<div align="center">**TRAFFORD COUNCIL**</div>

Report to:	**Accounts and Audit Committee**
Date:	**20 March 2013**
Report for:	**Information / Approval**
Report of:	**Audit and Assurance Manager**

Report Title

Risk Management Policy Statement and Strategy

Summary

The Council's Risk Management Policy Statement and Strategy have recently been reviewed and updated by the Audit and Assurance Service, in liaison with Corporate Directors and senior managers (having previously been issued in 2009). This has been completed to both ensure details reflected within the documents are up to date and also to complement activity currently underway in updating risk management guidance and raising awareness across the Council.

There are no fundamental changes proposed to the Authority's Policy Statement and Strategy but both have been refreshed to reflect changes since the previous versions were issued.

The Policy Statement sets out the Authority's overall position regarding its approach to risk management. The Strategy document sets out, in detail, the expected arrangements to be in place to ensure there are adequate risk management processes across the Council. The Strategy includes the updated arrangements for Risk Management Reporting (set out in the appendix).

Recommendation

The Accounts and Audit Committee is asked to:

      (a)   Approve the Council's Risk Management Policy Statement and Strategy.
      (b)   Note that updated guidance supporting the Risk Management Strategy will be publicised across the Council.

Contact person for access to background papers and further information:

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Background Papers:
Risk Management Policy and Strategy (issued 2009)

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Risk Management Policy Statement, Strategy and Supporting Guidance

1. Introduction

The purpose of this report is to provide the Accounts and Audit Committee with the updated Risk Management Policy Statement and Strategy for review and approval, and highlight work underway or planned to ensure adequate processes and supporting guidance on risk management are in place across the Authority.

2. Background

The Council has had an established Risk Management Policy and Strategy for a number of years which is reviewed periodically to ensure it remains appropriate and effective. In line with the Audit and Assurance Service Plan, the Policy Statement and Strategy has recently been reviewed and updated.

3. Update of the Risk Management Policy and Strategy

The Audit and Assurance Service has led on developing the Authority's corporate risk management approach for a number of years. As part of the 2012/13 Audit Plan, this included review and update of the Policy and Strategy, together with activity in respect of updating risk management guidance.

There are no fundamental changes proposed to the Authority's framework but the Policy Statement and Strategy have been refreshed to reflect changes since the previous versions were issued.

These include references to the Accounts and Audit Regulations 2011, the change in External Audit arrangements in 2012 and, prior to that, the ceasing of the Use of Resources Assessment process.

An addition to the Strategy document is the inclusion in the appendix of "Protocols for Risk Management reporting." This reflects expected standards for reporting both at officer and member levels. In particular, in recent years, the process for maintaining the Council's Strategic Risk Register has developed. Quarterly updates are reviewed by the Transformation Performance and Resources Group (TPR) and the Corporate Management Team (CMT) and regular updates are also presented to the Accounts and Audit Committee, at least twice per year. The protocols therefore formalise existing practice currently in place.

4. Further Work Underway and Planned

The revised Risk Management Policy Statement and Strategy is designed to support staff and members in discharging their risk management responsibilities. There is various supporting guidance on risk management currently available. This includes an overarching document "Risk Management – Guidance for Services" together with a range of other supporting tools / guidance on the Council intranet.

Audit and Assurance is currently working on the review of existing guidance which will be completed and made available in the first quarter of 2013/14. This will include:

- An updated version of the "Risk Management: Service Guidance" guide.
- Updated details of examples of risk areas and also guidance on controls to manage such risks.
- Guidance on reporting risk management implications.
- Roll out of e-learning guidance (as referred to below).

In 2012/13 the Audit and Assurance Service, in liaison with Human Resources, has completed the development of an e-learning tool to supplement existing guidance available. This has been shared with a selection of officers from other Corporate Directorates for feedback. It is planned that this will be made available to all staff in the first quarter of 2013/14, to access via the intranet.

Audit and Assurance liaises on a regular basis with officers in each of the Council's Corporate Directorates as part of the ongoing maintenance of the Council's Strategic Risk Register and also to gain assurance that adequate arrangements are in place for Directorate level risks. The updated guidance will be shared with relevant staff through ongoing 1:1 meetings, via the intranet, and through attendance by Audit, where agreed, at service meetings etc.

The updated guidance will also be made available to staff via the intranet and will be publicised when available.

Audit and Assurance will also continue to provide advice and guidance on an ongoing basis, both through its role in co-ordinating strategic risk register updates, undertaking internal audit reviews and providing ad hoc advice. Ongoing or planned audit reviews in 2013/14 include coverage of a number of strategic risk areas.

Risk Management Policy Statement

March 2013

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Risk Management Policy Statement

1. Introduction

Trafford Council is responsible for the provision of a diverse range of services, and it is essential that the Authority protects and preserves its ability to continue to provide these services by ensuring its assets, both tangible and intangible, are protected against loss and damage.

The Accounts and Audit Regulations 2011 set out requirements related to the Council's systems of internal control, and the review and reporting of those systems. The Regulations require Councils to "have a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes the arrangements for the **management of risk**."

The management of risk is central to the achievement of all Trafford Council's key objectives. If risks are not controlled or managed, this could greatly affect the Council's ability to discharge its responsibilities and achieve its objectives. Effective management of risks is an essential part of good governance.

Risk management should not be viewed as a negative exercise. Effective risk management may reduce the total cost of risk and enhance the delivery of services provided. The current financial climate particularly highlights the need to ensure effective arrangements for managing risks are in place. Risk management is not just about managing threats; it is also about identifying opportunities.

Effective risk management processes therefore provide the Council with a means of:
- improving strategic, operational and financial management;
- securing robust operational and service performance;
- maximising opportunities, and;
- minimising threats, or negative events, which might result in the Council failing to meet its objectives.

2. Trafford Council's Approach to Risk Management

The risk management process involves the identification, assessment, prioritisation, control, review and management reporting of risk.

The Council's overriding approach to risk management is that it acknowledges it will always be faced with risks, but it is the Council's policy to adopt a proactive approach to risk management to achieve its objectives.

Although it is accepted that risk will not be totally eliminated, the Council is committed to the management of risk in order to:

- ensure that the Authority's policies are put into practice;
- ensure the Authority's values are met;
- ensure that laws and regulations are complied with;

- ensure that high quality services are delivered efficiently;
- safeguard members, employees, customers, service users, pupils and all other persons to whom the Council has a duty of care;
- protect its property including buildings, equipment, vehicles and all other assets and resources;
- maintain effective control of public funds and ensure that human, financial and other resources are managed efficiently and effectively;
- protect and improve the environment, and;
- protect and promote the reputation of the Council.

Risk is managed by systematically identifying, analysing and evaluating, cost effectively controlling and monitoring the risks that endanger the people, property, reputation and financial stability of the Council. Risks need to be considered in managing the delivery of both ongoing service provision and specific projects. Risks need to be managed both where functions / services are provided in-house or through partnership arrangements. If risks are not controlled, this can result in a loss of resources that could have been directed to front-line provision and meeting the Council's key objectives.

It is important that all aspects of risk are considered in the broadest sense, i.e. not just insurable risks as the majority of risks are not insurable. Risk management implications needed to be considered in all key decisions affecting the Council.

3. Responsibility of Corporate Directorates

All Corporate Directorates and associated service areas must embrace risk management as part of service planning, financial management and performance management processes. Responsible officers need to consider what may prevent corporate/service objectives being achieved i.e. the principal risks should be identified.

As part of this, all Corporate Directorates should maintain up-to-date risk registers, which identify and analyse the principal risks and detail and evaluate action plans for managing and monitoring the risks. This should include risks relating to partnership arrangements in place or major projects being undertaken.

Managers with responsibility around particular partnerships should take appropriate action to ensure that the partnership itself has adequate risk management arrangements in place. All significant partnerships should maintain a partnership risk register.

Managers responsible for projects need to ensure risks are recognised and managed to minimise the possibility of the project failing and to ensure the project meets its objectives. A project risk log should be maintained.

Ownership of principal risks should be assigned to managers with sufficient authority to assign resources to control those risks. Responsibilities for managing risks should be clearly assigned to particular individuals, groups or sections as appropriate, details of which should be recorded in the risk registers.

All services within the Council must engage in this process. Directors and managers have the responsibility and accountability for managing the risks within their own work

areas. It is also, however, the responsibility of all members and employees to take into account risks in carrying out their duties. There must be commitment throughout the organisation to gain the benefits of effective risk management and achieve the Council's objectives.

All Corporate Directorates should review their risk registers on a regular basis. This should include ensuring significant risks considered to be of a strategic nature are escalated to the Corporate Management Team (CMT) (see Section 4. Strategic Risks). Whilst this is an ongoing process throughout the year, it is a requirement that Directorate level risk registers are fully reviewed and updated at least on an annual basis which should form an important part of the service planning process.

4. Strategic Risks

The Authority maintains a Strategic Risk Register (SRR). This contains the strategic, medium to long term risks (or barriers) the Authority is likely to face in achieving its high level vision and corporate objectives, as identified by the leadership of the organisation, the Executive and CMT. The SRR refers to actions required and responsibilities for managing and monitoring the risks. CMT has a responsibility to ensure that strategic risks are adequately managed as, given their nature, the occurrence of the risk may severely impact on the Council's achievements and performance. The SRR should be reviewed on a regular basis to ensure that there is adequate monitoring and control of risks and due regard is given to any emerging risks. The Accounts and Audit Committee are provided with regular updates in respect of the SRR. Executive portfolio holders are provided with performance monitoring reports which include strategic risk updates.

5. Risk Management Reporting

Reporting arrangements relating to risk management are contained in the Council's Risk Management Strategy in an agreed protocol. This is to ensure that roles of officers and members are defined and adequate reporting arrangements are in place for risk management issues to be taken into account in policy and decision-making. Responsibility for updating and maintaining the agreed protocol lies with the Audit and Assurance Service, with any significant changes being referred to, and approved by, CMT.

6. Review of Risk Management Policy Statement

This Policy statement, as a working document, will be reviewed on a regular basis and updated as necessary. Any significant changes will be referred to and approved by CMT and the Accounts and Audit Committee.

Risk Management Strategy

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Risk Management Strategy

1.   Introduction

1.1   Risk is something that could happen which may have an impact on the achievement of the Authority's objectives, at service level, authority-wide or working in partnership with other organisations. Risk management is the culture and processes that are directed towards the effective management of potential opportunities and threats to the organisation. Risk management is a key element of effective corporate governance. It involves Identifying, assessing, managing and controlling the principal risks facing an authority, enabling it to identify the key actions it must take to deliver its main goals.

1.2   The current financial climate particularly highlights the need to ensure effective arrangements for managing risks are in place. Effective risk management arrangements are essential for enabling high quality decision making to take place.

1.3   The Authority's initial Risk Management Policy and Strategy were originally approved in September 2004 and have since been regularly reviewed and updated. The Policy and Strategy were previously updated in February 2009. The Strategy has been refreshed to take into account the current risk management framework and associated guidance and sets out the arrangements required and considerations the Authority has for maintaining effective risk management.

2.   Background

2.1   Formal corporate risk management processes in the Authority have been developed over a number of years. Guidance was first issued to officers in 2003/4 and since then there has been a process of awareness raising around risk management. This has included ongoing directorate and service area liaison through meetings and workshops, and further documented guidance being issued (which is available on the Authority's intranet site). An e-learning risk management training module has also been developed.

2.2   All Corporate Directorates are required to maintain risk registers on an ongoing basis and are expected to fully update their registers at least annually as part of the service planning process. The Authority's strategic risk register contains the strategic risks (or barriers) the Authority is likely to face in achieving its high level vision and corporate objectives and actions required for managing / monitoring the risks. Key Council partnerships and major projects must also have adequate documented risk management processes.

2.3   It is important that there are adequate arrangements in place for identifying, assessing, reporting and managing risks. The Accounts and Audit Regulations 2011 set out requirements related to the Council's systems of internal control, and the review and reporting of those systems. The Regulations require Councils to "have a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes the arrangements for the management of risk." The Council is required to produce an Annual Governance Statement which includes an assessment of its processes for managing risks.

3.   Risk Management Policy Statement

3.1   The Risk Management Policy Statement sets out the Authority's overall position regarding its approach to risk management. It highlights potential benefits to be gained from effective risk management. The Council's overriding approach to risk management is that it acknowledges it will always be faced with risks, but it is the Council's policy to adopt a proactive approach to risk management to achieve its objectives. Although it is accepted that risk will not be totally eliminated, the Council is committed to the management of risk. The Policy states that the Authority must embrace risk management as part of planning and other processes.

4.   Risk Management Strategy

4.1   The purpose of the Risk Management Strategy is to ensure that effective risk management arrangements are implemented in practice. The Strategy needs to ensure that:

-    Risk management is clearly and consistently integrated and embedded in the culture of the Council.
-    Risk management is a top-down process with support and ownership of risk management by members and senior officers.
-    There is adequate accountability with procedures and responsibilities clearly established at corporate and service levels.
-    There are adequate cost effective controls in place for risk management directed to activities that reflect the Authority's objectives.
-    All services identify and analyse their principal risks.
-    Strategic / authority-wide risks are identified and analysed.
-    There is adequate control and monitoring of risks, with risks reviewed on a regular basis.
-    All principal risks, including details of who is responsible for managing the risk and how they are managed are recorded, where applicable, in Directorate and / or Strategic risk registers.
-    Services manage their risks as part of the business planning process providing assurance on the effectiveness of risks being managed.
-    Project management arrangements incorporate effective risk management processes.
-    Risks associated with partnerships the Council participates in are effectively managed.
-    Adequate information is provided to members to ensure that risk is explicitly taken into account in key decisions.
-    Adequate guidance and support is provided regarding the risk management process to ensure adequate awareness and to ensure there are adequate skills for the identification, assessment and control of risks.
-    The risk management process in the Authority forms a key part of the control assurance framework and the process for producing the Annual Governance Statement.

Top – down Process

4.2   It is crucial that the Risk Management Policy Statement and Strategy are supported by the Executive and the Corporate Management Team (CMT). This ensures that risk is considered in decision-making and the overall approach to risk is consistent with the Authority's key objectives.

Accountability

4.3   Members and staff must be aware of their respective roles in managing risks and ensure risks are taken into account when making decisions. All members and officers are responsible for ensuring effective risk management. The strategy refers to the management of risks by services but this is intended to also incorporate project teams, authority wide groups and partnership representatives as well as individual services.

4.4   It is the responsibility of CMT and the Accounts and Audit Committee to monitor the adequacy of the Authority's overall approach to risk management.   CMT and the Accounts and Audit Committee are responsible for approving the Risk Management Policy and ensuring there is an effective Risk Management Strategy. The Audit and Assurance Service has a key role in ensuring there is adequate guidance available to staff and members and will review actual risk management arrangements in place as part of ongoing assurance work.

4.5   All managers have responsibility and accountability for managing the risks within their own service areas. However, to be successfully managed, risk awareness must be embedded in all working practices and therefore requires the inclusion of all staff in the process.

Resources

4.6   Risk management should be an integral part of the budget setting and performance management framework. Resources should be allocated according to priorities which include addressing the highest risks to the Authority.

Identification and Analysis of Risks (Operational and Strategic)

4.7   In identifying risks, services need to consider what may prevent corporate / service objectives being achieved i.e. identify the principal risks. Risks may be internally or externally generated (from local, national or international sources). The risks may relate to strategic or operational matters. Risks may arise from partnership arrangements, relate to specific projects or ongoing service provision.

4.8   Once risks are identified, an assessment needs to be made about the level of risk that is considered acceptable (i.e. the Council's risk appetite). In assessing the level of the potential risk, this can be classified by considering two basic factors – the likelihood of the risk actually occurring, and secondly, the impact that occurrence would have on the ability to achieve corporate and service objectives.

4.9   A framework was originally established in 2003 for identifying and analysing risks, which has since been developed and updated over time. The template for the service risk

register together with accompanying guidance is included as part of risk management guidance available on the intranet. In summary, this sets out that once the principal risks have been identified a simple risk assessment methodology should be used to enable services to carry out risk assessments in order to prioritise risks.

4.10 All Corporate Directorates should undertake the formal risk assessments on at least an annual basis, but risks should be reviewed and managed on an ongoing basis. All Corporate Directorates should maintain risk registers and on request provide a copy to the Audit & Assurance Service. In addition to enabling the process to be monitored, this will allow for reporting to the CMT as appropriate.   Significant risks identified at a Directorate level which are considered to be of a strategic nature should be escalated to the Corporate Management Team and considered for inclusion on the Strategic Risk Register if appropriate.

4.11 **The Strategic Risk Register (SRR)** contains the strategic, medium to long term risks (or barriers) the Authority is likely to face in achieving its high level vision and corporate objectives, as identified by the leadership of the organisation, the Executive and CMT. The SRR refers to actions required and responsibilities for managing and monitoring the risks. CMT has a responsibility to ensure that strategic risks are adequately managed as, given their nature, the occurrence of the risk may severely impact on the Council's achievements and performance. The SRR should be reviewed on a regular basis to ensure that there is adequate monitoring and control of risks and due regard is given to any emerging risks. At officer level, the SRR is reported to the Transformation, Performance and Resources Group (TPR) and CMT on a quarterly basis. At member level, the Accounts and Audit Committee are provided with updates at least twice a year. Strategic risk updates are sent to the responsible Executive portfolio holder which are included as part of performance management reports enabling them to monitor performance within their area.

4.12 Given the nature of the risks it is essential that senior members and officers in the Authority are involved in the identification and analysis of strategic risks. The strategic risk register was originally produced following a series of discussions with Executive members and officers in CMT. The register is updated and reported on a regular basis. Whilst it is the responsibility of Trafford Council to maintain its own SRR and ensure that strategic risks are adequately addressed, it may be considered appropriate for independent assistance to be obtained from time to time to provide assurance on the adequacy of the register. Whilst this has not occurred in recent years, external risk management specialists have been utilised on occasion to provide assistance in respect of reviewing the SRR.

Control and Monitoring

4.13 Decisions must be made both corporately and by services regarding what levels of risk are tolerable and what can be done to manage them. In simple terms there are four main responses to risk – tolerate the risk; transfer the risk to another organisation; terminate the activity that is generating the risk (if possible); or treat the risk by taking action to mitigate it.

4.14 The methods chosen to deal with risks should be reflected in the service objectives for the year, and in the allocation of resources (financial, human or otherwise).

4.15 Risk management is not a one-off exercise. Risks should be monitored on an ongoing basis and re-evaluated as appropriate. All risk registers should include arrangements to manage the risk, an evaluation of the effectiveness of these and any further improvement actions required to manage the risks as effectively as is feasible and practical. Significant issues regarding the management of risks, such as actions to be taken, should be reflected in service plans.

Responsibilities for Managing Risks

4.16 To ensure there is adequate accountability for managing specific risks, it is important that responsibilities for monitoring / managing risks are clearly assigned to particular posts / groups / sections as appropriate. The respective completed risk registers should reflect this.

Business Planning

4.17 Corporate Directorates should identify and manage risks as part of their service business planning process. Consideration of risks and associated required controls should be part of the process for considering priorities and the allocation of resources both within services and for the Authority as a whole.

Project Risks

4.18 It is vital to the success of any project that the project manager recognises and manages associated risks. A clear understanding of the risks and mitigating actions are vital to the project's success. An escalation route for identified risks should be communicated to the project team and risk reviews should be a standing item on Project Board agendas. A major project should not fully commence until an initial risk identification and analysis has been carried out and a risk log created. Risk management should be undertaken in accordance with good practice set out in the Trafford Project Management Handbook available from the Council's Transformation team.

Partnership Risks

4.19 The nature of partnership working requires working across existing organisational boundaries. This may provide many benefits but also can bring increased levels of risk to service delivery.

4.20 All significant partnerships should have an agreed set of objectives and the risks to achieving these objectives need to be identified and managed effectively. Partnerships should make reference to guidance set out in Trafford Council's Good Practice Guide for Managing Partnerships available on the Council's intranet.

Reporting and Decision Making

4.21 There must be adequate reporting arrangements to ensure that risks identified are addressed and taken into account in decision-making processes. There should be adequate escalation procedures for identifying, reporting and addressing risks.

4.22 Detailed reporting arrangements are documented through an agreed risk management reporting protocol (see appendix).

4.23 It is essential that there are adequate reporting arrangements on risk management to the Executive. Risk implications should be considered in all key Executive decisions. Risk management should be embedded in policy making, performance management, strategic and financial planning.

4.24 All services must have an adequate process for reporting on principal risks, in particular through monitoring of progress against service plans but also through ensuring all officers are aware that risk implications must be reported when recommending particular courses of action. Risks should be reviewed on a regular basis within service management teams and there should be a suitable escalation procedure with any significant issues reported to senior management and / or members as appropriate.

4.25 Strategic risks must be reviewed on a regular basis. Any significant issues relating to the management of particular strategic risks should be reported to CMT. The Accounts and Audit Committee are provided with regular updates in respect of the SRR. Executive portfolio holders are provided with performance monitoring reports which include strategic risk updates.

Guidance and Support

4.26 Adequate guidance and support is required to ensure that members and officers are aware of their responsibilities. Ongoing advice and guidance is provided by the Audit and Assurance Service. Various guidance has been distributed to services and there is ongoing liaison with staff contacts in each Corporate Directorate. Ongoing support will be given to ensure that members and staff are aware of the risk management process and their responsibilities. A range of guidance is available in respect of risk management on the Council's intranet including examples of risk, controls to address risks and guidance on the risk management process.

Governance / Control Framework

4.27 As a statutory requirement the Council is required to produce an Annual Governance Statement which includes details of the standard of its internal control systems in place to achieve its objectives and manage risks. It is therefore important that there are clearly defined arrangements in place for identifying, reporting and managing risks. The Council should demonstrate that risk management process forms an integral part of its internal control systems. To achieve this, the risk management framework and procedures outlined above should be adhered to.

5.   Conclusions

5.1   This Strategy sets out the key arrangements required to ensure that adequate risk management structures and processes in the Authority are maintained and improvements are made where appropriate in order that key risks are effectively addressed and controlled.   The Risk Management Strategy will be reviewed on a regular basis to ensure risk management continues to be an integral part of service planning, delivery and performance management.

Trafford Council - Protocols For Risk Management Reporting

1. Introduction

This protocol document sets out the requirements at Trafford Council for reporting on risk management issues. It sets out arrangements in respect of general policy / strategy and the reporting of strategic and operational level risks.

2. Risk Management Policy Statement and Strategy

- CMT and the Accounts and Audit Committee will review and approve the Authority's Risk Management Policy Statement and Strategy, including any significant revisions to these. The Policy Statement and Strategy will be reviewed and updated on a regular basis as appropriate by the Audit and Assurance Service.

- Updates in respect of issues relating to the Risk Management Strategy will be reported to CMT / Accounts and Audit Committee as required including where applicable within Audit and Assurance update reports.

3. Strategic Risks

- Strategic risks should be monitored and reviewed as part of the corporate performance management process.

- Strategic risks will be monitored on a regular basis by TPR and CMT. Reports on strategic risks, co-ordinated by the Audit and Assurance Service, will be presented to TPR/CMT on a quarterly basis.

- The Accounts and Audit Committee will receive, biannually, strategic risk monitoring reports.

- The Executive should be informed of any significant issues or emerging risks. Executive portfolio holders are provided with quarterly updates in respect of strategic risks within their areas. Risk implications should be included in all Executive Decision reports.

- Internal Audit will include assurance reviews of strategic risks in its annual audit plan. Internal Audit will report on individual reviews to the Chief Executive and relevant Corporate Director. The annual internal audit report presented to CMT and the Accounts and Audit Committee will comment on the assurance work undertaken by Internal Audit. Findings will be reflected in the Authority's Annual Governance Statement.

4. Directorate / Service Risks

- Within individual Corporate Directorates and service areas, risks should be reviewed regularly within senior management teams. There should be a suitable escalation procedure with any significant issues reported to senior management and / or members as appropriate. Escalated risks should be considered for inclusion on the Strategic Risk Register. Risk management should be considered

as part of service planning, financial management and performance management arrangements, including any developments in these arrangements.

- Corporate Directorate risk registers must be reviewed on an ongoing basis and fully reviewed and updated at least on an annual basis. This process will be subject to periodic review by the Audit and Assurance Service.

- Directorate / service area risks will be taken into account in producing the annual internal audit plan. Internal Audit will provide a quarterly update to CMT and the Accounts and Audit Committee in respect of issues around risk and control as identified in its work programme, and the annual internal audit report will be presented to CMT and the Accounts and Audit Committee. As above, findings will be reflected in the Authority's Annual Governance Statement.