (This may produce additional actions for the SIAP which should be cross-referenced in the risk management section.)

6.5 Managers responsible for SIAPs promote a risk management approach at operational level in their services, and ensure that the risks identified at this level are monitored in the SIAP process or through staff meetings.

6.6 Risk considered throughout the financial planning and service planning cycle (included as standing item for all meetings in the service and financial planning process) and at operational level. New risks identified are added to the risk register. Service Strategic Plans should include a section on risk management.

6.7 CBPP officers monitor the process within their departments, ensure compliance, and report to DMTs.

6.8 Six-monthly monitoring report diaried in for all DMTs for June (before Big Issues) and December.

6.9 Risk Manager advises on the whole process and co-ordinates risks which affect more than one department.

6.10 Annual report to EMT by Risk Manager in February.

7. TRAINING

Training in Risk management will be provided to all Elected Members, EMT, Directors, Senior Managers and those involved in the CBPP process. A general overview presentation of Risk Management has been produced and this has a regular slot on the Corporate Induction Training programme.

8. INTERNAL AUDIT

Internal Audit's role is to validate and where appropriate challenge the risk management process and provide assurance that the processes are effectively and comprehensively being followed

9. REVIEW

This policy statement is due to be reviewed in April 2011