THE MORAY COUNCIL

RISK MANAGEMENT STRATEGY

Version 2
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RISK MANAGEMENT STRATEGY

1   PURPOSE OF THE STRATEGY

This strategy outlines how the Council will implement its risk management policy.

The objectives of the risk management strategy are to:

* Embed risk management into the Council's culture, processes and procedures so that it becomes an integral part of the way the organisation is run;
* Adopt a systematic approach to risk management as an integral element of service planning and performance management;
* Manage risk in all Council services and in partnership arrangements in accordance with best practice;
* Anticipate and respond to changing social, environmental and legislative requirements;
* Make sure that departments have clear accountability for both ownership and cost of risk and the tools to effectively identify, record, evaluate, treat and monitor risk;
* Communicate the need for risk management to Members and staff.

An effective risk management strategy will deliver a number of benefits to individual services and to the Council as a whole. These include:

* Greater likelihood of achieving business objectives and targets;
* Better targeting of resources, therefore less waste;
* Better service delivery; fewer interruptions, greater efficiency, higher quality;
* Enhanced managerial control as a result of risk identification, analysis, control and monitoring;
* Improved health and safety of those employed, and those affected, by the Council's activities;
* Greater security of the Council's assets, systems, processes and people;
* Fewer surprises; foreseeable risks will have been identified, assessed and prioritised in advance and control measures will have been implemented as appropriate;
* More informed risk taking and decision making;
* Successful delivery of routine and innovative projects;
* Lower risk related costs, (insured and uninsured).
* Greater assurance that the Council's activities, including those delivered in partnership with others, are managed and controlled.

2   ROLES AND RESPONSIBILITIES

❖ **Members**

The Policy and Resources Committee shall:

♦ Approve the Council's risk management policy and strategy
♦ Receive copies of risk registers, which will also be submitted to relevant Service Committees as necessary.
♦ Promote and support risk management throughout the Council.

The Audit and Performance Review Committee shall:

♦ Annually scrutinise the Corporate and Departmental Strategic risk registers in order to derive assurance that risk management arrangements within the Council are being implemented satisfactorily.

♦ Receive and review reports on progress towards the embedding of risk management as part of the Council's governance arrangements and in support of the Annual Governance Statement.

❖ **Corporate Management Team**

The Corporate Management Team (CMT) shall:

♦ Determine the levels of risk and outcomes that are tolerable and acceptable to achieve the Council's objectives.
♦ Provide advice to elected members on the type and amount of risk to accept when making policy decisions.
♦ Assume ownership of the corporate risks recorded in the Corporate Risk Register.
♦ Carry out a strategic overview of the Corporate Risk Register at least three times per year.
♦ Annually review the Council's risk registers and set priorities for dealing with unacceptable risk and reducing risks.
♦ Receive reports from the Risk Management Group.
♦ Consider proposals from the Risk Management Group for additional funding for risk reduction measures.
♦ Promote and support the implementation of the risk management strategy throughout the Council.

The **Chief Financial Officer** is the designated Risk Champion. In this role he is responsible for developing specific programmes and procedures for establishing and maintaining risk management activities and to provide guidance, interpretation and understanding of the systems involved. This is an advisory role and to support this function the following risk management structure has been established:

❖ **Service Department Management Teams**

The Service Department Management Teams (DMTs) shall:

♦ Assess the risks affecting the work of the service and collate these into a departmental strategic risk register
♦ Assign ownership and responsibility for each identified risk to appropriate post-holders within the department
♦ Incorporate actions for addressing significant risks into relevant service plans.
♦ Regularly review and update the departmental strategic risk register and monitor the effectiveness of the risk mitigation measures
♦ Ensure resources are identified and made available to support the work of the Risk Management Group.
♦ Ensure that risk management responsibilities are included in updated/new job descriptions as necessary
♦ Be alert to new and emerging risks affecting their services.
♦ Ensure that the strategy is implemented effectively across their services.

❖ **Risk Owners**

Each risk identified in risk registers will have a corresponding risk owner. The owner shall:

♦ Ensure the quality of data recorded about the risk in the register.
♦ Oversee the controls and countermeasures that are in place to mitigate the risk.
♦ Review on a regular basis the risk and any proposed action or contingency plans and develop additional control measures as required.
♦ Notify the Service DMT of any changes to the risk that may necessitate amending the departmental strategic risk register.
♦ Notify appropriate Council officers, e.g. the Chief Legal Officer, Chief Financial Officer, Head of Personnel, Principal Health & Safety Adviser, Insurance Officer, etc. of any significant changes in risks or controls which may affect their areas of responsibility.

❖ **Risk Management Group**

The Risk Management Group (RMG) shall be led by the Team Leader (Audit) and comprise officers nominated by departments. From time to time the permanent members of the RMG may be supplemented by other officers with specialist expertise for specific projects or topics. The RMG shall:

♦ Contribute to the development and implementation of the Council's risk management policy and strategy.
♦ Approve any changes to the risk management policy and strategy prior to submission to the CMT and Members.
♦ Support departments in the preparation of risk registers.

- ♦ Research, consider and recommend to CMT best practice and new risk management initiatives in order to reduce or mitigate losses or risk and to comply with legislation.
- ♦ Meet regularly to exchange information, consider common problems and identify any resource issues to be reported to CMT.
- ♦ Undertake specific risk management exercises across services, where appropriate.
- ♦ Identify areas of overlapping risk.
- ♦ Determine the risk management training strategy
- ♦ Report on progress in implementing the risk policy and strategy to the CMT and Members, including the provision of assurance on the effectiveness of arrangements to manage risk.

❖ **Risk coordinator**

The risk coordinator[1] shall:

- ♦ Develop and update as necessary the risk management strategy in liaison with the Risk Management Group.
- ♦ Promote, support and oversee its implementation across the Council.
- ♦ Ensure consistency across the Council in the implementation of techniques and procedures.
- ♦ Develop and update as necessary risk management guidance for staff and managers and make this available on the Intranet.
- ♦ Research and promote good practice and new risk management initiatives.
- ♦ Provide specialist advice, assistance and support on risk.
- ♦ Develop a risk management training programme, organise appropriate training and any external assistance.
- ♦ Organise and support meetings of the Risk Management Group.

❖ **Insurance officer**

The Insurance officer shall:

- ♦ Advise on practices which will minimise the likelihood of adverse events occurring.
- ♦ Arrange insurance cover where necessary and appropriate.
- ♦ Ensure that all legal requirements for insurance are met.
- ♦ In conjunction with senior finance officers review the risk financing arrangements in the light of costs and alternative risk mitigation strategies.
- ♦ Feed information on insurance claims into the risk management process in order that trends can be identified and risk mitigation strategies developed as appropriate.

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[1] This officer is an internal auditor

❖ **Managers**

All managers are accountable for managing their risks and have a general responsibility to:

♦ Implement the detail of the risk management strategy.
♦ Ensure they understand their role in the risk management process and are familiar with the latest risk management guidance.
♦ Ensure that effective control is exercised over identified risks to reduce the likelihood and/or impact of adverse events occurring.
♦ Recommend the necessary training for employees on risk management.
♦ Identify new or changing risks in their service areas and feed these back to the departmental management teams.

❖ **Employees**

All employees have a responsibility to:

♦ Familiarise themselves with the Council's risk management guidance in order that they have an understanding of the principles and practices of risk management
♦ Consider risk management implications prior to the initiation of any project
♦ Manage risk effectively in their jobs
♦ Report hazards and risks through their line management chain
♦ Attend relevant training as required

The responsibilities for the implementation of this strategy are summarised at Appendix 2.

3   THE ROLE OF INTERNAL AUDIT

The annual internal audit plan, approved by the Audit and Performance Review Committee, will take careful account of the corporate and departmental strategic risk registers. Systems and areas of high risk will be reviewed on a frequent basis. The audit planning forms will set out the risks and the management controls that are to be examined.

Internal audit reports will present the findings of their review work within the context of the risks noted by the Council and will seek to draw the Council's attention to areas for developing risk management arrangements or any additional risks that have been noted during the course of their work.

The risk register will be updated to reflect these matters, following consideration of the reports by the Audit and Performance Review Committee and approval of the changes by the CMT.

The Team Leader (Audit)'s annual report will include his opinion upon the adequacy and effectiveness of the Council's systems and controls which will specifically refer to risk management and governance. This opinion will inform the Annual Governance Statement.

4 APPROACH TO RISK

The Council's approach to risk management will be objective-driven. The Council's aims and priorities are agreed by Members and the CMT. These high-level organisational objectives will be supported by Departmental and Service Plan objectives. Departments will therefore identify threats to the objectives in their own service areas and then consider the potential impact on the Council's responsibilities.

Risk is not limited to threats but can give rise to opportunities. Good risk management can facilitate innovation and creativity rather than merely prompting defensive responses. Measures to manage adverse risks are likely to help in managing positive risks.

Throughout the organisation, i.e. at corporate, departmental, operational and project levels, risk registers will be developed which will provide for:

- ♦ formal identification of risks;
- ♦ recording and prioritisation of risks; and
- ♦ mapping of risks to internal controls and to budgets and resource allocations.

5 USE OF THE RISK MANAGEMENT CYCLE

Best practice advocates the use of a four-stage process of reviewing risks. It will be applied to the Council as a whole but can equally be used as a checklist for managers on an individual basis.

The stages are as follows:

1) Identify the risks
All the risks that each service face need to be identified and recorded on a risk register. These will include both departmental strategic and operational risks. Those affecting the long-term aims and vision of the Council will be recorded in the Corporate Risk Register.

2) Analyse and assess the risks
The likelihood of any risk arising and the impact of any consequences should the risk materialise need to be assessed. The likelihood and impact of each risk need to be rated using a 5x5 risk scoring system and plotted against a risk matrix, which will illustrate the relative priority of the risks. The effectiveness of existing control measures needs to be

assessed to determine whether they are sufficient to reduce the likelihood and/or impact of the risk.

3) Control the risks

Decisions need to be made on whether the risk is to be terminated (by stopping or changing the activity), transferred (to an insurance company in return for a premium or to a contractor), treated (by putting appropriate controls put in place to mitigate the risk) or tolerated (if the cost of controlling the risk is disproportionate to the potential benefit gained). If a residual gap in existing controls is identified during the evaluation stage additional measures need to be put in place. Responsibility for each risk needs to be assigned to an appropriate individual or post holder.

4) Monitor and review the risks

Risks need to be regularly reviewed as circumstances change, existing risks reduce and new risks emerge. Progress in managing risks should be monitored and reported so that losses are minimised and intended actions are achieved.

The risk management cycle is illustrated at Appendix 3.

Detailed guidance on completing the above stages is available on the intranet (Front page> Policy/strategy> Risk management> Guidance).

6. HOW RISK MANAGEMENT LINKS WITH EXISTING PROCESSES

6.1 Health and Safety

One of the major risks faced by a diverse service organisation, such as a local authority, is to the health and safety of its staff, service users and members of the public. Risk assessment has been an integral part of health and safety management since the 1980s when the principle was established through the Control of Substances Hazardous to Health Regulations (COSHH). The risk assessment and control process was further developed in 1992 by the Management of Health and Safety at Work Regulations which laid an explicit duty on employers to assess all risks to health and safety and to have in place control strategies to manage the risks. Although health and safety is essentially concerned with operational physical risks and protecting human resources from injury, accident and death it remains an integral part of the wider risk management framework. The implementation of the framework will encourage the development of a risk based approach to health and safety risk assessments. Where these already exist they will not need to be repeated for risk management purposes.

6.2 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 and to develop plans for the recovery of key Council services in the event of critical

service failure. The Civil Contingencies Act 2004, which provides the statutory framework for business continuity management, requires Councils to have in place effective business continuity plans for critical functions.

6.3 Emergency Planning

Emergency planning is concerned with assessing the threats and risks to the community and the environment, preparing to respond effectively to emergencies should a disaster occur, and assisting the return to normality. Its purpose is to develop local community resilience and also contribute to the national resilience agenda. The Community Risk Register, developed by the Grampian Strategic Coordinating Group, sets out a range of potentially disruptive events that may affect the Grampian area. The Community Risk Register provides the basis for responder agencies, including the Moray Council, to develop, implement and confirm emergency plans to meet the identified risks. These risks will need to be taken into account by departments when developing strategic and operational risk registers.

6.4 Partnerships

Council objectives and services are increasingly being delivered in partnership with other organisations. This puts a premium on effective partnerships and on successful risk management. The risks involved in partnership working should be fully considered and documented before entering into any partnership. There should be effective arrangements in place for risk sharing, for example, in the partnership agreement. The risks to achieving the objectives set by the partnership must be clearly identified, analysed, prioritised and managed and these risks should be reviewed regularly during the life of the partnership. Clarity of focus and desired outcomes are critical factors in determining an appropriate and acceptable level of risk for the Council to bear in its partnership working.

6.5 Corporate, departmental and service planning

As part of the development of corporate, departmental, service and project plans risk analyses will be conducted. Risk analyses will identify and evaluate the key risks facing the Council or individual services in the delivery of the plans. This will ensure that key obstacles to the delivery of corporate, departmental strategic, operational and project objectives are identified and actively managed.

Within the corporate planning process the risks will be identified and recorded on the Corporate Risk Register. The CMT will be responsible for managing those risks.

Within the departmental and service planning process the risks will be identified and recorded on departmental strategic and operational risk registers. The departmental management teams and service managers will be responsible for managing those risks.

Where necessary, key risks facing departments and individual services will be escalated to the CMT for consideration as to whether the risk is in fact a corporate risk.

6.6　Performance management

Monitoring of the risk management action plans will be incorporated into the corporate performance framework and departmental management teams' monitoring arrangements. Members of the Audit and Performance Review Committee will be advised of the monitoring and management of key risks to the delivery of service priorities.

6.7　Project management

Whichever project management methodology is applied to individual projects undertaken by the Council the project manager will be responsible for ensuring that risks are identified and recorded, appropriate control measures are put in place to mitigate the risks, and regular monitoring takes place.

6.8　Procurement

The Council recognises that robust procurement procedures are essential to the effective management of risk and adherence to the procurement guidance should ensure risks are minimised and comply with legislation. Updated guidance on procurement should emphasise that changes proposed are designed to address risks associated with ad-hoc procurement arrangements from both cost and quality perspectives.

6.9　Committee reports

Each report prepared for Committee requires the author/responsible officer to consider the risk implications of the proposals contained within the report. Explicit reporting of risk considerations assists elected members to make informed decisions.

6.10　Best Value

In line with Best Value requirements the Council is committed to continuous improvement in services. Changes proposed from Designing Better Services and other service reviews will have regard to risk implications.

7　EMBEDDING RISK MANAGEMENT

The key to embedding risk management successfully is the acceptance of risk management as an integral component of good management and a valuable contribution to achieving organisational objectives rather than as a constraint or additional bureaucratic burden. Risk management should be practised as the norm without staff having to consciously think about it.

The following measures should assist in integrating risk management across the Council:

- Communicating the need for and benefits of risk management to Members and staff
- Regular reviews and updates of risk registers.
- Engaging in a programme of training and education as a key means of developing the organisation's culture to embrace risk management concepts.
- Including risk management roles, responsibilities and competencies within personnel policies by specific reference to risk in updated/new job descriptions.
- Integrating risk management considerations into the strategic plans of the organisation and community plan processes.
- Incorporating risk management into service plans and project plans.
- Promoting good practice on risk management activity both internally and externally so as to raise awareness amongst employees and stakeholders.
- Developing performance measures for effective risk management.
- Reviewing this strategy and amending it as appropriate in recognition of changes to the Council, its objectives and the environment in which it operates.

The communications strategy is at Appendix 4. A timetable for the implementation of the risk management strategy is at Appendix 5.

8   SPECIALIST ADVICE

Some areas within the Council have specialist knowledge that enable them to advise other officers on risks. These include:

Internal audit
Emergency Planning Unit
Business Continuity Officer
Procurement team
Health and Safety advisers
Fraud investigation officers
Insurance manager
Project officers

Advice and support is also available from external consultants and the Council's insurers; details are obtainable from the Risk Coordinator. Further information is also available from a range of external organisations. Links to these organisations are available via the Intranet (Front page> Policy/strategy> Risk management> Links).

Appendix 1: Glossary of terms

Risk refers to uncertainty of outcome, whether positive opportunity or negative threat, of actions and events. It is the combination of likelihood and impact, including perceived importance.

Risk management covers all the processes involved in identifying, assessing and judging risks, taking actions to mitigate or anticipate them, and monitoring and reviewing progress.

Risk owner is the person identified in the risk register with formal responsibility for ensuring that a risk is managed effectively.

Risk appetite is the level of risk that the Council is prepared to tolerate or is able to fund from its own resources and is thus prepared to accept.

Risk register is a document containing details of all identified risks, their risk scores, the controls put in place, the risk owner and progress in managing the risks.

Impact denotes the effect of a risk should it materialise into an actual event.

Likelihood indicates the anticipated frequency with which a risk is expected to occur.

Assurance is an evaluated opinion, based on evidence gained from review.

Embedded risk management is a way of ensuring that the processes designed to manage risk are intrinsically built into everyday business practices and procedures across the entire organisation.

Corporate risks are those affecting the long-term aims and vision of the organisation.

Strategic risks relate to the management of the medium to long-term goals and objectives.
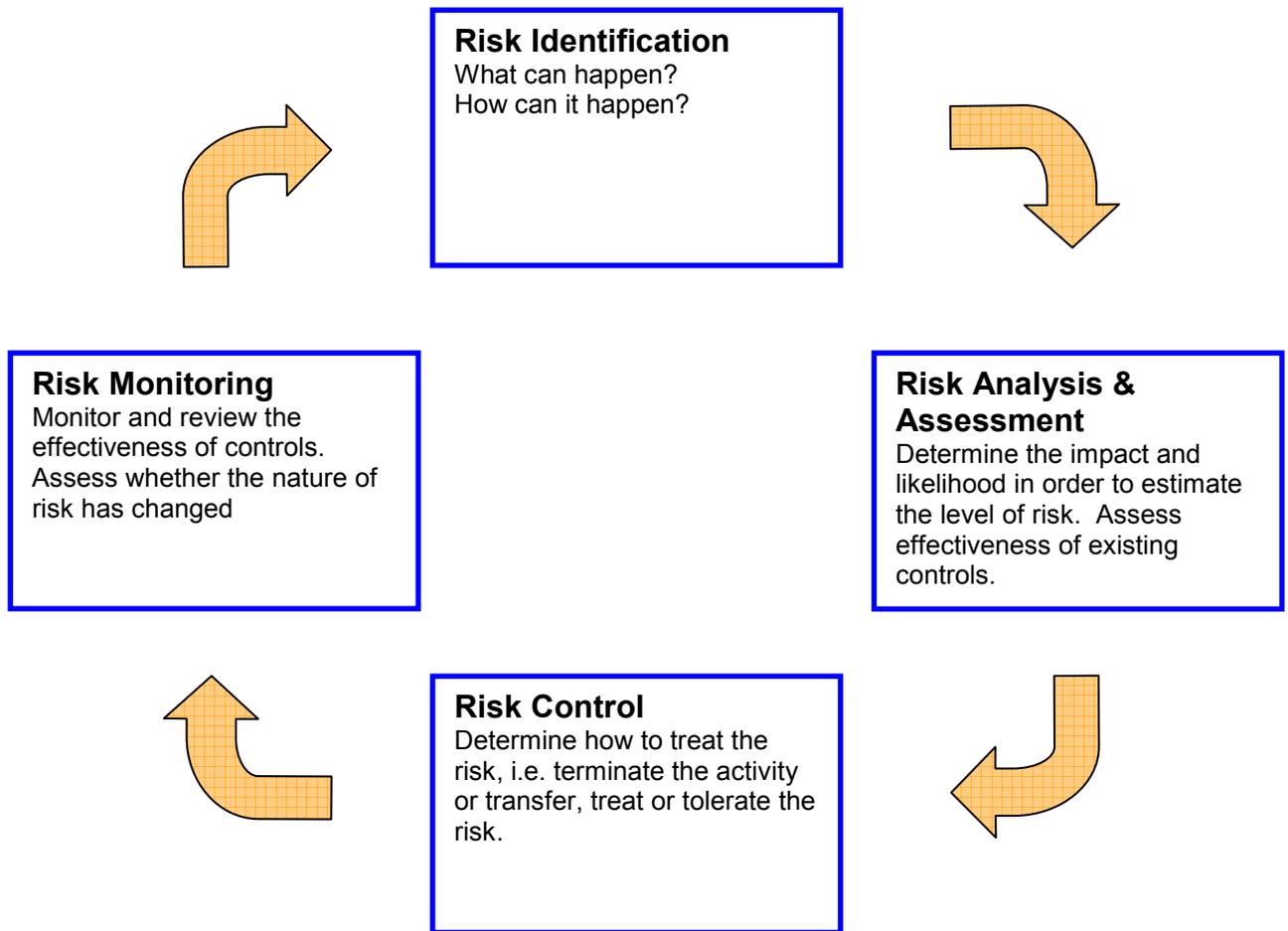
Operational risks arise from the daily activities of an organisation.

Project risks arise from individual discrete areas of activity.

Appendix 2: 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	Identify, document and review risks on a continuous basis	Share experience of risk and risk management issues	Review the effectiveness of the strategy
Elected members		√					√
Corporate management team		√		√	√	√	√
Risk co-ordinator	√		√	√	√	√	√
Risk management group	√		√	√	√	√	√
Departmental management teams				√	√	√	√
Service managers				√	√	√	√
Insurance Officer				√	√	√	√
Employees				√	√	√	√
Internal & external audit						√	√

Appendix 3: Risk Management Cycle

Risk Identification
What can happen?
How can it happen?

Risk Monitoring
Monitor and review the effectiveness of controls. Assess whether the nature of risk has changed

Risk Analysis & Assessment
Determine the impact and likelihood in order to estimate the level of risk. Assess effectiveness of existing controls.

Risk Control
Determine how to treat the risk, i.e. terminate the activity or transfer, treat or tolerate the risk.

Appendix 4: Risk Management Communication Strategy

Aim

The aim of the communication strategy is to inform and advise Members and staff about the risk management framework and approach and how risk management principles are being applied to achieve a positive risk-aware culture at all levels within the Council.

Objectives

The objectives of the strategy are to achieve:

- An appreciation of the benefits of good risk management
- Staff awareness of the risk management framework and the processes for implementation
- An understanding by staff of the expectations and requirements
- Ownership of risk management by staff
- Acceptance of responsibility for risk by service managers.

Target audiences

- Elected Members
- Corporate Management Team
- Risk Management Group
- Departmental management teams
- Risk coordinators/facilitators
- All other staff

Key messages

Each target audience requires a key message to enable individuals to be satisfied that they understand:

- ➢ What risk management is and the Council's approach to it;
- ➢ How it is being implemented and their role in its implementation;
- ➢ The benefits to them and to the Council as a whole.

Delivery mechanisms

- Risk management policy and strategy
- Reports to Committee
- Training and risk workshops
- Risk management site on the Intranet
- Tailored presentations to staff in specific service groups

- Periodic articles in the staff newsletter
- Responsibility for risk management included in job descriptions.

Short term

⇩

Long term
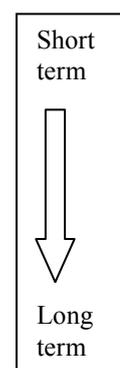
Appendix 5: Proposed timetable for implementation of risk management strategy

Objective and action	Responsibility	Timetable	Critical success factors
To update the risk management strategy			
Review and revise risk management strategy	Risk coordinator, in liaison with the Risk Management Group	August 2008	The strategy is widely communicated and understood and includes a common risk language.
Agree draft revised risk management strategy and submit to Policy and Resources Committee for ratification	CMT	November 2008	The strategy is approved by Committee.
To review and maintain strategic and operational risk registers			
Review and update corporate risk register	CMT	At least 3 times per year	The register is linked to organisational objectives and reflects changes in the risk environment.
Review and update departmental strategic risk registers	DMTs	Quarterly	The registers link to strategic objectives and read across into service plans.
Review consolidated departmental strategic risk registers and report to CMT	Risk Management Group		The registers inform the corporate risk register.
Review and update operational risk registers	Service managers in conjunction with DMTs	Quarterly	The registers reflect operational objectives and appropriate controls and action plans are put in place.
Review and update departmental strategic risk registers and notify CMT of any changes affecting the corporate	DMTs		The registers inform the corporate risk register.

risk register			
Maintain risk management site on Intranet with up-to-date information on best practice, insurance claims data, etc.	Risk coordinator	Ongoing	The site is recognised and utilised by staff as a useful source of risk information.
To complete implementation of the strategy across the council			
Nominate risk management facilitators in each department.	Departments	By November 2008	Risk management facilitators are contact points and sources of advice and expertise for their departments
All service managers receive training in risk identification, analysis, control and monitoring techniques	DMTs in liaison with the risk coordinator	Ongoing	Managers are familiar with and use risk management tools and techniques as an integral part of service operations.
Incorporate risk management considerations into all strategic plans	Corporate Policy Unit	Ongoing	Risk management is seen to be owned by the organisation.
Incorporate risk management considerations into departmental service plans and project plans.	DMTs and service managers	By April 09	Risk management becomes an automatic part of business planning.
Identify and compile a programme of specific risk management exercises, as appropriate.	Risk Management Group	As required	Dedicated funding is allocated for the purpose
Performance monitoring of the risk management strategy			
Regular meetings of Risk Management Group	Risk Management Group	Ongoing	The meeting timetable is adhered to.
Report progress on implementation of strategy to Audit and Performance Review Committee.	Risk Management Group/Chief Financial Officer	Required at least annually	Members have confidence in the risk management procedures in place.
Provide assurance to	Risk	End June	Members have

APRC on effectiveness of arrangements to manage risk.	Management Group/Chief Financial Officer	annually	confidence in the Annual Governance Statement and in the risk management procedures in place.
Monitor accident reporting arrangements and insurance and liability claims.	Departments (co-ordinated by Risk Management Group)	Ongoing	Effective reporting arrangements are in place; fewer accidents occur and fewer claims received.
Investigate suitable IT software solutions for recording and management of risks	Risk co-ordinator	By March 2009	Options are assessed and a cost-effective solution is identified.