

<b>COMMITTEE:</b>	<b>CABINET</b>
<b>DATE:</b>	<b>17 July 2003</b>
<b>SUBJECT:</b>	<b>Risk Management Strategy and Policy Statement</b>
<b>REPORT OF:</b>	<b>Sue McHugh, Director of Finance and Corporate Services</b>
<b>Ward(s):</b>	All
<b>Purpose:</b>	<ol style="list-style-type: none"> <li>1. To seek approval for the Risk Management Strategy and Policy Statement.</li> <li>2. To seek endorsement of the Council's approach to identifying and managing risks.</li> <li>3. To obtain the Leader and Chief Executive's commitment to the process by signing the Risk Management Policy Statement.</li> <li>4. To inform Cabinet of the results of the work carried out to date on risk management together with the positive outcomes realised.</li> </ol>
<b>Contact:</b>	Martin Freeman, Head of Audit, Telephone 01323 415136 or internally on extension 5136.
<b>Recommendations:</b>	<ol style="list-style-type: none"> <li>1. Cabinet are asked to: <ul style="list-style-type: none"> <li>· Approve the Risk Management Strategy and Policy Statement.</li> <li>· Endorse the Council's approach to identifying and managing risk.</li> </ul> </li> <li>2. The report also seeks the Leader and Chief Executive's commitment to the process by signing the Risk Management Policy Statement.</li> </ol>

1.0	<b><u>Definition of Risk Management</u></b>	
1.1	<p>CIPFA / SOLACE define risk management as:</p> <p>“The management of integrated or holistic business risks in a manner consistent with the virtues of economy, efficiency and effectiveness. In essence it is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made. The latter is achieved through controlling risks, transferring risks and living with risks.”</p>	
2.0	<b>Background to Risk Management</b>	
2.1	<p>In 1992, the Cadbury Committee produced a report designed to achieve high standards of corporate behaviour. The report included a requirement that senior managers “should report on the effectiveness of a company’s system of internal control.” Cadbury also highlighted that the processes in place for identifying and managing risks were essential in order to achieve effective internal control.</p>	
2.2	<p>Cadbury recommended that a successor body be established to review progress against the 1992 report. This was the 1998 Hampel Committee on Corporate Governance. The Hampel Committee made it clear that directors should have responsibility for all aspects of control and a duty to establish a robust system of risk management.</p>	
2.3	<p>During 1999, a working party was set up by the ICAEW to consider in greater detail internal control issues (the Turnbull Committee). The report reinforced the importance of internal control and risk management.</p>	
2.4	<p>Guidance issued by CIPFA and SOLACE is now calling for public sector bodies to strengthen their corporate governance arrangements by focusing on risk management and internal control.</p>	
2.5	<p>The quality of risk management at the Council will be scrutinised by the Audit Commission through Comprehensive Performance Assessment (CPA). This is part of the national programme for improvement in local government. The Audit Commission has stated that good risk management is particularly important for local government in delivering public services and ensuring that Council’s are well run.</p>	

2.6	<p>Zurich Municipal, the Council's insurers have confirmed that of the 149 first round CPA authorities assessed, only 3 scored the maximum 4 points with 21 scoring 3. The majority scored 2 points and a number were judged inadequate. Zurich have commented positively on the risk management work carried out by the Council to date and suggested the following areas for further development:</p> <ul style="list-style-type: none"> <li>· The Council should formally determined the level of risk with which it is comfortable and ensure that mitigating action reduces all risks to that level</li> <li>· The Council needs to ensure that all cross-cutting risks, which may not be included in service plans for divisions, are covered</li> <li>· Arrangements for reviewing and updating the risk register need to be identified</li> <li>· The Council needs to ensure members are engaged in determining and managing risks</li> </ul> <p>This report seeks to address these points to the extent that they have not already been covered.</p>	
3.0	<b>Risk Management Strategy and Policy Statement</b>	
3.1	<p>The Council's Risk Management Strategy sets out its approach to identifying and managing risk and is included as Appendix 1 of this report. It reinforces Members' and the Corporate Management Team's commitment to embedding risk management within the culture of the Council. The Strategy also:</p> <ul style="list-style-type: none"> <li>· Acknowledges the importance of corporate governance challenges;</li> <li>· Provides links to the Corporate Plan;</li> <li>· Outlines the Council's risk management philosophy and responsibilities;</li> <li>· Ensures accountability by laying our processes open to review by the Audit Commission and other inspection agencies. The Council will respond positively to any improvements suggested;</li> <li>· Ensures that risk management is an essential element of Service and Financial Planning.</li> </ul>	
3.2	<p>A Risk Management Policy Statement has also been produced to evidence the Leader and Chief Executive's commitment for the process. It is recommended that the Policy Statement is widely publicised.</p>	
3.3	<p>In addition, the Leader and Chief Executive must satisfy themselves that risks are being managed appropriately so that they can sign and publish Statements of Internal Control with the annual accounts. This statement is modelled on the Turnbull guidance for private sector companies.</p>	

4.0	<b><u>The Council's Implementation of Risk Management</u></b>		
4.1	<b>Risk Identification</b>		
4.1.1	The Council has taken the positive step of integrating the systematic identification and management of risks into its Service and Financial Planning process. This ensures that risk management is embedded into the Council's planning cycle and is an operational responsibility, not the exclusive domain of a specialist officer or division. It also recognises that the value of the Council is generated through service delivery and so the strategy for managing risks stems from that.		
4.1.2	<p>Directors and Heads of Service are required to identify the threats to achieving corporate or service objectives. Guidance on risk management is provided during the service and financial planning process. The Head of Audit is charged with providing active support and involvement in this process by:</p> <ul style="list-style-type: none"> <li>· Providing advice to officers on risk management and internal control;</li> <li>· Helping officers to understand what risk is and reinforcing the opportunities that risk management can present;</li> <li>· Facilitating risk identification, assessment and mitigation;</li> <li>· Ensuring that a consistent approach to risk management is applied, including a common understanding of terminology and definitions;</li> <li>· Linking risk assessments carried out in other divisions and departments to help in identifying potential crosscutting risks.</li> </ul>		
4.1.3	The table below sets out the main categories of risk the Council is likely to encounter. It provides the starting point for officers in the risk identification process.		
	<b>Risk Categories</b>		
	<b>Risk Category</b>	<b>Description</b>	

	Political	Risks associated with central or local manifesto commitments.	policy /
	Reputation	Risks that relate to the Council's brand, image, credibility or reputation.	
	Information	Risks that relate to loss or inaccuracy of data, systems or reported information.	
	Financial	Risks that relate to losing monetary resources or incurring unacceptable liabilities.	
	People	Risks associated with employees and management.	
	Regulatory	Risks associated with the regulatory (or legal) environment.	
4.1.4	<p>These risk categories can be either strategic or operational. Strategic risks are those that relate to doing the wrong things and arise from policy or high level prioritisation. Operational risks are those that relate to doing the right things in the wrong way and are associated with day to day delivery of services.</p>		
4.2	<h2 style="text-align: center;">Risk Measurement</h2>		
4.2.1	Risks are assessed based upon their impact and likelihood of occurrence.		
4.2.2	<p>Impact is assessed on whether a risk has low, moderate or high effect on the Council's strategy or operational activities together with the associated level of stakeholder concern. Low is scored as 1, moderate as 2 and high as 3.</p>		

4.2.3	<p>Likelihood is assessed depending on whether the risk will be realised each year (high) or whether it will occur within a 2 year period or not (medium and low respectively). The following indicators are used to further assess the likelihood of occurrence:</p> <ul style="list-style-type: none"> <li>· The risk has not, or is unlikely to occur;</li> <li>· Could occur more than once within the time period;</li> <li>· Will be difficult to control due to external influences;</li> <li>· Has occurred recently;</li> <li>· Potential for occurring several times within the time period.</li> </ul> <p>Low likelihood is scored as 1, medium as 2 and high as 3.</p>	
4.2.4	<p>In order to assess, compare and prioritise the risks identified adequately each one is given a risk rating or score. This rating is based on a combination of its impact and likelihood, i.e. if a risk has a high impact (score of 3) and high likelihood (also scored 3) it will receive a combined risk rating of 9.</p>	
4.2.5	<p>Risk owners are identified and empowered to manage risks based upon the action proposed in mitigation of the risk. The risk owner must be the person or group who has responsibility for ensuring that action in response to the risk is appropriate and who has the authority to ensure that the action is taken. By assigning responsibility and management of risks to risk owners, the Council will be better placed to:</p> <ul style="list-style-type: none"> <li>· Produce an annual assurance statement;</li> <li>· Ensure that the identification of risks is an ongoing task;</li> <li>· Monitor and comment on how well risks are being managed;</li> <li>· Identify actions in progress to address risk issues.</li> </ul>	
4.3	<h2><b>Divisional Risk Logs and Corporate Risk Register</b></h2>	
4.3.1	<p>Once risks have been identified, divisional risk logs are produced to capture relevant information. The Council also maintains a corporate risk register built up from information provided in the divisional risk logs contained in each Service and Financial Plan.</p>	

4.3.2	By collating risks in this way, it provides an opportunity for others to review the adequacy of proposed actions given the severity of the inherent risks.	
4.3.3	It is anticipated that the corporate risk register will be available on the Intranet to risk owners who will be responsible for reviewing and keeping it up to date. Changes will be highlighted so that it is obvious what changes have been carried out.	
4.3.4	Risks are prioritised within the corporate risk register and a traffic light system is employed. The day to day responsibility of risk owners is to deal with the red risks, manage the amber risks and monitor the green risks.	
4.4	<u>Dealing with Risks</u>	
4.4.1	<p>Having identified and measured risks, one of the following proportionate actions can be selected:</p> <ul style="list-style-type: none"> <li>· Treat the risk by agreeing action to manage the risk to an acceptable level;</li> <li>· Transfer the risk through insurance, contracting out services, partnerships etc;</li> <li>· Terminate the risk through the introduction of new computer systems for example;</li> <li>· Tolerate the risk, perhaps because nothing can be done at a reasonable cost to mitigate it. Monitoring is important to ensure that the risk rating does not change.</li> </ul>	
4.4.2	Most of the Council's risks are already subject to some degree of management. The actions listed above will therefore include existing and additional activities within the purview of the risk owner. The effectiveness of the action is judged on the basis of its success in reducing the likelihood of the risk and / or minimising the impact should it occur.	
4.4.3	The risks are then re-evaluated in light of the suggested mitigation. These risks are then called residual risks.	
4.4.4	Risk owners are encouraged to pro-actively share information relating to risks with colleagues in other divisions and departments to ensure that shared risks are identified and joint controls implemented.	
4.5	<u>Monitoring Arrangements</u>	

4.5.1	The ongoing requirement to monitor the risk management process and ensure the validity of risk ratings is satisfied by identifying risk owners who must regularly review their divisional risk logs together with the corporate risk register, make any necessary changes and report to senior management annually.	
4.5.2	<p>Members and the Corporate Management Team must take a strategic view of risks by assessing the highest priority risks against the Council's top objectives and priorities.</p> <p>This responsibility includes the identification of the top risks, i.e. those that have the highest threat to the Council's objectives and which therefore require regular strategic input.</p>	
4.5.3	Members must satisfy themselves that the risk management system is functioning effectively and in a manner that they have approved. On-going review and an annual assessment can achieve this.	
4.5.4	On-going review will be achieved through consideration of risks outlined in committee reports. In this way no decisions are taken without an analysis of the associated risks. This is effectively a process of continuous assessment to ensure that all significant aspects of the Council's business have been addressed.	
4.5.5	The annual assessment will consider issues identified through the service and financial planning process, the work of Internal Audit and other assurance providers and any changes since the last assessment in the way the Council identifies and manages risks.	
4.5.6	The on-going review and annual assessment will be instrumental in establishing the risk appetite and tolerances that Members require within the Council.	
<b>5.0</b>	<b><u>The Council's Top Risks</u></b>	
5.1	The Corporate Management Team has considered the greatest risks the Council faces, taking account of both those risks identified through service plans and cross-cutting issues. As a result it has identified the Council's "Top 14" strategic risks and members are invited to consider whether there are any additional top risks from their perspective. It is these risks that create the greatest threat to the Council's objectives and priorities. In terms of mitigation, they will also require the greatest input from Members and the Corporate Management Team. They are listed (in no particular order) in Appendix 2 of the report.	
<b>6.0</b>	<b><u>The Benefits of Risk Management</u></b>	

6.1	As a result of the work carried out to date on risk management, the risks facing the Council have been reduced and therefore the threats of service disruptions have also diminished. The table below sets out the number of inherent risks identified during the service and financial planning process together with their risk ratings. The table also shows the associated residual risk scores, i.e. the risk remaining after applying controls.				
<b>The Council's Inherent and Residual Risk Profile</b>					
<b>Inherent Risk</b>			<b>Residual Risk</b>		
<b>Risk Rating</b>		<b>No. of Risks</b>	<b>Risk Rating</b>		<b>No. of Risks</b>
9		93	9		30
6		166	6		44
4		66	4		80
3		66	3		70
2		31	2		87
1		6	1		117
<b>Total No. Risks</b>		<b>428</b>	<b>Total No. Risks</b>		<b>428</b>
6.2	<p>The actions in place to manage risks will, amongst other things, minimise the costs of damages to the Council, help to prevent damage to property and equipment, reduce the likelihood of injury to the public and employees and help to avoid litigation and bad publicity. Good recent examples of this are:</p> <ul style="list-style-type: none"> <li>· The work carried out by the Estates Division on ad-hoc land;</li> <li>· Work carried out by the IT and Audit Divisions on producing an Information Security Policy;</li> <li>· The production of a Financial Strategy;</li> <li>· The production of a Whistleblowing Guide for staff;</li> <li>· Work being carried out to revise the Contract and Financial Procedure Rules;</li> <li>· Work on producing comprehensive procurement guidance for staff.</li> <li>· The adoption by the Council of the Prince2 project management methodology for major projects</li> <li>· The commissioning of a feasibility study to inform the decision on investment in major e government IT systems</li> </ul>				

6.3	The Council's revised Financial Procedure Rules now contain a section on risk management and control of resources thus ensuring the profile of risk management is raised within the Council.	
6.4	Internal Audit will now address the Council's most significant risks. As a result Audit's programme of work will be more effective because it will be aligned with that of the Council's managers. Time has been set aside in the Operational Audit Plan to review action in response to the Council's most significant risk exposures. Provision will also be made in the Strategic Audit Plan to review the Council's risk management process. In order to maintain independence, Auditors not directly involved in the risk management process will carry out this review.	
6.5	Through the risk management work it has become apparent that the Council is exposed because it doesn't have an embedded business continuity plan in place. Action in response to this risk will be included in the next service and financial plan for the Finance and Corporate Services Department.	
6.6	Additional benefits of risk management are set out in Section 6 of the Council's Risk Management Strategy.	
<b>7.0</b>	<b><u>Consultations</u></b>	
7.1	The Risk Management Strategy and Policy Statement have been subject to consultation with senior officers across the Council.	
<b>8.0</b>	<b><u>Human Resource, Environmental, Financial, Youth and Anti-Poverty Implications</u></b>	
8.1	There are no specific human resource, environmental, financial, youth or anti-poverty implications arising from this report. However, the Strategy and Policy Statement set out the Council's approach to identifying and managing risk and therefore have the potential for far reaching implications.	
<b>9.0</b>	<b><u>Conclusion</u></b>	
9.1	In a relatively short space of time, the Council has significantly improved its identification and management of risk. As a result the Council has already, and will continue to reap in the future, the many benefits of having a sound risk management framework and strategy.	

9.2	The use of risk management through service and financial planning and budget setting will ensure its continuing importance in achieving corporate objectives. Furthermore the process is simple and not onerous and not perceived by officers as being an extra task. This is a positive element of the Council's approach because officers have been able to see the benefits for themselves.	
9.3	The creation of a corporate risk register makes the strategic and operational risks visible throughout the Council and allows different divisions to provide input into how they should be managed.	
9.4	To secure on-going success of the process, Members and senior officers must be seen to be proactively committed to risk management.	
<b>Martin Freeman</b>		
<b>Head of Audit</b>		
<b>Background Papers:</b>		
The Background Papers used in compiling this report were as follows:		
2003/04 Service and Financial Plans		
To inspect or obtain copies of background papers please refer to the contact officer listed above.		
G:\Reports\Cabinet\Risk Management Strategy and Policy Statement 0703		

Appendix 1

## Eastbourne Borough Council

### Risk Management Strategy

July 2003

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1.	<b><u>Introduction to Risk Management</u></b>
1.1.	Risk can be defined as “a threat to achieving corporate objectives or outcomes.” The Council also recognises the positive aspects of risk and the opportunities it can present.
1.2.	Risk management is the process of identifying, evaluating and controlling risks and is a key task for Council Members and officers. The management of risk is vital to the Council’s efforts to deliver good governance and best value.
1.3.	The Council faces risks to people, property and continued operations. The systematic management of risks therefore assists the Council in achieving its Corporate Plan by enabling the provision of a diverse range of services to the community and visitors to the area.
1.4.	A significant proportion of risks that the Council faces cannot be insured against. Through risk management the Council recognises that it can reduce the likelihood of service failures and can prepare itself by establishing at what level a risk will adversely affect a service.
1.5.	The first stage in the risk management process is to identify the risks to the Council’s aims, objectives and values (these are called inherent risks). The Council classifies these risks as either strategic (risks that relate to doing the wrong thing) or operational (risks that relate to doing the right things in the wrong way). The risks are further sub-divided into political, reputation, information, financial, people and regulatory categories.
1.6.	All the risks identified are evaluated in terms of their impact, likelihood of occurrence and proximity. Following the identification and evaluation process, the most appropriate and cost effective solution is found in order to control the risks. These solutions will fall into one of four categories – tolerate, transfer, terminate and treat. The risks are then re-evaluated in light of the suggested mitigation (re-evaluated risks are called residual risks).

2.	<b>Risk Management in Service and Financial Plans</b>
2.1.	In providing the diverse services of the Council, officers and Members manage risks continuously. In order to secure these services, many risk management techniques are employed. These include – and are not limited to - the co-ordination of insurable risks, techniques to address health and safety matters, threats to the environment, planning decisions, management of social issues and financial management methods.
2.2.	Service planning attracts a high level of attention from all managers. The Council has therefore taken the positive step of integrating the systematic management of risks using the techniques mentioned above into its Service and Financial Planning process. In preparing Service and Financial Plans, managers identify and profile the key risks facing their services. In addition, Chief Officers assess cross-cutting risks that could prevent the Council’s Aims, Objectives and Values being achieved. This provides a total framework for managing risk in all service areas and enables the Council to introduce consistency and structure in the way that risks are identified, analysed, profiled and controlled.
2.3.	Risk assessment logs are produced for all services to prioritise risks and provide focus on areas of highest concern. The risk assessment logs are amalgamated into a Corporate Risk Register so that interdependencies and duplication can be identified.
2.4.	The ongoing requirement to monitor the risk management process is satisfied by identifying risk owners within the risk assessment logs. These risk owners are responsible for and will manage risks thus enabling the Council to produce an Assurance Statement for inclusion in the annual accounts.
2.5.	Risk owners are responsible for updating Service and Financial Plans together with the Corporate Risk Register and must report back to senior management annually. The Council’s risk model is dynamic and risks must therefore be regularly revisited and reconsidered in order to have assurance that the risk profile remains valid.

2.6.	By making risk management a focus for Council management, the service planning and performance measurement process is significantly enhanced. This approach demonstrates that risk management has been embedded within Council's culture.
<b>3.</b>	<b>Risk Management in Council Projects</b>
3.1.	Project management is essential to service delivery and benefits from the management of risks. The Council has introduced the Prince2 project management methodology to ensure that relevant service managers appreciate the principles and practicalities of good project management.
3.2.	As part of the Prince2 methodology, training is provided to all prominent members of the project to ensure that they understand their role and to ensure that potential threats are identified early and managed.
3.3.	In understanding the assessment of risk, there is less likelihood of projects not delivering to budget, time or quality.
3.4.	Risk analysis under Prince2 consists of three activities – risk identification, risk estimation and risk evaluation. The result of the analysis is documented in the Risk Log. This is consistent with the Council's overall approach to risk management. Risk analysis is carried out at the start of any project and at the end of each stage. The risk log is however reviewed regularly and updated as necessary throughout the life of the project.
<b>4.</b>	<b><u>Risk Management and Internal Audit</u></b>
4.1.	By linking risk management to service and financial planning, officers are now encouraged to assess their own risks rather than relying on the cyclical review of services by Internal Audit. This also encourages officers to exercise their personal judgement in taking risks without the fear of receiving criticism.

4.2.	That said, the work of Internal Audit provides independent assurance on the adequacy of the Council's risk and control mechanism. A review of the action taken in response to the key risks identified through service and financial planning has been translated into the Internal Audit plan work. Internal Audit can therefore formally report that there has been independent consideration of the Council's key risks.
4.3.	Internal Audit has also been used as an internal consultancy function to assist with the development of a corporate risk management process. Internal Audit play a facilitation role in enabling managers to understand the risk management process and identify the risks faced by services.
4.4.	Whilst Internal Audit is not a substitute for management ownership of risk, the link between audit and risk management is important. This is because Internal Audit have the professional experience to recommend cost effective ways of identifying and managing risks and because Internal Audit have a view of the whole of the Council's services. Furthermore, Internal Audit will have already undertaken formal risk assessment to facilitate the planning of services to be audited.
4.5.	A clear distinction must however be drawn between Internal Audit acting as internal consultants and Internal Audit becoming part of the control mechanism.
<b>5.</b>	<b>Risk Management and Decision Making</b>
5.1.	The Council's Risk Management Strategy and process ensures that it has a well-defined framework to support better decision-making at a strategic and operational level. This provides for better decision making through good understanding of risks and threats and their likely impact.
5.2.	Committee reports must contain a risk assessment to assist in decision making. This is important because the risks the Council faces are constantly changing and therefore corporate objectives and the significance of risks will also change.
<b>6.</b>	<b>The Benefits of Risk Management</b>

6.1.	Risk management is regarded as an essential element of good governance and as an integral part of internal control. It provides the foundation for effective management throughout the Council and focuses attention on the achievement of corporate objectives together with a consistent and structured approach to risk. Managing risk in this way delivers many other benefits to the Council as set out below.
6.2.	The process provides a fully documented record of all major risks and opportunities.
6.3.	The risk of positive initiatives not taking place is reduced and fewer opportunities will be missed. There is also greater innovation in seizing opportunities.
6.4.	Services are able to communicate their prioritised risks with Council Members therefore enabling focus on those risks and properly evaluated risk decisions. There is also an enhanced ability to justify actions taken.
6.5.	Services are better able to anticipate emerging issues on an ongoing and organised manner before they reach unmanageable proportions.
6.6.	To be effective risk management requires the input and ideas of the whole Council workforce and Members. This creates a culture of risk ownership.
6.7.	Embedded risk management satisfies Corporate Governance requirements and enhances the Council's Corporate Governance regime.
6.8.	Key risks identified are translated into the Internal Audit programme of work.
6.9.	The Council's reputation is protected and enhanced.
6.10.	The Council will receive fewer complaints and will have more satisfied stakeholders.
6.11.	Income can be maximised and expenditure reduced.

7.	<b>Summary of Risk Management Roles</b>
7.1.	Effective risk management can only be achieved when ownership of risks is allocated to appropriate risk owners within the Council. Without this, responsibility and authority for implementing control actions will not be clear.
7.2.	<u>The Role of Council Members</u>
7.2.1.	To approve the Risk Management Strategy, Policy Statement and framework;
7.2.2.	To determine the risk appetite and risk priorities;
7.2.3.	To approve the action in response to risks proposed by officers;
7.2.4.	To oversee the management of risk by Council officers.
7.3.	<u>The Role of Chief Officers</u>
7.3.1.	To promote the Council's Risk Management Strategy, Policy Statement and framework;
7.3.2.	To be individually and collectively responsible for managing the Council's key risks including assessment of risks within departments;
7.3.3.	To encourage a culture of shared responsibility and the open communication of risks.
7.4.	<u>The Role of Heads of Service</u>
7.4.1.	To embrace risk management as part of Service and Financial Planning and promote it as something that will provide a benefit to the Council;

7.4.2.	To ensure that risk is managed effectively in every service area in line with the Council's Risk Management Strategy, Policy Statement and framework.
7.5.	<u>The Role of Council Officers</u>
7.5.1.	To consider risk as part of every day activities and provide input to the risk management process;
7.5.2.	To manage risk effectively in their work in accordance with the Risk Management Strategy, Policy Statement and framework and report any threats or risks identified to management;
7.6.	<u>The Role of Internal Audit</u>
7.6.1.	To assist with the development and review of a corporate Risk Management Strategy, Policy Statement and framework;
7.6.2.	To support the Council in developing and implementing risk management;
7.6.3.	To provide independent assurance on the way risks are managed;
7.6.4.	To translate the key risks identified through service and financial planning into the Internal Audit programme of work.
<b>8.</b>	<b>Conclusion</b>
8.1.	The Council faces many and wide ranging threats and risks because of the variety of services it provides and because of the pace of change in local government. Risk management is therefore at the centre of the Council's management process. It provides the mechanism to identify, evaluate and control threats and risks to the Council's Aims, Objectives and Values and is the responsibility of every Council Member and officer. Risk management is vital to the Council's efforts to deliver good governance and best value.

8.2.	A number of significant factors have recently emerged which have led to the development of this Risk Management Strategy and Policy Statement such as governance guidance, Best Value and Comprehensive Performance Assessment, increasing emphasis on relationships with stakeholders and the desire to build on established good practice. The Council acknowledges the need to keep risk management processes and systems under regular review and the Strategy and Policy Statement will be subject to review by the Head of Audit annually or earlier if necessary to ensure their currency.
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**APPENDIX A**

## **Eastbourne Borough Council**

### **Risk Management Policy Statement**

Eastbourne Borough Council provides a diverse range of services to the community and visitors to the area. In order to secure these services, some amount of risk-taking is inevitable. However, the Council recognises that effective risk management will improve strategic, operational and financial management by helping to maximise opportunities, minimise losses and maximise resources for the services it provides.

It is the policy of the Council to adopt a risk process that has a series of well-defined steps to support better decision making through understanding of risks, whether a positive opportunity or negative threat and their likely impact.

This Policy seeks to enforce the commitment shown by the Council and Corporate Management Team to a risk managed culture by ensuring that every member and employee has regard for the management of risks in the decision making process and everyday work situations. The Council is committed to the management of risks in order to:

- Achieve its Corporate Aims, Objectives and Values;
- Ensure compliance with statutory obligations;
- Safeguard its employees, members, service users, tenants and all other persons to whom the Council has a duty of care;
- Protect its assets, including property, equipment, vehicles, other resources and reduce associated losses and claims;
- Maintain effective control of public funds;
- Improve performance and service delivery;
- Minimise waste, fraud and poor value for money;
- Support better project management;
- Promote the reputation of the Council.

This Policy Statement has the support of the Council, which recognises that achievement of these identified risk management objectives will benefit the whole community.

<b>Leader:</b>	
<b>Chief Executive:</b>	
<b>Date:</b>	

## Appendix 2

<b>The Council's "Top 14" Risks</b>	
<b>Description of Risk</b>	<b>Action in Response to Risk</b>
1. Inability to recruit and retain staff in some areas of the Council may result in the non-delivery of services.	Recruitment and retention already identified as a Council priority. Provide clear objectives for staff through training and development scheme. Develop flexible working policies to promote work/life balance. Consider for 2004/05 budget.
2. Risk of violence to staff.	Establish better communications by producing procedures for staff to follow. Include where relevant panic buttons, alarms and mobile phones. Video cameras on receptions. Training and support.
3. Impact of outsourcing major service areas on the viability of council structures and finances	Allow sufficient time for evaluation of impact prior to commitment. Ensure thorough cost/benefit analysis covering all areas of council.
4. Failure to deliver the Cultural Centre project, wasted Council resources and loss of credibility amongst the public and funding organisations.	Cross party support remains and is evidenced for the project. Good internal communication, engagement with key groups and effective marketing / PR. Adoption of Prince II methodology. Strict financial control and clear brief to architects.
<b><u>5. Budgets for demand-led and trading services are not realistic leading to problems in balancing the Council's budget.</u></b>	Service & Financial Planning process provides a mechanism to realign and set sustainable budgets. Commercial operations to develop plans to maximise sales through marketing, staff training, etc. Identify new income streams. Explore options for transferring risk. Identify high risk budgets and monitor/report in year.

<p>6. Failure to agree and implement financial strategy which addresses funding shortfalls in future years, leading to a combination of unacceptable council tax rises, inadequately funded services, failure to progress agreed priorities and a poor CPA assessment.</p>	<p>Cabinet and CMT to allocate sufficient time to develop strategy supported by robust costings. Effective communication and consultation internally and with the public. Strong leadership from both cabinet and CMT.</p>
<p>7. Physical infrastructure of the Council becomes unworkable due to lack of attention to premises and accommodation. Failure to effectively manage the diverse array of properties within the Council portfolio as workplaces, visitor attractions, homes and general amenities. Lack of investment for maintenance, upgrading (due to legislative pressures) or merely smartening/refreshing will lead to a reduction in the values of these items not only as financial assets but also as viable premises leading to poor staff morale and public perception /satisfaction of facilities.</p>	<p>Accommodation Strategy working alongside ongoing "overhaul" of Council portfolio. In the interim ensure repair and maintenance budgets for essential or high profile buildings are adequate to meet not only Government legislative requirements but also customer expectations thus ensuring repeat business. Reduce size of portfolio where appropriate by sales. Review rental incomes to ensure optimum values are being achieved for the style/location of property involved.</p>
<p>8. The Accommodation Strategy fails due to inadequate funding, lack of buy-in from management, staff resistance</p>	<p>Prince II Project methodology adopted. CMT and Unison on Project Board and need to provide leadership to the rest of the organisation. Detailed pre-planning of the temporary moves and permanent reinstatement after completion of works.</p>
<p>9. Benefits performance does not improve to at least a comparable level with other councils.</p>	<p>Included in new corporate plan priorities for investment. Budget growth allocated for 2003/04. Prince2 project to upgrade computer system. Performance to be monitored via hot 13.</p>
<p>10. Lack of Business Continuity and Disaster Recovery Plans. Despite having external emergency plans fully operational and rehearsed there is no separate, distinct, formalised business continuity or recovery plan for a large-scale internal disaster. This will result, for the service involved, in prolonged downtime, loss of income and reputation. This may not only involve IT technology type scenarios but also large office/entertainment premises.</p>	<p>Develop clear formalised continuity plan for all aspects of essential Council service delivery. Identify and select suitable alternative sites for continued operation of essential operations. Investigate system based IT recovery packages.</p>
<p>11. Loss of visitors to the town. As primarily a tourism based economy it is imperative for the prosperity of Council services and local business to continue to attract visitors to the town despite the changing social perception of British based seaside resort holidays. Failure to do so may lead to closure of Council facilities with associated redundancies and reduced income levels from Council attractions, all of which will create further pressure on reducing resources.</p>	<p>Best value review of tourism during 2003/04 will evaluate impact and effectiveness of current activity in support of tourism. Tourism strategy to be placed in context of wider regeneration and job creation strategy.</p>

<p>12. Contracts responsible for providing major Council services may fail to deliver required standards as required by contracts.</p>	<p>Robust selection processes prior to award of contracts. Development of Procurement Code of Practice and Contract Procedure Rules to support this. Development of Contract Management capacity within the Council. Ensure contracts contain adequate remedies in the event of failure.</p>
<p>13. Failure to deliver extensive list of key projects included in service plans due to shortcomings in management skills and capacity.</p>	<p>Ensure resource implications of key projects are identified at planning stage and that staff with appropriate skills or contractors are allocated sufficient time to deliver. Develop management skills through corporate training programme. Adoption of Prince 2 project management for key projects, supported by toolkit and effective training programme.</p>
<p>14. Failure to deliver key government targets.</p>	<p>Ensure appropriate resourcing through service and financial planning. Performance monitoring via hot 13 and other regimes.</p>