

## **Risk Management Policy Statement**

### **Policy**

The Audit Commission's Management Paper "*Worth the Risk*" raised "*awareness about the need to address key strategic business risks and to provide good practical guidance for Councils to manage such risks in a more effective and formal way*".

The Management Paper considered that the degree to which organisations deal successfully with risk can have a major impact on the achievement of their key business goals. The Management Paper provided definitions of risk and risk management as:-

- *"risk is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies"*
- *"risk management is the process by which risks are identified, evaluated and controlled. It is a key element of the framework of governance together with community focus, structures and processes, standards of conduct and service delivery arrangements"*
- *"an authority's system of internal control is part of its risk management process and has a key role to play in the management of significant risks to the fulfilment of its business objectives"*

The Commission have more recently updated their advice to include "positive risks" or "opportunities" to support a greater emphasis on achievements and fulfilling potential in addition to simply avoiding adverse outcomes.

A prerequisite of effective corporate governance is that risk management is "embedded" into the culture of the organisation. This requires the organisation to be forward looking and dynamic, responsive to change, and able to maximise opportunities and improve performance. For this to be attained the risks associated with the organisation's activities need to be identified, assessed, and managed. Effective risk management is an integral part of good business management.

To achieve the Council's objectives within the complex legislative and inspection-driven regime that local authorities operate within, Wigan Council recognises that it has a responsibility to identify, assess, and manage the risks it faces in the delivery of its services. This will be accomplished by a formal corporate approach to the management of risk.

The Council's objectives are to ensure that risk management is integrated into its processes at all levels to ensure that all risks are identified, and their impact assessed within an approved framework, viz.:-

- Integrate risk management into the culture of the Council
- Ensure that people are aware of risk management at all levels of the Council from Members/Chief Officers to front line operational staff.
- Embed risk management into the service planning framework to demonstrate that it is integral within corporate and departmental planning and decision making processes.
- Demonstrate the consideration of risk management issues within all reports to Members.

## **Risk Management Overview - Framework**

Risk Management is a discipline that is directly relevant to all areas and levels of the Council's services and therefore needs to be an integral part of all planning and delivery processes.

It is essential that there is recognition of positive elements (i.e. a focus on outcomes and added value) as well as negative aspects (e.g. traditional risk management - reduction of barriers to success).

Risks will be identified, assessed, managed and monitored at two separate levels :-

| <b>Strategic Risk Management</b>   |
|--|
| <p><b>Risks highlighted via:</b></p> <ul style="list-style-type: none"><li>▪ Vision Statement</li><li>▪ Corporate Plan</li><li>▪ Issues Paper</li><li>▪ Strategic Risk register</li><li>▪ Reports to Members on Strategic Issues</li><li>▪ Forward Plans</li><li>▪ Use of Resources Self Assessment</li></ul> <p><b>Risks monitored and managed via:</b></p> <ul style="list-style-type: none"><li>▪ Council Constitution</li><li>▪ Cabinet</li><li>▪ Overview and Scrutiny</li><li>▪ Audit, Governance &amp; Improvement Review Committee</li><li>▪ Strategic Management Team</li><li>▪ Partnership management arrangements</li></ul>   |
| <b>Operational Risk Management</b>   |
| <p><b>Risks highlighted via:</b></p> <ul style="list-style-type: none"><li>▪ Departmental Plans and Risk Registers</li><li>▪ Project Plans</li><li>▪ Best Value/Improvement Plans (including external reviews)</li><li>▪ Partner organisations and External Agencies</li></ul> <p><b>Risks monitored and managed via:</b></p> <ul style="list-style-type: none"><li>▪ Cabinet</li><li>▪ Scrutiny Committees</li><li>▪ Audit, Governance and Improvement Review Committee</li><li>▪ Departmental Management Teams</li><li>▪ Business Management Group</li><li>▪ Service Managers</li><li>▪ Risk Management specialists (Insurance, Internal Audit, Health &amp; Safety, Legal Services, Personnel, Civil Contingencies Team, External Advisors, other support services)</li><li>▪ Individual staff involvement via Service Planning, employee development process, Improvement Plans, etc</li></ul> |

To ensure the ongoing effectiveness of the above processes, there is an annual review of the Council's Local Code of Corporate Governance which includes the arrangements for Risk Management and Internal Control. The review is performed by Internal Audit and is evidenced by an Annual Compliance Statement which is incorporated into the Statutory **Annual Governance Statement** which is certified by the Leader and the Chief Executive. These processes are also subject to review by the Council's External Auditor on an annual basis.

## **Elected Members**

Input from elected members is an important aspect of risk management as there is a need to demonstrate that decisions are made on a rational and informed basis, which includes an assessment of potential problems (risks). Due to their knowledge of their portfolio and/or issues specific to the community, a different perspective and challenge can be brought to situations where decisions are required. The above tables identify the key areas where elected members are involved in risk management.

## **Statutory Responsibility for Risk Management**

Under the Accounts and Audit Regulations 2003, S5(4d), the Service Director – Corporate Services is responsible for ensuring that appropriate measures are taken to “*ensure that risk is appropriately managed*”

The Council's Financial Procedure Rules specify that the Service Director – Corporate Services “*shall prepare and promote the Council's risk management policy statement and develop risk management controls in conjunction with other Chief Officers*”.

The specific functions, managed by the Service Director- Corporate Services in fulfilling this role are :-

### Internal Audit Services

The section supports the risk management process by:

- Driving the risk management agenda, preparing relevant documentation and reports
- Reviewing departmental risk registers for completeness, ensuring risks are suitably prioritised and developing plans for Internal Audit coverage.
- Providing a continuous review of individual areas of risk to ensure controls in place are operating effectively and providing suggestions for improvement
- Compiling the Strategic Risk Register and advising the Strategic Management Team on aspects of risk management. Corporate Risk Register is reassessed annually, facilitated by the Head of Audit and Risk Management and reviewed by the Audit, Governance and Improvement Review Committee, prior to being incorporated into the Councils Corporate Plan which is approved by Cabinet.
- The production of annual compliance statements in respect of corporate governance and internal financial control, as evidenced by Internal Audit reviews, and published within the Councils Statement of Accounts.

### Insurance Services

The section, in conjunction with the Authority's Insurers and Claims Handlers is involved in :-

- Defending and minimising the costs of claims
- providing advice to all services on risk management issues, particularly those which will reduce the likelihood of insurance-related incidents
- Advice to services on individual claims and current issues as they arise.
- Obtaining best value for money in balancing risk cover and associated premiums, between self insurance and external insurance

### Financial services

Ensuring effective financial management systems operate to:

- Plan for variations in future spending limits
- Contain spending within approved limits
- Detect problems in financial management
- Support managers in effectively funding and financial management of their services
- Provide assurance to stakeholders that public money is properly safeguarded

### **Strategic Management Team**

Review, agree and assess progress against issues in the Strategic Risk Register and Corporate Plan, prior to referral to Cabinet.

### **Chief Officers**

The Council's Financial Procedure Rules specify that Chief Officers are responsible for the *"identification, classification, and control of all risks falling within their areas of responsibility."* This assessment is contained within the Departmental Risk Register and the service planning framework so is subject to annual review and periodic updating and reporting to Members

Each Chief Officer is responsible for ensuring that all reports presented to Panel and/or Chief Officers Management Team include a consideration of risk management issues associated with the actions proposed. The risks identified should align with, and inform the Departmental Risk Register

### **Departmental Management Teams**

Prepare and review departmental service plans to ensure risk management and service delivery related actions are being taken as planned.

Identify and address emerging risks either by immediate action or through incorporation into a formal planned and managed approach.

To ensure that all significant improvement plans including Best Value Reviews and other external reviews are to incorporate risk management through consideration of the key risks and the inclusion of tasks to address the risks.

### **Service Managers**

To effectively manage risk in their associated areas of responsibility and to report to their departmental Management Team on risks identified and actions taken or required to mitigate the risks/hazards that have been identified.

### **Council Staff**

To assess and manage operational risk effectively in their daily work routines and report significant risks/hazards to Management.

To participate in the planning process relevant to their work and provide input into the departmental Service Planning Framework via the employee development process, etc.

## **Partner Organisations**

Changes in legislation, funding regimes and government policies have led to changes in methods of service delivery with many councils becoming procurers of key services from external agencies and organisations. Partnership arrangements have developed between different types of public and private sector organisations to deliver improved and “joined up” services in a variety of ways.

Wigan has developed partnerships for delivery of Leisure, Housing and property related services, in addition to joint working with other agencies either on a strategic or service-related basis.

The risks associated with the different organisations are managed in the manner most appropriate to the partnering arrangement, with the former WMBC services (Housing and Leisure) adopting the same format risk registers and service planning arrangements to mirror the Council’s practices. Client Officer roles are in operation to ensure effective liaison and levels of service.

## **Summary**

Risk management has been in existence for many years prior to it having its current formal profile. Good management, effective projects and service delivery has always contained an assessment of potential issues, has anticipated problems prior to their occurrence and has set up effective controls to either reduce their occurrence or limit any adverse impact.

The key difference is that without a formal reference to the term “risk” there is no evidence that risk management was a conscious process. The increased awareness in recent years of risk management processes has raised the profile of the subject and ensured that due attention is brought to potential pitfalls and opportunities. However, to ensure it is embedded, it needs to be part of everyday operations and decision making rather than an additional process.

This has been achieved at Wigan through the integration of risk management into the corporate planning and service planning frameworks, which ensures that it happens with a clear view of the Council’s and Service objectives and that it is owned by the managers and members responsible for the service.

Service Director - Corporate Services  
November 2009.