

**TAUNTON DEANE BOROUGH COUNCIL**

**EXECUTIVE 12<sup>TH</sup> MARCH 2003**

**REPORT OF FINANCIAL SERVICES MANAGER**

**This Matter Is The Responsibility of Executive Cllr Horsley (Leader of the Council)**

**RISK MANAGEMENT STRATEGY**

**1. Purpose of Report**

1.1 To consider the strategy for risk management within Taunton Deane Borough Council.

**2. The Background**

2.1 This Council already have a Risk Management Panel that deals very effectively with operational risk management. It focuses on developing strategies to reduce the cost of claims against the authority and on minimising the risk of financial losses and disruption to the efficient delivery of services to the community.

2.2 The attached Risk Management Strategy expands upon that focus, and will allow the Council to encompass all business risks into a robust and consistent process. It concentrates on strategic risk management and will help ensure that this Council not only minimises risks, but maximises opportunities, and makes the right decisions based on complete information.

**3. The Proposal**

3.1 The attached Risk Management Strategy sets out the process adopted at this Council for identifying, evaluating, and maintaining all significant risks.

3.2 The process has now been completed for the Corporate Management Team, and will be rolled out throughout the organisation over the next year or so.

3.3 The limits set by the Council in February 2002, as set out in paragraph 4.1 below, have been in place for a number of years now, and are still considered to be adequate for the authority's needs. No changes are therefore proposed.

**4. Recommendation**

4.1 The Executive is recommended to approve the attached Risk Management Strategy.

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# **Taunton Deane Borough Council**

## **Risk Management Strategy**

## 1. Introduction

- 1.1 This document forms Taunton Deane Borough Council's Risk Management Strategy. It sets out:
- ◆ What is meant by risk management
  - ◆ Why we need a risk management strategy
  - ◆ The philosophy of our risk management
  - ◆ An overview of the methodology to be adopted and its links with existing processes
  - ◆ A summary of the implementation timetable
  - ◆ An outline of the associated roles and responsibilities of members, the Chief Executive and Directors and other employees.
  - ◆ A summary of future monitoring and reporting lines for risk management
- 1.2 The objectives of the strategy are to:
- Focus our work on risk management and raise its profile across the Council
  - Integrate risk management into the culture of the organisation
  - Embed risk management through the ownership and management of risk as part of all decision making processes
  - Manage risk in accordance with best practice
  - Create effective processes that will allow the council to make risk management assurance statements annually
- 1.3 This strategy outlines how Taunton Deane Borough Council is taking on its responsibility to manage risks and opportunities using a structured and focused approach.
- 1.4 A risk is the threat that an event or action will affect Taunton Deane's ability to achieve its objectives or make it vulnerable financially or operationally. Risk is all about the ability to capitalise on the positive opportunities as well as managing the downside risks.

## 2. What is risk management?

- 2.1 Risk Management can be defined as:
- A framework that enables Taunton Deane to identify, analyse, manage, monitor, and report risks in a way that will enable the Council to minimise losses and maximise opportunities.
  - "The management of integrated or holistic business risk in a manner consistent with the virtues of economy, efficiency and effectiveness. In essence it is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made. The latter is achieved through controlling, transferring and living with risks" ZMMS/SOLACE, Chance or choice?, July 2000.
- 2.2 Risk management is a big element of management and planning in providing the safe delivery of economic, efficient, and effective Council services. It is recognised as an integral part of good management practice. To be most effective, risk management should become part of this Council's culture. It should be part of our philosophy,

practices and service plans rather than viewed as a separate initiative. When this is achieved, risk management becomes the business of everyone in the organisation.

- 2.3 Taunton Deane already have a Risk Management Panel that focuses on developing strategies to reduce the cost of claims against the Authority and to minimise the risk of financial losses and disruption to the efficient delivery of services to the community.
- 2.4 This strategy expands upon that focus, to encompass all business risks into a robust and consistent process to ensure that this Council can make the most of its opportunities and make the right decisions based on complete information.

### **3. Why do we need a Risk Management Strategy?**

- 3.1 Risk management will strengthen the ability of the Council to achieve its objectives and enhance the value of services provided, to make Taunton Deane a place where people want to live, work and are able to enjoy a high quality of life.
- 3.2 Strategic risk management is also an integral requirement of the Comprehensive Performance Assessment and as such is an important element in demonstrating continuous improvement.
- 3.3 Finally risk management is also an essential part of the CIPFA/SOLACE framework on Corporate Governance that is to be adopted by all Authorities in 2002/03. The framework requires each Council to make a public assurance statement annually, on amongst other areas, the Council's risk management strategy, process and framework. The Framework also requires the Council to establish and maintain a systematic strategy, framework and processes for managing risk.
- 3.4 The assurance statement is disclosed in both the Annual Statement of Accounts and the Best Value Performance Plan and is signed by the Leader of the Council and the Chief Executive.

### **4. What is our philosophy?**

- 4.1 The Council will seek to embed risk management into its culture, processes and structure to ensure that opportunities are maximised. The council will seek to encourage managers to identify, understand and manage risks, and learn how to accept the right risks. Adoption of this strategy must result in a real difference in the Council's behaviour.

### **5. What is the Risk Management Process?**

- 5.1 Implementing the strategy involves identifying, analysing, managing and monitoring risks.
- 5.2 The identification of risks is derived from both a 'top down' (corporate) and a 'bottom up' (departmental) process of risk assessment and analysis resulting in coverage of the whole Council. The process then prioritises the risks by focussing on their impact and the likelihood of the risks occurring. The risks are then managed through the

development of appropriate action plans and fed into overall service plans and the Council's corporate plan.

5.3 Further detail on the process is contained in the Risk Management Implementation Plan.

## 6. How will it feed into our existing processes?

6.1 The risk registers resulting from the process will be attached as an Appendix to service, directorate and corporate plans. Risk management will become an essential element to establishing policy, developing plans and enhancing operational management.

6.2 Risk management will also be integrated into the Best Value process by carrying out the first four steps of the risk management process for each of the service delivery options and feeding the results of that analysis into the option appraisal. This can help to narrow down the options for future service delivery. It can also be used as mechanism of identifying areas of service improvement.

6.3 The risk management methodology will also be adopted for significant individual projects and will be used to strengthen all decision-making processes.

## 7. How will this be implemented?

7.1 A detailed implementation plan has been developed to support the strategy. The following is a summary of the overall timetable:

Action	Target Date	Responsibility of	Comment
Raise awareness of strategic risk management as effective management tool.	September 2002	Chief Executive	Completed.
Provide relevant training for key staff to ensure effective adoption of the risk management methodology	November 2002	Chief Executive	Completed. Four officers received intensive training by Zurich. These four officers (referred to as the Risk Mgt Team), will lead and co-ordinate the implementation of strategic risk management in the Council.
Corporate assessment (by CMT) of strategic risks facing the authority. Risk register produced with clear allocation of responsibilities.	Sept – February 2003	Risk Mgt Team	Completed. Risk register now in place and will be monitored at six monthly intervals.
Develop Strategy, report to CMT and recommend for approval by Council	End of February 2003	Risk Mgt Team	
Include template for risk management registers to slot into existing service and directorate plans. Update service planning guidance.	June 2003	Head of Performance	
Directorate assessments of strategic risk, including the production of risk registers with clear allocation of responsibilities.	April – March 2004	Directors and Risk Mgt Team	

## **8. What are the different roles and responsibilities?**

8.1 The following describes the roles and responsibilities that members and officers will play in introducing, embedding and owning the risk management process:-

### **Members**

8.2 Elected members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the Council faces, and will be made aware of how these risks are being managed through the annual strategic and service planning process. They will also be kept informed on the management of those risks through the regular performance management reports.

8.3 In summary, Member's key tasks are:-

- Approving the risk management strategy and implementation plan.
- Monitoring the Council's risk management and internal control arrangements via a report on performance management (Key Performance Indicators).
- Commissioning and reviewing an annual assessment of the effectiveness of the risk management and internal control framework
- Approving the public disclosure of the annual outcome of this assessment (the assurance statement), and publish it in the annual Statement of Accounts and the Best Value Performance Plan.

### **Chief Executive and the Corporate Management Team**

8.4 The Chief Executive and the Corporate Management Team are pivotal in the promotion and embedding of risk management by managing a culture change within the council. The successful outcome of this culture change will be risk management practised throughout the organisation as part of usual activities.

8.5 The Chief Executive and CMT's key tasks are:-

- Recommending to the Executive the risk management strategy and subsequent revisions thereof.
- Support and promoting risk management throughout the Council
- Actively identifying, assessing and monitoring corporate strategic risks on a regular basis

### **Directors**

8.6 Directors will demonstrate their commitment to risk management through:-

- Being actively involved in the identification and assessment of strategic risks.
- Incorporating the risk management process into service planning processes.
- Encouraging staff to be more innovative and recognising their achievements. Encouraging staff to be open and honest in identifying risks or missed opportunities.
- Ensuring that the risk management process is part of all major projects and change management initiatives.
- Monitoring and reviewing regularly relevant PI's to reduce or control the significant risks.

### **Head of Service / SUMs**

8.7 Heads of Service and SUMs will take on the role of risk champions. They will promote best practice and drive risk management forward within directorates. They will be responsible for ensuring that the risk management process is being applied at

the key stages of planning, projects and major change initiatives. Risk champions will receive support as necessary from the risk management team.

- 8.8 All managers need to understand their role in the risk management process and why they should be concerned with risk in order to achieve their objectives. They need to know how to evaluate risks and when to accept the right risks in order to pursue an opportunity.

#### **Risk Management Team**

- 8.9 The risk management team will be responsible for:
- ◆ co-ordinating the adoption of risk management across the Council
  - ◆ addressing the initial implementation of the risk management strategy and plan
  - ◆ annually reviewing the risk management strategy
  - ◆ act as a link between the directorates on risk management issues
  - ◆ provide guidance and advice to the Directors and Heads of Service
  - ◆ facilitate the adoption of the new reporting framework and planning processes
  - ◆ act as a link with the Risk Management Panel and CMT

#### **Risk Management Panel**

- 8.10 This is an established and effective group and will continue to focus on the management of operational risks. In doing so it will have a key role in ensuring that the Council meets the requirements of Corporate Governance reporting. It will be pro-active as well as reactive, building on the existing best practices and will seek to resolve, help and advise managers to improve and overcome operational issues so that they do not develop into major risks. They will seek to share best practice across the Council, and link with other local Councils in the pursuit of knowledge and learning. Membership of the group will be reviewed to ensure each Directorate is represented, together with staff from the following areas:-

Insurance Officer  
DLO / DSO  
Staff-Side & Union  
Personnel Services  
General Office Services  
Health & Safety Representatives

This new Panel will take on the existing roles of both the Health & Safety Committee and the Risk Management Panel. Minutes and agendas for this Panel will be prepared and published on the Councils intranet.

#### **Role of Audit**

- 8.11 Internal audit's role is seen as challenging established processes, challenging risk identification and evaluation and providing assurance to officers and members on the effectiveness of controls. They will be responsible for undertaking an annual assessment of the Council's risk management and internal control mechanisms as part of the review of corporate governance arrangements.

### **9. How will the monitoring and reporting of risk management happen?**

- 9.1 A framework of monitoring and reporting will be established that will allow:-
- An annual review of the risk management strategy by CMT
  - Quarterly monitoring of the effective management of risks through existing performance management mechanisms including regular reporting on service and corporate performance indicators to CMT and members.

- An annual review of the overall process and effectiveness of risk management and internal control by Internal Audit.
- A six monthly report from the Risk Management Panel informing CMT of its activities and highlighting operational risk management issues that will affect the Council.

## **10. Conclusion**

- 10.1 The adoption of a sound risk management approach should achieve many benefits for the Council. It will assist in demonstrating that the Council is continuously improving and will go a long way to demonstrating effective corporate governance.
- 10.2 The challenge is to implement a comprehensive risk management process without significantly increasing workloads. This should be achieved in part by making risk management part of existing processes and reviews rather than treating it as a separate function