

TORBAY COUNCIL

Report No: **MD/19/04**

Title: **Revised Risk Management Strategy**

To: **Executive** on **23 September 2004**

1. Purpose

1.1 To consider the adoption of a revised Risk Management Strategy.

2. Relationship to Corporate Priorities

2.1 Risk Management is a key part of the Priority of “Corporate Ability – Getting back on track”

3. Recommendation(s)

3.1 That the revised Risk Management Strategy set out in Appendix 1 to this Report be adopted with immediate effect.

3.2 That the Executive Member for Human Resources, Law and Support be appointed as Executive Champion for Risk Management and be invited to attend future meetings of the Officer Risk Management Group.

3.3 That the Assistant Managing Director be appointed as Officer Champion for Risk Management.

4. Reason for Recommendation(s)

4.1 To develop further the Council’s work in effectively managing risks.

5. Key Risks associated with the Recommendation(s)

5.1 The key risks with strategy documents are that their objectives are misconceived or that the planned actions will not deliver the stated objectives: in either case the strategy will not be fit for purpose. To reduce the likelihood of this risk occurring, a copy of the Strategy has been sent to the Council’s External Auditors PriceWaterhouseCoopers (PWC) for external assessment and their comments will be reported to the meeting. Assuming that PWC are content with the proposed strategy, the final risk has been assessed at 4: a low risk.

Likelihood	6	6	12	18	24
	5	5	10	15	20
	4	4	8	12	16
	3	3	6	9	12
	2	2	4x	6	8
	1	1	2	3	4
		1	2	3	4
		Impact			

Low risk
 Intermediate risk
 High risk

The "x" in the above matrix denotes where the author has assessed the level of final risk to fall

5.2 Significantly greater risks are associated with not adopting the proposed strategy and these are referred to in the next section of this Report.

6. Alternative Options (if any)

- 6.1 Not to adopt the proposed revised Risk Management Strategy. This course is not recommended. The Council's original Risk Management Strategy is now nearly two years old and does not reflect the significant progress that the Council has made in relation to Risk Management since it was written. Moreover, the Council has begun to "find its own way" in developing an approach to risk management that meets its particular needs. It is time to move beyond a Strategy that was developed for the Council and adopt a new document that has been developed by the Council. Not adopting the revised Risk Management Strategy would have the potential to stall the Council's progress in integrating effective risk management into its decision-making processes.
- 6.1 Ask officers to amend the recommended Risk Management Strategy to reflect better Members' views on these matters, if necessary reporting back to a subsequent meeting of the Executive.

7. Background

- 7.1 A Risk is anything that could affect the ability of the Council to meet its objectives. Risks include bad things that might happen and good things that might not happen (missed opportunities). Risk is measured through a combination of likelihood (or probability of occurrence) and severity of impact. Risk management is a structured process to identify, measure, control and monitor potential risks. It is a key part of good corporate governance. By managing risks proactively the Council will ensure that the quality of its decision-making is improved and its resources are used to better effect.

- 7.2 The Corporate Governance Inspection Report in 2002 concluded that Torbay's approach to Risk Management was "a weakness". At the time of the Inspection the Council's approach to risk management was concentrated on insurance and health and safety. Whilst these are important elements in the management of risk, the Council needed to increase awareness of the much wider range of risks it faces and manage those risks proactively. The report states that at the time of the Inspection there was: "little understanding or attention being given to the development of an overall strategy or building awareness and procedures to enable the council to assess and manage risk proactively". Recommendation RM3 then set out what the Council needed to do to address this area of weakness:

"RM3: The council needs to ensure that it takes decisions and deploys resources having an explicit regard to risk assessment. It should:

- "(a) Develop and articulate clearly an approach to risk management to be employed in both its decision and policy making processes;
- "(b) Demonstrate the use of risk management as an integral process in determining relative priorities across directorates and to free up resources in those areas where a higher level of risk is deemed acceptable."

- 7.3 During 2002 and 2003, with the assistance of external consultants the Council put in place a Risk Management Policy, Risk Management Strategy and Risk Management Implementation Plan. The progress assessment carried out by the Audit Commission in the autumn of 2003 found that in relation to Risk Management: "The council has invested well in this area and has firm plans to put the necessary building blocks in place. It is too soon to assess the impact of a broader approach to risk management on the council's decision making and working practices, which will require ongoing effort".
- 7.4 In May 2004 (Report MD/12/04) the Executive approved a Corporate Risk Management Methodology and Corporate Risk Matrix. This is a tool to compare numerically diverse risks across the Council and to determine whether a risk is so serious that the decision to

accept or reject it should be referred to Members for determination: an example appears in part 5 of this (and every other) Member level Report. The Executive also approved a new brief Risk Management Policy Statement, defining the authority's Risk Appetite as embracing the taking of appropriately managed risks:

Torbay Council believes that risk taking is an inherent part of being a progressive organisation. The Council embraces the taking of risks in an effectively managed way where this is justified by the potential benefits to the community. Where risk-taking has been managed appropriately but results in adverse consequences, we will use this as an opportunity to learn and improve.

All Members and all Council employees are expected to be aware of and comply with this Risk Management Policy. The Assistant Managing Director was authorised to amend the Council's Risk Management Policy, Strategy and Implementation Plan in the light of these other changes.

- 7.5 In reviewing the Council's Risk Management Policy, Strategy and Implementation Plan as requested it became apparent to the Corporate Risk Management Group that these documents were coming to the end of their useful life. They had been prepared by external consultants (Willis Limited) who were limited by the budget available as to the time they could spend in analysing the Council's needs. They were also prepared at a point when the Council had invested very little effort in effective strategic risk management and, consequently were somewhat aspirational and imprecise in their nature. Accordingly, the Corporate Risk Management Group concluded that it was the right time to produce a very substantially revised Risk Management Strategy to replace the three previous documents.
- 7.6 The revised Risk Management Strategy is set out in Appendix 1 to this report. It is intended to be a fit-for-purpose document that sets out clear relevant objectives and outcomes. The revised Strategy also includes an Action Plan containing SMART (Specific, Measurable, Achievable, Realistic and Time-bound) targets. The Strategy sets out how the Council will integrate effective Risk Management into its decision-making, business planning, budget setting, project management, best value review and policy formulation processes. Implementing this Strategy will assist the Council to allocate its resources so as best to take forward those priorities it has identified through consultation with its partners and the local community.
- 7.7 Two objectives underlie this Risk Management Strategy
- Securing the integration of effective risk management into the culture of the Council and all its decision and policy making processes; and
 - Ensuring that effective Risk Management is integral to the allocation of resources within and across both services and directorates so as best to take forward those corporate priorities the Council has identified through consultation with its partners and the local community.

These objectives will be achieved by delivering ten key outcomes:

1. Clear roles, responsibilities and reporting lines for risk management established within the Council.
2. A structured system set up for identifying, recording, rating, controlling, monitoring and reviewing risks across the Council's diverse functions.
3. Effective Risk Management integrated into the Council's decision-making processes
4. Decisions on accepting risks taken at appropriate levels within the Council.
5. Relevant information about risks communicated clearly and promptly to Members and officers to enable the Council to anticipate and respond effectively to changing social, environmental, economic and legislative requirements in the best interest of local people.

6. Learning on risk management shared across the Council by and openness in respect of both positive and negative outcomes encouraged.
 7. Budget setting framework established to encourage the allocation of additional resources to reduce risks in priority areas (and the reduction of resources in non-priority areas where a greater level of risk is acceptable).
 8. The importance of effective risk management emphasised as part of the everyday work of employees by providing appropriate training and regularly reviewing training gaps (and meeting those identified needs).
 9. Effective risk management incorporated into all Council activities including business planning, strategic and operational policy development, Best Value Reviews of Services, and partnership arrangements.
 10. The Council's arrangements for managing risk monitored and revised as appropriate to ensure continuous improvement.
- 7.8 The Council has already taken a number of steps to secure the successful achievement of the twin objectives of this Strategy and these achievements are listed under each of the ten key outcomes. However, the Council also needs to be self-aware and recognise that the work already undertaken must be reviewed and kept up-to-date and that further actions remain to be taken. In the proposed Strategy those actions yet to be taken are also listed under each of the ten key outcomes AND are set out (complete with identified responsible officers and delivery dates) as an Action Plan in Appendix 1 to the Strategy.
- 7.9 It is therefore recommended that the revised Risk Management Strategy set out in Appendix 1 to this Report be adopted with immediate effect.
- 7.10 The revised Risk Management Strategy envisages that an Executive Member be appointed as Executive Champion for Risk Management and that this Member also attend meetings of the Officer Risk Management Group to ensure effective communication on risk related issues between the Executive and senior Officers. It is therefore recommended that the Executive Member for Human Resources, Law and Support be appointed as Executive Champion for Risk Management and be invited to attend future meetings of the Officer Risk Management Group.
- 7.11 The revised Strategy also envisages that an employee be appointed as Officer Champion for Risk Management and it is therefore recommended that the Assistant Managing Director be appointed to this role.

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IMPLICATIONS, CONSULTATION AND OTHER INFORMATION

Part 1

These sections may have been completed by the Report author but must have been agreed by the named officers in the Legal, Finance, Human Resources and Property Divisions.

Does the proposal have implications for the following issues? If "Yes" - give details. <i>delete as appropriate</i>		Name of responsible officer
Legal	The effective management of risk is likely to reduce the number of legal claims against the Council.	Bill Norman
Financial – Revenue	Effective management of risk will enable the Council to make better use of the financial resources it has available.	Richard Thorpe
Financial – Capital Plan	As above	Richard Thorpe
Human resources	Effective management of risk will enable the Council to make more effective use of its employees' working hours.	Geoff Williams
Property	Effective management of risk will enable the Council to make better use of its property holdings.	Sam Partridge

Part 2

The author of the report must complete these sections.

Could this proposal realistically be achieved in a manner that would more effectively: <i>delete as appropriate</i>		
(i)	promote environmental sustainability?	No
(ii)	reduce crime and disorder?	No
(iii)	promote good community relations?	No
(iv)	promote equality of opportunity on grounds of race, gender, disability, age, sexual orientation, religion or belief?	No
(v)	reduce (or eliminate) unlawful discrimination (including indirect discrimination)?	No

If the answer to any of the above questions is "Yes" the author must have addressed the relevant issue/s in the main report and have included a full justification and, where appropriate, an impact assessment.

Part 3

The author of the report must complete this section.

<i>delete as appropriate</i>	If "Yes", give details
Does the proposal have implications for any other Directorates?	Yes The revised Risk Management Strategy will deliver benefits to (and places responsibilities on all Directorates)

Part 4

Is this proposal in accordance with (i.e. not contrary to) the Council's budget or its Policy Framework?		<i>delete as appropriate</i>
		Yes
1.	If "No" - give details of the nature and extent of consultation with stakeholders and the relevant overview and scrutiny body.	
2.	If "Yes" - details and outcome of consultation, if appropriate.	
	The Council's Corporate Risk management Group has been consulted.	

Part 5

Is the proposal a Key Decision in relation to an Executive function? (i.e. would generate expenditure or savings in excess of £100,000 or 20% of an approved budget OR affect more than 2,000 residents of the Borough.)	<i>delete as appropriate</i>	If "Yes" - give Reference Number
	No	

Part 6

Wards

No wards are affected more than others by this proposal.

Appendices

Appendix 1

Torbay Council Risk Management Strategy: Version 2

Documents available in Members' Room

None

Background Papers:

The following documents/files were used to compile this report and Appendix:

Torbay Council's original Risk Management Policy, Risk Management Strategy and Risk Management Implementation Plan.

Blackburn with Darwen Council's Risk Management Policy

Bristol City Council's Risk Management Policy

"Worth the Risk" – Audit Commission (July 2001)

Report of the Corporate Governance Inspection of Torbay Council – Audit Commission 2002

Progress Assessment Report of Torbay Council - Audit Commission 2003