



# **RISK MANAGEMENT POLICY AND STRATEGY**

**Taking risks responsibly**

**Our approach to managing risk**

**1. FORWARD**

- 1.1 It is a fact of life that we face risks in all activities across the Council. This strategy is not about preventing all risks, but about understanding the risks we are taking. Risk management has never been more important given the many challenges that face Local Government currently e.g. austerity, cuts to services to fit government funding, new business models, investing to grow, commercialisation.
- 1.2 One interesting change over the past few years is the extent to which the public sector rely on other organisations to achieve our corporate goals. To this end, good risk management is not just about our own organisation but ensuring that our partners and other key organisations also have in place robust risk management processes.
- 1.3 This risk strategy sets out in a practical manner how this Council is going to ensure that we can make risk management work for us. Risk identification and management is a process that should produce benefit for the council as it seeks to achieve its objectives. Effective risk management I am convinced will allow us to:
- have increased confidence in achieving our priorities and our outcomes
  - constrain threats to acceptable levels
  - take informed decisions about exploiting opportunities
  - ensure that we get the right balance between rewards and risks
  - improve our partnership working arrangements and corporate governance
- 1.4 As well as this risk policy and strategy
- There is help and support available if required through the Director for Corporate Services and/or Corporate Service Manager.
  - There is a two page risk management aide toolkit to accompany this strategy
- 1.5 In Melton Borough Council risk management is about improving our ability to deliver our strategic objectives by managing our threats, enhancing our opportunities and creating an environment that adds value to ongoing operational activities.
- 1.6 I am committed to the effective management of risk at all levels of this Council. This strategy is an important part of ensuring that effective risk management takes place.

Edd de Coverly  
**Chief Executive**

## 2. WHAT IS RISK MANAGEMENT?

- 2.1 The purpose of this document is to define the Council's Strategy for Risk Management in the future.

**This document is complemented by a short risk management toolkit which is an enabler for undertaking risk management.**

- 2.2 Risk can be defined as follows:

“**Risk** is the threat that an event or action will adversely affect an organisation’s ability to achieve its objectives and to 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.”

- 2.3 Risk management should be a continuous process. Risk management is not a perfect tool as it seeks to examine potential events.

As with any process there needs to be clear benefits and success measures. The key measures of success for managers are

- **Consensus** – there is one view of the main risks at a corporate and service level within the organisation
- **Confidence** – we understand the risk mitigation measures being taken and have confidence in these at a corporate and service level
- **Communication** – all employees have the chance to raise risk issues for consideration

- 2.3 Some further benefits that result from successful risk management include:

- Key risks and mitigation measures are clearly identified
- Increased focus on what needs to be done to meet our objectives
- Improved financial performance and human resources management
- Improved corporate governance and compliance systems
- Better management of change
- Fewer complaints
- Protection of the council’s reputation
- Improved insurance management

***Risks must be managed but not avoided to the extent that flair and innovation is choked.***

### 3. ROLES AND RESPONSIBILITIES

3.1 The success of our ability to manage risk requires clear accountabilities to be set throughout the organisation. The table below shows the clear roles and responsibilities within Melton Borough Council.

<b><i>Audit and Standards Committee</i></b>	<ul style="list-style-type: none"> <li>• To oversee the effective management of risk by the Council by agreeing the overall policy and strategy and monitoring its implementation. This will be discharged by the leader as the appointed Portfolio Holder Champion for risk management and receiving briefings from senior management.</li> <li>• To positively challenge the Senior Leadership Team to ensure the risk assessment and mitigation plans are robust.</li> <li>• To receive an annual report from the Senior Leadership Team on the status of risk management.</li> </ul>
<b><i>Senior Leadership Team</i></b>	<ul style="list-style-type: none"> <li>• Maintain the Strategic Risk Register and mitigation actions.</li> <li>• To understand and implement the Council's Risk Management Policy and Strategy.</li> <li>• To encourage active participation towards risk management by those at all levels.</li> <li>• To review key service risks and the mitigation actions.</li> <li>• To ensure a corporate approach is taken to preventing losses and damage to the Council's property, assets and staff due to accidents, crime or negligence is pursued.</li> <li>• To provide risk updates on the corporate risk register and service risks to members as appropriate.</li> <li>• To produce, as a minimum, an annual report to Members on risk management activity.</li> <li>• To organise training and promote awareness amongst those involved in controlling risks.</li> </ul>
<b><i>Director for Corporate Services and/or Corporate Services Manager</i></b>	<ul style="list-style-type: none"> <li>• To co-ordinate risk management activities across the Council ensuring consistency and best practice.</li> <li>• To maintain the Risk Management Policy and Strategy.</li> <li>• To consider latest developments in risk management and prepare and issue guidance where appropriate.</li> </ul>
<b><i>Service Managers</i></b>	<ul style="list-style-type: none"> <li>• To ensure that appropriate and effective risk management processes are in place within their designated area(s).</li> <li>• To ensure risk assessments are carried out in liaison with appropriate identified advisors e.g. Health and Safety officer.</li> <li>• In situations where local control measures are considered to be inadequate reporting these risks to the Senior Leadership Team.</li> <li>• To raise awareness and promote risk management and encourage staff to participate in risk reduction.</li> <li>• Regularly present to Senior Leadership Team the main risks within individual service areas on a rolling basis.</li> </ul>
<b><i>All Staff</i></b>	<ul style="list-style-type: none"> <li>• To maintain an awareness of risk management principles.</li> <li>• To be aware of risks in their own area of work and to take appropriate care.</li> </ul>

	<ul style="list-style-type: none"> <li>• To report any new or changing risks to their manager.</li> </ul>
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**4. OUR FOUR STEP APPROACH TO RISK MANAGEMENT**

Melton Borough Council adopts a pragmatic approach to risk management which consists of **4 steps**

<p><b>Step 1</b>  <i>Identifying Risks</i></p>	<p>Risks identification is about identifying the key risks to the council and asking the following questions:</p> <ul style="list-style-type: none"> <li>• What could stop the Council achieving its objectives? What could go wrong?</li> <li>• What type of risk could it be e.g. financial, political, legal, partnership?</li> <li>• How would we describe the risk? What is the headline?</li> </ul> <p>It is useful to use the phrase "If....then....."For example if key staff leave the Council's employment then the remaining staff may not have the appropriate skills to provide the service required. One identified risk may then lead to another risk. If the remaining staff do not have the appropriate skills to provide the service required the Council may not be able to meet statutory requirements and so on.</p>
<p><b>Step 2</b>  <i>Analysing and Prioritising Risks</i></p>	<p>Risk analysis and prioritisation is about fully understanding the risk (drilling down further) and asking the following questions:</p> <ul style="list-style-type: none"> <li>• What is the background to the risk? What would cause the risk to occur?</li> <li>• What would the impact be?</li> <li>• What is the likelihood of the risk occurring?</li> </ul> <p>In order to assess risks the Council uses a 4x6 matrix to analyse and evaluate the Council's exposure to risk in terms of its impact and likelihood.</p>
<p><b>Step 3</b>  <i>Controlling Risks</i></p>	<p>Risk control is about putting in place appropriate mitigating actions to manage the risk and asking the following questions:</p> <ul style="list-style-type: none"> <li>• How can they be eliminated?</li> <li>• How can they be avoided?</li> <li>• How can they be made less likely?</li> <li>• How can they be made less costly?</li> </ul> <p>Even when all reasonable practical measures have been taken to eliminate or reduce risk, there will always be a residual risk that has to be addressed. The organisation must consider how the residual risk is managed and this can be done through commercial insurance i.e. transferring the risk or tolerating the risk as it stands.</p>

<p><b>Step 4</b></p> <p><b>Monitoring Risks</b></p>	<p>Risk Monitoring is the last but not least step in the process. Having effective monitoring arrangements will ensure that your response to risk is both effective and proportionate by asking the following questions:</p> <ul style="list-style-type: none"> <li>• Are the risk controls in place the right ones?</li> <li>• Are the risk controls having a positive impact?</li> <li>• Are we on track in terms of achieving our target risk scores?</li> <li>• Do we need to do anything further to mitigate the</li> </ul> <p>In order to monitor the effectiveness of risk controls – regular update reports are discussed at SLT, within Directorates and via the Governance Committee.</p>
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## 5. OUR RISK MATRIX AND SCORING GUIDE

5.1 The key element of risk management is being able to assess and prioritise risks. This enables key resources to be focused. The matrix used by this Council is set out below.

			Impact / Consequences			
			Negligible	Marginal	Critical	Catastrophic
			1	2	3	4
Likelihood	Score/ definition	Probability				
	6 Very High	More than 90%	Medium (6)	Medium (12)	High (18)	High (24)
	5 High	55% to 90%	Medium (5)	Medium (10)	High (15)	High (20)
	4 Significant	15% to 55%	Low (4)	Medium (8)	Medium (12)	High (16)
	3 Low	5% to 15%	Low (3)	Low (6)	Medium (9)	Medium (12)
	2 Very Low	1% to 5%	Low (2)	Low (4)	Low (6)	Medium (8)
	1 Almost impossible	0% to 1%	Low (1)	Low (2)	Low (3)	Low (4)

Likelihood		Impact	Description guide
Very High	> 90%	Negligible	Minor financial, no effect on service provision or reputation, limited physical consequences
High	55% to 90%	Marginal	£10k - £200K??, service slightly reduced broken bones/illness, objectives of one area not met, minor adverse local media, impact on inspection (s)
Significant	15% to 55%	Critical	£200K - £1M, service suspended short term / reduced, loss of Life/major illness, area objectives not met, industrial action, adverse national publicity
Low	5% to 15%		
Very Low	1% to 5%	Catastrophic	£1M- £10M, service suspended long term, statutory duties not delivered, major loss of life/large scale major illness, corporate objectives not met, mass staff leaving/Unable to attract staff, Remembered for years!! Service taken over permanently

## 6. OUR APPETITE FOR RISK

6.1 Risk prioritisation will determine whether the risk is within the appetite of the Council. Risk appetite is defined as the level of risk that the council is prepared to accept in order to achieve our goals.

6.2 All organisations must:

- Accept some degree of risk,
- Set boundaries as to what is an appropriate level of risk,
- Be mindful of differing perspectives of reasonable risk appetite e.g. the public, the courts, inspectors and members.

6.3. Consequently, articulating risk appetite can be a complex task requiring the balancing of many views. Some elements can be quantified but ultimately it is a question of judgment. This opinion may vary from time to time and dependent upon current circumstances.

6.4. There are two key messages

- The risk matrix adopted by the council sets broad boundaries as to what is tolerable and not tolerable. The risk matrix provides a scoring for risks. Risks that score “13” or above should have regular Director visibility.
- This may not always provide enough clarity - **“If in doubt about a particular risk– consult”**

6.5. The table below sets out a clear summary of the levels of risk tolerance. Clearly the higher the risk than there is a requirement that this risk is known about at a Director level.

<b>Level of Risk</b>	<b>Level of Concern</b>	<b>Potential Consequences</b>	<b>Action Required</b>	<b>Level of visibility required</b>	<b>Risk Treatment Option(s) Available</b>
High >12	Concerned	Severe impact	Comprehensive action is required within 3 months	Director	Transfer Terminate Treat
Medium 6-12	Uneasy	Medium impact	Action plans to be developed within 6 months	Service Managers	Transfer/ terminate/ treat/ tolerate /contingency plan
Low 1 – 6	Content	Relatively light impact	The council is prepared to accept this risk	-	Tolerate/treat if cost effective



7. **RISK MANAGEMENT IN COMMITTEE REPORTS**

- 7.1 One of the most common risk management activities will be the identification of risks within Committee reports.
- 7.2 **Appendix B** contains a number of risk prompts that will assist in the identification of key risks.
- 7.2 In essence there are a number of features to robust risk management within Committee reports
- What are the potential risks of NOT going ahead with the recommendation
  - What are the key risks to the Council going ahead with the various options or recommendations
  - What are some of the implementation risks (as opposed to the risks once the recommendations are implemented)
- 7.3 We should not be seeking to identify every risk within Committee and Cabinet reports but only those risks that are deemed as significant.
- 7.4 The key challenge for officers is to ensure that all reports and plans present both the upside of a decision (opportunities) and the potential downside of a decision (risks). The current clearance of reports for meetings is designed to ensure that these two aspects are appropriately challenged.

8. **ROLE OF MEMBERS**

8.1 The role of members is crucial in ensuring that the management of risk is taken seriously within an organisation. Members set the tone for the management of risk throughout the organisation.

8.2 The general responsibilities of elected members to manage risks are to:

- Support the effective implementation of risk management
- Agree on member and officer structures for managing the Council's risks
- Ensure risk management receives due consideration when reaching key decisions
- Promote a positive attitude toward managing risk
- View the process as long term
- Take a top down approach
- Aim for continual improvement

8.3 Members need to challenge in a positive manner their understanding of the risks being presented in Committee and Cabinet reports. Areas to consider include

- (1) What am I being told are the main risks?
- (2) What do I think are the main risks? [identify and compare to the report]
- (3) What priority are these risks in reality? [do I agree?]
- (4) What are the measures to manage the key risks?
- (5) Am I confident these measures will manage the risk?

**9.0 RISK MANAGEMENT IN OUR KEY PARTNERS**

9.1 More than ever, Council's rely on a variety of partners to deliver our key goals (both public sector and private sector partners). It is vital that good risk management practices are not just undertaken by the council but also by our partners and partnerships. It is the responsibility of officers and members to ensure that significant partnerships with which they are engaged embed the following sound risk management principles.

- a) Regular view of the main risks
- b) Clear definition around the main actions and controls to manage the risk
- c) Clarity around risk allocation (who is taking what risk)
- d) A sound approach and process to managing risk

9.2 Local Government increasingly delivers its services through partnerships with other public bodies, third sector groups and private sector organisations. There are two aspects to our risk strategy involving risk in key partners

a) Assessing the risks involved prior to entering into a new arrangement as part of the policy decision. Decisions to enter into partnerships should be based on a sound understanding of the risks and challenges as well as the opportunities and anticipated benefits.

b) Ensuring there is an ongoing risk view for key partnerships at any point in time. Officers involved with key partnerships and contracts that are ongoing should specifically consider and log the associated risks to the council and manage them in accordance with this strategy.

OR

c) Challenging key partners as to how they manage their key risks. Key questions will include

- Do they have a strategy or approach to managing risks?
- Can they demonstrate an assessment of their main risks?
  - Can they provide confidence around the mitigation measures?

9.3 It is also necessary to clarify the governance arrangements, the legal status and the extent to which the council may be bound by decisions made by the partnership.

9.4 Some partnerships will have already adopted an approach to risk management which can be relied on. When this is not the case the council's standard approach should be followed.

## **10.0 OTHER RISK MANAGEMENT MATTERS**

### **9.1 Business Continuity Management**

The Civil Contingencies Act requires the Council to prepare and maintain business continuity plans. The topics of risk management and business continuity are complementary. The main threats that the council faces are assessed through risk management and managed through the development of business continuity plans.

As part of our approach the Council seeks to follow the principles of BS25999 (the British Standard on Business Continuity).

The Council's contact point for business continuity is the Assistant Director for Strategic Planning and Regulatory Services

### **9.2 The Annual Governance Statement**

Each year the Council has to complete an annual governance statement. A significant feature of this statement is the way the council is managing the risks it faces.

To enable this statement to be completed by the Monitoring Officer the Section 151 officer sends every member of the Senior Leadership Team an annual assurance statement to sign along with a checklist. Any weaknesses identified are discussed at our corporate Governance group which consists of the statutory officers. The pertinent risk management questions are

*“Section 4 - Business Risk Management:*


- *Business risks are identified and assessed arising from new initiatives by utilising the risk template*
- *Action is taken to manage and review business risks within my service areas.*
- *Business risks are included in the corporate Risk Register and business unit's risks are included in Service Plans as appropriate.”*

### **9.3 Risk Management Training and Support**

To ensure the successful implementation and maintenance of the Risk Management Policy and Strategy key Members and staff will be appropriately trained to perform their required role. An ongoing training programme is contained within the Corporate Training Plan.

General awareness-raising for staff will be undertaken through team meetings. The Leader as lead portfolio holder for Risk will also ensure risk management is embedded into the Council.

## APPENDIX A – SAMPLE RISK REGISTER FORMAT

 Risk Register														
REF	RISK TITLE & DESCRIPTION (a line break - press alt & return - must be entered after the risk title)	RISK VULNERABILITY AND CAUSE	RISK CONSEQUENCES	EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)			FURTHER ACTION REQUIRED	TARGET RISK RATING (See next tab for guidance)			RISK OWNER	RISK DATE	REVIEW
					LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING			
1														
2														
3														
4														
5														
6														



## APPENDIX B

### Risk Prompts

Risks can be considered under major headings of ‘Strategic’, ‘Operational’, ‘Partnership’, and ‘Project’. Generally, strategic level risks are likely to affect the medium to long-term priorities of the Council, and require longer term planning in order to address. Under these heading there are a number of categories such as Political, Social, and Legislative which will be of greater concern at the strategic level, while Professional, Technological, and Physical risks are of more concern at operational levels. **The table below provides a number of prompts to assist risk identification.**

Risk	Definition	Examples
Political	Associated with the failure to deliver either local or central government policy or meet the local administration’s manifest commitment	New political arrangements, Political personalities, Political make-up
Economic	Changes to the wider economy and trends.	Cost of living, changes in interest rates, inflation, poverty indicators
Social	Relating to the effects of changes in demographic, residential or socio-economic trends.	Ageing population, health statistics, migration.
Technological	The pace/scale of technological change, or the ability to use technology to address changing demands. Can also include the consequences of technological failures.	E-Gov. agenda, IT infrastructure, Staff/client needs, security standards
Legislative	Associated with current or potential changes in national or European law	Human rights, appliance or non-appliance of TUPE regulations
Environmental	Relating to the environmental consequences of progressing the council’s strategic objectives	Land use, recycling, pollution
Professional/ Managerial	Associated with the particular nature of each profession, internal protocols and managerial abilities	Staff restructure, key personalities, internal capacity
Financial	Associated with financial planning and control. These include internal budgetary pressures	Budget overspends, level of council tax, level of reserves
Legal	Related to possible breaches of legislation	Client brings legal challenge
Physical	Related to fire, security, accident prevention and health and safety	Offices in poor state of repair, use of equipment
Partnership/ Contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification	Contractor fails to deliver, partnership agencies do not have common goals
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value	Fail to win quality accreditation, position in league tables
Customer/ Citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens	Managing expectations, extent of consultation