Risk Management Strategy

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Reviews and Changes:

1. Readopted without change in 16 July 2012 by P&R Committee
2. Reviewed July 2013 with changes to para 8 & 9
3. Reviewed February 2017 to reflect Health and Safety Audit, adopted by P & R committee 20 February 2017
4. Adopted by F&G 15 Oct 2018
5. Adopted by F&G 28 Oct 2019.
6. Adopted by F&G 19 Oct 2019 reference to OMG removed and SMT inserted

Salisbury City Council (SCC)

Risk Management Strategy

1. Introduction:

1.1. This document forms the Risk Management Strategy for SCC. It sets out:
    1.1.1. What is risk management?
    1.1.2. Why does the Council need a risk management strategy?
    1.1.3. What is the Council's philosophy on risk management?
    1.1.4. What is the risk management process?
    1.1.5. How will risk management feed into the Council's existing policies?
    1.1.6. Implementation timetable;
    1.1.7. Roles and responsibilities;
1.2. Future monitoring
    The objectives of this strategy are to:
    1.2.1. Further develop risk management and raise its profile across the Council;
    1.2.2. Integrate risk management into the culture of the organisation;
    1.2.3. Embed risk management through the ownership and management of risk as part of all decision making processes; and
    1.2.4. Manage risk in accordance with best practice.
    1.2.5. Ensure the outcomes from the Health & Safety Audit 2016 are acknowledged and actioned

2. What is Risk Management?

2.1. The internationally recognised generic risk management standard, ISO 31000 2009, can be applied to the achievement of all types of objectives at all levels and services within an organization. It can be used at both a strategic and organizational level to help make decisions, and to manage processes, operations, projects, programs, services and assets.
2.2. ISO 31000 defines risk as the "effect of uncertainty on objectives" where an effect is a positive or negative deviation from what is expected. This definition recognizes that organisations operate in an uncertain world and that whenever an organisation seeks to achieve an objective, there is an element of risk at each step that needs to be managed to reduce uncertainty as much as possible.
2.3. Uncertainty (or lack of certainty) can be defined as a state or condition that can lead to inadequate or incomplete knowledge or understanding of an event, consequence, or likelihood.
    2.3.1. The principles of risk management, as defined by ISO 31000 2009 states that risk management should:
    2.3.2. Create and protect value
    2.3.3. Be part of all processes
    2.3.4. Be part of all decision making
    2.3.5. Be used to handle uncertainty
    2.3.6. Be systematic and timely
    2.3.7. Be based on the best data
    2.3.8. Be tailored to the organisation's environment
    2.3.9. Consider human factors
    2.3.10. Be transparent and inclusive
    2.3.11. Be responsive and iterative

2.3.12. Support continual improvement

2.4. Risk management is an essential feature of good governance. An organisation that manages risk well is more likely to achieve its objectives. It is vital to recognise that risk management is not simply about health and safety, but applies to all aspects of the Council's work.

2.5. Risks can be classified into various types but it is important to recognise that for all categories the direct financial losses may have less impact than the indirect costs such as disruption of normal working. The examples below are not exhaustive:

2.5.1. Strategic Risk - long-term adverse impacts from poor decision-making or poor implementation. Risk damage to the reputation of the Council, loss of public confidence or in a worst case scenario, Government intervention.

2.5.2. Compliance Risk - failure to comply with legislation, laid down procedures or the lack of documentation to prove compliance. Risks expose SCC potentially to prosecution, judicial review, employment tribunals and the inability to enforce contracts.

2.5.3. Financial Risk - fraud and corruption, waste, excess demand for services, bad debts. Risk of additional audit investigations, objection to accounts, reduced service delivery, adverse impact on Council reserves.

2.5.4. Operating Risk - failure to deliver services effectively, malfunctioning equipment, hazards to service users, the general public or staff, damage to property. Risk of insurance claims, higher insurance premiums, lengthy recovery processes.

2.5.5. Environmental Risk – failure to deliver events and activities that protect human health or the environment. Risk of illness and death of the public, damage to the local environment.

2.5.6. Information and Technology Risk – failure to protect information and information systems from unauthorized access, use, disclosure, disruption, modification, perusal, inspection, recording or destruction.

2.6. Not all these risks are insurable and for some the premiums may not be cost effective. Even where insurance is available, a monetary consideration might not be an adequate recompense. The emphasis should always be on eliminating or reducing risk before costly steps to transfer risk to another party are considered.

2.7. Risk is not restricted to potential threats but can be connected with opportunities. Good risk management can facilitate proactive, rather than merely defensive responses. Measures to manage adverse risks are likely to help with managing positive ones.

3. Why does the Council 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.

3.2. The Risk Management Strategy will help to ensure that all Committees and services across the Council have an understanding of risk and that the Council adopts a uniform approach to identifying and prioritising risks. This should in turn lead to conscious choices as to the most appropriate method of dealing with each risk, be it elimination, reduction, transfer or acceptance.

3.3. There is a requirement under the Accounts and Audit Regulations 2015 (SI2015/234) that the Council has a sound system of internal control which includes effective arrangements for the management of risk, financial control systems which ensure that risk is appropriately managed and an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes.

4. Risk Management Policy Statement:

4.1. SCC recognises that it has a responsibility to manage risks effectively in order to protect its employees, assets, liabilities and community against potential losses, to minimise uncertainty in achieving its goals and objectives and to maximise the opportunities to achieve its vision.

4.2. The Council is aware that some risks can never be eliminated fully and it has in place a strategy that provides a structured, systematic and focussed approach to managing risk.

4.3. Risk management is an integral part of the Council's management processes.

5. Implementing the Strategy:

5.1. **Risk Identification** – Identifying and understanding the hazards and risks facing the Council is crucial if informed decisions are to be made about policies or service delivery methods. The risks associated with these decisions can then be effectively managed. All risks identified will be recorded in the Council's Risk Register.

5.2. **Risk Analysis** – Once risks have been identified they need to be systematically and accurately assessed using proven techniques. Analysis should make full use of any available data on the potential frequency of events and their consequences. If a risk is seen to be unacceptable, then steps need to be taken to control or respond to the risk.

5.3. **Risk Prioritisation** - An assessment should be undertaken of the impact and likelihood of risks occurring, with impact and likelihood being scored using a 4 x 4 matrix. Action will be taken to address any risks with a residual risk greater than 9 or where risk impact is judged to be catastrophic. Residual risks of between 6 and 9 will be subject to monitoring and action will be taken to reduce residual risk in all cases towards the tolerance level 4 as resources permit. Please see the attached Appendix A to this strategy for details of the risk matrix.

5.4. **Risk Control -** Risk control is the process of taking action to minimise the likelihood of the risk event occurring and/or reducing the severity of the consequences should it occur. Typically, risk control requires the identification and implementation of revised operating procedures, but in exceptional cases more drastic action will be required to reduce the risk to an acceptable level. Options for control include:

5.4.1. **Elimination** – the circumstances from which the risk arises are removed so that the risk no longer exists;

5.4.2. **Reduction** – loss control measures are implemented to reduce the impact and/or likelihood of the risk occurring;

5.4.3. **Transfer** – the risk is passed to others e.g. by revising contractual terms or through insurance;

5.4.4. **Acceptance** – documenting a conscious decision after assessment of areas where the Council accepts or tolerates risk.

6. Risk Monitoring:

6.1. The risk management process does not finish with putting any risk control procedures in place. Their effectiveness in controlling risk must be monitored and reviewed. It is also important to assess whether the nature of any risk has changed over time.

6.2. The information generated from applying the risk management process will help to ensure that risks can be avoided or minimised in the future. It will also inform judgements on the nature and extent of any insurance cover and the balance to be reached between self-insurance and external protection.

7. How will Risk Management feed into the Council's Existing Policies?

7.1. The identification of Risks will be achieved by the Senior Management Team who will compile a list of the risks to form a comprehensive Operational Risk Register.

7.2. The City Clerk will review the Operational Risk Register to form the Strategic Risk Register for the Council.

7.3. The Council will build risk management procedures into the way that it operates as part of a commitment to quality and continuous service improvement. As part of any review process the strategic and operational risks associated with the review will be assessed.

7.4. **Projects and Service Changes** – projects or changes to services will include risk identification and the measures to eliminate or control risks will be documented in reports or briefing papers to be considered by the Council and its committees.

7.5. **Partnership Working** – the Council will continue to enter into a number of partnerships with organisations from the public, private, voluntary and community sectors where appropriate. Part of the process of setting up future partnerships will be to ensure that all relevant risks are identified and that appropriate control mechanisms are built into the management arrangements for the partnership.

8. Timetable:

8.1. The Risk Management Strategy and Policy Statement will be reviewed annually and its review presented to the Finance and Governance Committee.

8.2. The Risk Register will be reviewed quarterly and will be a living document.

8.3. A summary of the strategic risks will be presented to the Finance and Governance Committee in July or other appropriate time.

9. Roles and Responsibilities:

9.1. It is important that Risk Management becomes embedded into the everyday culture and performance management process of the Council. The roles and responsibilities set out below are designed to ensure that risk is managed effectively right across the Council and its operations, and responsibility for risk is appropriately assigned. The process must be driven from the top but must also involve staff throughout the organisation.

9.2. **Elected Members** – Risk Management is seen as a key part of the elected Member's stewardship role and there is an expectation that elected Members will lead and monitor the approach adopted, including
  9.2.1. Approval of the Risk Management Strategy;
  9.2.2. Analysis of key risks in reports on major projects, ensuring that all future projects and services undertaken are adequately risk managed;
  9.2.3. Assessment of risks whilst setting the budget, including any bids for resources to tackle specific issues.

9.3. **Employees** – will undertake their job within risk management guidelines ensuring that their skills and knowledge are used effectively. All employees will maintain an awareness of the impact and costs of risks and how to feed data into the formal risk management process. They will work to control risks or threats within their jobs, monitor progress and report on operational risks to their Line Manager.
All employees are encouraged to report near misses and adverse incidents promptly and openly to their line manager.

9.4. **Management Team** – the Management Team will lead on Risk Management and be responsible for overseeing the implementation of the Risk Management Strategy. They will:
  9.4.1. Provide advice as to the legality of policy and service delivery choices;
  9.4.2. Provide advice on the implications for service areas of the Council's corporate aims and objectives;
  9.4.3. Update the Council on the implications of new or revised legislation;
  9.4.4. Assist in handling any litigation claims;

9.4.5. Assess and implement the Council's insurance requirements.
9.4.6. Provide advice on any human resource issues relating to strategic policy options or the risks associated with operational decisions and assist in handling cases of work related illness or injury;
9.4.7. Advise on any health and safety implications of the chosen or proposed arrangements for service delivery;
9.4.8. Report progress to Full Council, or other committees as appropriate.
9.5. **Responsible Finance Officer** – the Finance Officer will:
9.5.1. Assess the financial implications of strategic decisions ;
9.5.2. Provide assistance and advice on budgetary planning and control;
9.5.3. Ensure that the Financial Information System allows effective budgetary monitoring and control
9.5.4. Effectively manage the Council's cash holdings and loan portfolio.
9.6. **Role of Internal Audit** – The Internal Auditor[1] will:
9.6.1. Provide independent scrutiny by carrying out audits to provide assurance to the Council that risk management systems are in place and all significant business risks are being managed effectively.
9.6.2. Assist the Council in identifying both its financial and operational risks and l in developing and implementing proper arrangements to manage them, including adequate and effective systems of internal control to reduce or eliminate the likelihood of errors or fraud.
9.6.3. Report any recommendations to improve internal controls and mitigate risk

10. Training:

10.1. Appropriate risk management training will be provided to elected Members and staff with the aim of ensuring that both elected Members and staff have the skills necessary to identify, evaluate and control the risks associated with the services they provide.

11. Future Monitoring & Review of Risk Management Strategy:

11.1. This Strategy will be reviewed annually as part of the Council's review of its policy documents, Standing Orders and Financial Regulations.
11.2. Recommendations for change will be reported to the Finance and Governance Committee.

12. Reporting on Risk Management:

12.1. The City Clerk will present an annual report to the Finance and Governance Committee on the status of risks within the Risk Register and on the management of those risks.

13. Conclusion:

13.1. The adoption of a sound risk management approach should achieve many benefits for the Council. It will assist in demonstrating that the Council is committed to continuous service improvement and effective corporate governance.

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[1]It should be noted the Internal Auditor is provided by an external company

14. Freedom of Information:

14.1. In accordance with the Freedom of Information Act 2000, this document will be posted on the Council's Website and copies of this document, the Risk Management Policy and the Risk Register will be available for inspection at the Council Offices.

IMPACT	SCORE	DESCRIPTION (THREATS)	POSSIBLE INDICATORS
Major	4	Major loss of service Major injury/death risk to people Major financial/budgetary implications Prosecution by Enforcing Authorities Statutory/legislative mandate National media coverage Significant impact on performance	Service disruption over 5 days One or more fatalities Financial loss over £500k Notice of Improvement Notice being served New regulations/Directive from Central Government, Newspaper/radio reports Major delays in projects affecting service delivery
Serious	3	Loss of major service Major injury risk to people Serious financial/budgetary implications Attract scrutiny by Regulatory Bodies Political mandate Local media coverage Medium impact on performance	Service disruption 2-5 days Major injuries to individual/several people Financial loss £50-500k Unscheduled Audit inspection/HSE visit Impending legislation Enquiries from local press/radio Delays affecting the smooth flow of service delivery
Significant	2	Significant impact on service objectives Severe injuries Significant financial/budgetary implications Increased public awareness Low impact on performance	Service disruption 1-2 days Some effect on normal work routines Financial loss £5-50k Questions raised through members Minor delays quickly remedied
Minor	1	Minimal disruptions not affecting service Very minor injuries to personnel Minor financial loss	Minor disruptions in work routines Not affecting work routines Financial loss less than £5k

LIKELIHOOD RATING	SCORE	DESCRIPTION (THREATS)	POSSIBLE INDICATORS
Very likely	4	More than 75% chance of occurrence	Regular occurrence Circumstances frequently encountered – daily/weekly/monthly
Likely	3	40%-75% chance of occurrence	Likely to happen at some point in the next 1-3 years Circumstances occasionally encountered (few times a year)
Unlikely	2	10%- 40% chance of occurrence	Only likely to happen once every 3 or more years
Very unlikely	1	Less than 10% chance of occurrence	Has happened rarely/never before

Very likely	4	8	12	16
Likely	3	6	9	12
Unlikely	2	4	6	8
Very unlikely	1	2	3	4
	Minor	**Significant**	**Serious**	**Major**