

# Swale Borough Council

## **Risk Management Strategy and Guidelines**

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SWALE BOROUGH COUNCIL  
**RISK MANAGEMENT STRATEGY AND GUIDELINES**

**1. POLICY**

1.1 Swale Borough Council will actively manage risk to contribute to meeting its objectives and statutory obligations. All staff and members have a responsibility to identify and take action to manage risks.

**2. DEFINITIONS**

**Risk** is an event or uncertainty that may enhance (ie opportunity) or impede our ability to achieve objectives effectively.

An **Internal Control** is a means of reducing a risk rather than living with it or transferring it to a third party. The whole system of risk management can be considered a system of internal control.

**Inherent risk** is risk in the absence of any management actions to control it.

**Residual risk** is the risk that remains after management responds to a risk.

**Strategic risks** are those that need to be taken into account in decisions about medium to long-term key business objectives.

**Operational risks** are those that managers and staff will encounter in the daily course of their work.

**Risk management** is the management of integrated or holistic business risk in a manner consistent with the virtues of best value, economy, efficiency and effectiveness. In essence it is about making the most of opportunities (making effective and consistent decisions) and about achieving objectives once those decisions are made. This is achieved through:

- *controlling risk (to avoid, eliminate or reduce)*
- *transferring risk*
- *living with risk*

**3. STRATEGIC RISK MANAGEMENT ACTIVITY**

3.1 With regard to the Corporate Plan priorities a strategic risk assessment is formulated which is periodically reviewed and refreshed by the Performance Board (consisting of Executive members and senior officers). Actions relating to strategic risks and emerging strategic issues are monitored at monthly meetings of the Performance Board.

#### **4. CORPORATE GOVERNANCE AND OPERATIONAL RISK REGISTER**

4.1 There is a regulatory requirement for the Council to conduct a review of the effectiveness of its system of internal control and to publish an Annual Governance Statement with its annual accounts. To support this process, Heads of Service **must** ensure that completed operational risk logs and associated management action plans exist for all services under their control and produce an annual assurance statement for their services **by 30 April** each year.

4.2 Those assigned the responsibility for producing and maintaining operational risk logs in consultation with their teams need to identify and assess risks and opportunities (upside risks) associated with their service using the prescribed risk log template and to formulate action plans to address any significant issues arising. The completed risk logs should then be presented to the Head of Service and Head of Audit. Thereafter managers will be required to review risk logs to update progress in action plans and consider emerging risks and issues.

4.3 When producing service plan updates to Management Team, Heads of Service will refer to operational risk logs to identify significant current (and emerging) performance and risk issues (upside and downside) and propose actions to address them thus linking operational with strategic risk and performance management activity.

4.4 To assist managers the following examples are attached

- a) Operational Risk Template
- b) Risk Aide Memoir
- c) Risk Management Process Chart

Further advice can be sought from the Head of Internal Audit. If required/ desired workshops with teams can be arranged.

#### **5. THE RISK MANAGEMENT PROCESS**

5.1 The risk management process consists of the following stages :-

- 1. Identifying risks / potential opportunities**
- 2. Evaluating risks**
- 3. Controlling risks**
- 4. Monitoring and review**

The risk management process should be recorded in the form of a **risk log** (see example attached as appendix a)

##### **Identifying risk/ potential opportunities**

5.2 The service to be risk assessed needs to be clearly defined together with associated customer focussed objectives and targets linked to Corporate Plan priorities in order to consider potential events that could enhance or impede their achievement or incur financial, physical or reputational loss.

5.3 Brainstorming and SWOT (strengths, weaknesses, opportunities and threats) analysis either individually or as team are useful methods for initially identifying key risks associated with specific services.

5.4 To ensure a clear understanding of each risk it is useful to define each risk in 3 elements namely :-

- **Contributing factors (vulnerability),**
- **Event (Trigger)**
- **Potential consequences/ effect**

For example

“ a wet and slippery poolside floor (contributing factor) causing a customer to fall (event) and injure themselves, leading to litigation and bad publicity (consequences)”.

“ a complicated application form (contributing factor) causing an applicant to make errors or omissions (event) leading to over or under claim of entitlement/ financial loss and/or re-work (consequences)”.

### Evaluating Risks

5.5 Once identified and clearly defined each inherent risk should then be assessed (scored) in terms of it's likelihood of occurrence (probability) and it's potential impact on the organisation if it occurs (importance/ consequences) in accordance with the following matrix and scoring definitions.

↑ L I K E L I H O O D	6				
	5				
	4				
	3				
	2				
	1				
		1	2	3	4
	IMPACT				
	→				

Table 1 :- Scoring Definitions

Likelihood			Impact		Description guide
6	Very High	> 70%	4	Catastrophic	Cost greater than £100k or service is suspended, major reputational damage
5	High	50 – 70%	3	Critical	Cost £50k up to £100k or service provision/ quality is severely reduced, significant reputational damage
4	Significant	30 – 50%	2	Medium	Cost £10 to £50k or service quality/ provision reduced and/ or some objectives not met, minor reputational damage
3	Low	15 – 30%	1	Negligible	Cost up to £10k, or minimal impact on service provision, marginal or no reputational damage
2	Very low	5 – 15%			
1	minimal	< 5%			

The overall risk score for each risk is determined by multiplying the likelihood score by the impact score. A score of 12 or more will be deemed as a high risk, which needs to be managed down. A score of 4 to 11 will be deemed as medium risk, which officers should seek to influence downward and monitor. A score of less than 4 will be deemed as low risk with which officers are expected to live with and monitor.

### **Controlling Risks**

5.6 Expected and actual measures to reduce each medium to high inherent risk should be identified and recorded. Examples of controls may be:-

- Specific actions
- Written guidelines/ framework/ plan
- Supervisory checks
- Validation/ verification checks
- Experienced/ qualified staff
- Clear lines of responsibility and accountability
- Physical controls (eg security/ access)
- Segregation of duties
- Management/ exception reporting

5.7 By analysing expected and actual measures in place, gaps and issues may arise which require consideration of further action. The residual risk once existing controls are taken into account should then be scored to assess the current risk. A target score should also be set which the resultant further actions seek to achieve. Decisions upon further action required will depend on cost/ benefit and risk appetite. The risk action plan should be specific, time bound and assigned to the risk owner.

## **Monitoring, review and risk escalation**

5.8 Progress towards Key actions relating to high risks should be continuously monitored and reported by Heads of Service at monthly one to one meetings with their Director. Risk logs should be reviewed quarterly to assess:-

- Progress on risk management actions
- Whether risk scenarios/ profiles have changed
- New risks
- Whether risk scores have changed
- The adequacy of controls in view of the above

Major new risks, issues or changes that could significantly impact on strategic risks, key performance targets and/ or corporate plan priorities should be escalated to the Corporate Management Team and the Performance Board via monthly reporting.

## **7. MAJOR PROJECTS AND NEW INITIATIVES/ PROPOSALS**

7.1 Managers need to adequately consider and manage risks and opportunities associated with the projects they manage. Internal Audit will upon request, provide advice on risk and internal controls and facilitate the risk assessment process for major projects. When reporting new initiatives and proposals due consideration to risk should be explicitly included in Committee reports.

## **8. ROLES AND RESPONSIBILITIES**

8.1 Roles and responsibilities relating to risk management are set out in the table below

Table 2

Responsibility	Roles
Executive and member champion	<ul style="list-style-type: none"><li>• Approve Risk Management Strategy</li><li>• Promote engagement in risk management at member and officer level</li><li>• Seek and discuss risk assessment where appropriate (eg key decisions) in committee agenda reports</li></ul>
Audit Committee	<ul style="list-style-type: none"><li>• Approve Risk Management Strategy</li><li>• Consider risk when approve annual audit plan</li></ul>
Performance Board	<ul style="list-style-type: none"><li>• Bi monthly review strategic risk log</li><li>• Monthly review of outstanding strategic risk management actions within corporate improvement plan</li><li>• Consider significant operational risks that could impact on achievement of corporate plan priorities</li></ul>

Table 2 cont'd

Responsibility	Roles
Directors/ Management Team	<ul style="list-style-type: none"> <li>• Review of risk management presented in service plans and monthly reports</li> <li>• Escalation of risk issues to Performance Board where appropriate</li> <li>• Consider strategic risk</li> </ul>
Head of Audit	<ul style="list-style-type: none"> <li>• Co-ordinate risk management activity</li> <li>• Provide advice and training on risk</li> <li>• Incorporate risk management review within operational audits</li> </ul>
Heads of Service	<ul style="list-style-type: none"> <li>• Review risk logs maintained by managers/ risk owners within service</li> <li>• Maintain own operational risk logs pertinent to key corporate plan objectives within service remit</li> <li>• Escalate risk issues where appropriate to Director/ Management Team</li> </ul>
Team leader/ risk owner	<ul style="list-style-type: none"> <li>• Manage operational risks</li> <li>• Compile and maintain operational risk logs and associated risk management action plans to mitigate/ reduce risk</li> <li>• Periodically go through risk logs with staff</li> <li>• Review and report risk issues to line manager</li> </ul>
All Staff	<ul style="list-style-type: none"> <li>• Consider and manage risk associated with their risks and report concerns to manager</li> </ul>
Risk Management Group	<ul style="list-style-type: none"> <li>• Meet twice yearly</li> <li>• Consider and disseminate good practice</li> </ul>

## **9. Current Developments**

9.1 The Council is in the process of implementing a new performance management system (Covalent). The system will also be used directly to record and report performance information, action plans and all of the council risk management information. In due course all staff and members will have access to the system and where appropriate access to enter, update, validate and/or view only performance, action plan and risk information relevant to their areas of responsibility. Reports will be generated for monitoring purposes. In the meantime the templates in Word format prescribed in this guideline should be used to capture risk information, which will be initially be entered onto the system in bulk.

January 2008