

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 28 March 2017
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, with the updated versions agreed by the Corporate Leadership Team. This has been completed to both ensure details reflected within the documents are up to date and also to complement updates made to risk management guidance during the year.

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.

Recommendation

The Accounts and Audit Committee is asked to approve the Council's Risk Management Policy Statement and Strategy.

Contact person for access to background papers and further information:

Name: Mark Foster, Audit and Assurance Manager

Extension: 1323

Background Papers:

None

Risk Management Policy Statement and Strategy

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.

2. Background

The Council has had an established Risk Management Policy Statement 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

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 in September 2013. Details of the changes are summarised below:

Policy Statement:

References added in sections 1.4 and 2.4 to reflect that the risk management approach covers the various methods by which the Council provides services.

References added in sections 1.5, 2.3, 2.5 and 3.3 to further reflect that risk management should be viewed as a positive exercise in terms of considering risks in relation to opportunities as well as threats.

Risk Management Strategy:

Section 4 and Appendix A updated to reflect current processes and Council guidance, including ensuring reference to guidance is consistent with details available on the intranet. This includes the updating of Section 4.1 to include examples of strategic and authority wide risks, including information governance related areas. As above it also includes further references through Section 4 of the benefits of risk management in considering potential opportunities as well as threats.

(Note: Risk Management guidance is available on the intranet under <http://intranet.trafford.gov.uk/aboutus/guidelines/RiskManagement/default.asp>)

In addition, for both the Policy Statement and Strategy the following changes have been made:

Reference to the Accounts and Audit Regulations 2011 replaced with Accounts and Audit Regulations 2015.

References to "Corporate Management Team" replaced with "Corporate Leadership Team".



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Risk Management Policy Statement

March 2017

Risk management Policy Statement:

Versions:

September 2004

November 2005

January 2007

January 2008

February 2009

March 2013

March 2017

Risk Management Policy Statement

1. Introduction

- 1.1 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.
- 1.2 The Accounts and Audit Regulations 2015 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.**"
- 1.3 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.
- 1.4 It is acknowledged that services are provided by the Council through a variety of delivery models and through working with a range of partners. Whilst the Risk Management Policy Statement and Strategy refer throughout the documents to the Council's risk management, it is intended that this reflects the various types of service models in place, including arrangements in partnership with other organisations.
- 1.5 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. Risks management needs to be considered in assessing opportunities, for instance in considering potential benefits and costs arising from a decision to be made such as an investment decision or choice of a new system.
- 1.6 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;
 - minimising threats, or negative events, which might result in the Council failing to meet its objectives.

2. Trafford Council's Approach to Risk Management

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

2.2 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.

2.3 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;
- protect and promote the reputation of the Council, and
- maximise benefits from opportunities available to the Council.

2.4 Risk is managed by systematically identifying, analysing and evaluating, costing 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 whether functions / services are provided in-house or through other methods of delivery and through working with partners. 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.

2.5 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. The Council needs to consider potential opportunities as well as threats. Risk management implications need to be considered in all key decisions affecting the Council.

3. Responsibility of Corporate Directorates

3.1 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.

3.2 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 and major projects being undertaken.

3.3 Managers responsible for projects need to ensure risks are recognised and managed to minimise the possibility of the project failing and to ensure potential threats and

opportunities are considered in meeting the project's objectives . A project risk log should be maintained.

- 3.4 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.
- 3.5 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.
- 3.6 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 Leadership Team (CLT) (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

- 4.1 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 CLT. The SRR refers to actions required and responsibilities for managing and monitoring the risks. CLT 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.

5. Risk Management Reporting

- 5.1 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.

6. Review of Risk Management Policy Statement

- 6.1 This Policy statement will be reviewed on a regular basis and updated as necessary. Any significant changes will be referred to and approved by CLT and the Accounts and Audit Committee.



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Risk Management Strategy

March 2017

Risk management Strategy:

Versions:

November 2005

September 2009

March 2013

March 2017

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 Risk Management Strategy sets out the arrangements expected to be in place 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. Documented guidance is available on the Authority's intranet site.
- 2.2 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. All Corporate Directorates are required to maintain risk registers on an ongoing basis.
- 2.3 It is important that there are adequate arrangements in place for identifying, assessing, reporting and managing risks. The Accounts and Audit Regulations 2015 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 to ensure it adequately considers both threats to achievement of its objectives and also potential opportunities that arise. The Policy Statement 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 across the Council is used to evaluate risks linked to both opportunities and threats.
- Risk management is clearly and consistently integrated and embedded in the culture of the Council.
- There is 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 Corporate Directorates identify and analyse their principal risks.
- 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 Service/Directorate and / or Strategic risk registers.
- Services manage their risks as part of business planning and performance monitoring providing assurance on the effectiveness of risks being managed.
- Strategic and authority-wide risks are adequately reflected in the risk management process e.g. risks relating to areas such as fraud; financial management; health and safety; safeguarding; emergency planning; business continuity; and information governance (including those relating to Data Protection, Freedom of Information, Records Management and IT Security).
- Project management arrangements incorporate effective risk management processes.
- Risks associated with different service models in place are considered as part of risk management processes e.g. shared services, joint ventures, strategic partnerships etc.
- 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.
- Risk awareness is embedded in working practices and requires the inclusion of all staff in the process.
- 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.

Accountability

4.2 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. Risk should be considered in decision-making and the overall approach to risk should be consistent with the Authority's key objectives. This includes assessing risks both in relation to threats e.g. safeguarding issues and also potential opportunities e.g. in considering investment decisions. Risk management implications must be considered as part of all Executive decisions.

- 4.3 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 the Corporate Leadership Team (CLT) and the Accounts and Audit Committee to monitor the adequacy of the Authority's overall approach to risk management. CLT and the Accounts and Audit Committee are responsible for approving the Risk Management Policy and ensuring there is an effective Risk Management Strategy.
- 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 and also considering potential benefits and costs in informing decision-making.

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 is in place for identifying and analysing risks. Risk register templates with accompanying guidance are 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. This methodology is applicable to identifying opportunities as well as threats i.e. in considering potential impact, this will be in terms of positive consequences which are considered alongside any costs and other negative consequences.

- 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 CLT as appropriate. Significant risks identified at a Directorate level which are considered to be of a strategic nature should be escalated to the CLT 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 CLT. The SRR refers to actions required and responsibilities for managing and monitoring the risks. CLT 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 CLT on a quarterly basis. At Member level, the Accounts and Audit Committee are provided with updates at least twice a year.
- 4.12 The strategic risk register was originally produced following a series of discussions with Executive members and officers in CLT. 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 service objectives and plans 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. In making decisions and allocating resources according to the risk of pursuing or not pursuing opportunities, the positive potential impact should be considered against any potential costs and other negative consequences.

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.

Partnership Risks

- 4.19 The nature of partnership working requires working across existing organisational boundaries and takes various forms. This may provide many benefits but also can bring increased levels of risk to service delivery. Risks must be considered that arise out of such working to ensure objectives are achieved.

Reporting and Decision Making

- 4.20 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.
- 4.21 Detailed reporting arrangements are documented through an agreed risk management reporting protocol (see appendix A).
- 4.22 It is essential that there are adequate reporting arrangements on risk management to the Executive. Risk implications should be considered in all Executive decisions. Risk management should be embedded in policy making, performance management, strategic and financial planning.
- 4.23 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.

- 4.24 Strategic risks must be reviewed on a regular basis. Any significant issues relating to the management of particular strategic risks should be reported to CLT. The Accounts and Audit Committee are provided with regular updates in respect of the SRR.

Guidance and Support

- 4.25 Guidance and support is required to ensure that Members and officers are aware of 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. The Council's Induction Course covers risk management at a high level and links to the Council's intranet for detailed information.

Governance / Control Framework

- 4.26 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, and risks adequately considered in pursuing potential opportunities. 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

The Policy Statement and Strategy will be reviewed and updated on a regular basis and approved by CLT and the Accounts and Audit Committee. Updates in respect of issues relating to the Risk Management Strategy will be reported to CLT / Accounts and Audit Committee as required.

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 CLT. Reports on strategic risks, co-ordinated by the Audit and Assurance Service, will be presented to TPR/CLT on a regular basis throughout the year as agreed by the CLT.
- The Accounts and Audit Committee will receive strategic risk monitoring reports as part of its agreed work programme.
- The Executive should be informed of any significant issues or emerging risks. Risk implications should be included in all Executive Decision reports.

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.