Risk Management Strategy

1. Introduction

Gravesham Borough Council pursues a forward-looking and dynamic approach to delivering services to the local community, in doing so the authority is exposed to risk both in terms of threats and loss of opportunities. We provide a brief outline of the major elements of risk to which Gravesham Borough Council could potentially be exposed on our <u>Strategic and Operational Risks page</u>. The authority recognises that risks are inevitable and, in practice, cannot be entirely avoided; therefore the council will tolerate a certain degree of risk when pursuing objectives, executing strategies and delivering services.

The council will consider risk in most of its activities and decisions. Reports to the council's Management Team and Members require risks associated with the decision being taken to be considered. The council's project management approach also recognises the need to identify, manage and monitor risks as a contributing factor to effective project management.

To ensure the council's risk appetite remains reasonable and does not exceed acceptable levels the authority has adopted a prudential approach to risk taking, whereby decisions are made within the parameters of the council's internal control arrangements as set out within the constitution. In addition, to help drive continuous improvement and promote good risk management practices, a Risk Management Strategy has been developed which supports the following key systems:
- Corporate governance.
- Community focus.
- Structures and processes.
- Service delivery arrangements.
- Use of resources.
- Standards of conduct.

2. Aims & objectives

The purpose of the risk management strategy is to embed risk management into the daily operations of the council. Good risk management will lead to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users.

The aim of the Risk Management Strategy is to:
- Ensure the security of Council assets.
- Ensure the safety and well-being of Members, employees and service users.
- Safeguard the reputation and image of the organisation.
- Prevent litigation and criminal prosecution.
- Prevent corruption, fraud and financial losses.
- Minimize the overall cost of risk to the organisation.
- Protect the quality of service delivered.
- Manage organisational, political and technological changes.
- Ensure the integrity of the organisation.
- Ensure sound ethical conduct and probity.

The objectives of the Risk Management Strategy is to ensure officers and members:

- Adopt a logical and systematic approach to identifying, analysing, evaluating, treating, and monitoring and reporting all risks, associated with any activity, objective, function or process within which they become involved.
- Evaluate the consequence and likelihood of risks to measure their severity.
- Utilise the Risk Management Process and structure to minimise losses and maximise opportunities.
- Manage to a reasonable level, all types of risk to which the organisation is exposed including Environmental, Financial, Strategic and Operational.
- Be actively involved in using the risk management process to evaluate risks associated with Corporate and Service objectives including risks involved in failing to achieve these objectives.
- Maintain at all times safe, places of work, systems of work, equipment, materials for work, together with a safe and healthy working environment.
- Keep all work activities under review by carrying out regular risk assessments, internal and external audits so as to identify all matters likely to affect the safety of members, employees, service users, Partners, visitors and others, as well as the effective and efficient running of organisational processes.
- Participate with other bodies including the Council's insurers to develop and share risk management best practice.
- Implement policies, procedures, preventative and protective measures information and training for employees and others based on the outcome of such risk assessments / audits, as are necessary to adequately control risk.

3. Importance of good Risk Management

Risk management is considered the central part of an organisations strategic management. A robust risk management process can help create a culture of "no surprises" by enabling risks attaching to an organisation's activities to be proactively identified, evaluated and appropriately treated thereby increasing the probability of success, and reducing both the probability of failure and the uncertainty of achieving objectives.

The benefits of good risk management:
- Achieve and demonstrate good governance
- Avoid Impact of Failure (perceived or actual)
- Support Value for Money, project and performance management
- Comply with legal and regulatory requirements
- Manage partnerships, suppliers' contractors and ongoing services.
- Control acquisition or development of new services.
- Manage external changes in culture, political, environmental etc.
- Maintain Service Provision through Adversity
- Adapt to changes in the market and customer needs
- Achieve benefits & exploit opportunities enabling innovation

A robust risk management process will help raise awareness and understanding of:
- The nature and extent of the risks facing the organisation.
- The extent and categories of risks that are regarded as acceptable.
- The likelihood and potential impact of risks materialising.

- The ability to reduce the incidence of impact on the organisation of risks that do materialise.
- The significance of regular and ongoing monitoring and reporting of risks including implementation of early warning mechanisms.
- The cost of operating particular controls relative to the benefit obtained in managing related risks.
- The importance of conducting, an annual review of the internal control systems that are in place.
- The results that are reported from the annual review as well as the explanation of actions to be taken to address any significant concerns identified.

4. Risk Management process

An annual strategic risk management exercise to identify, analyse and prioritise risks that may affect the ability of the council to achieve its objectives is conducted by the authority. There are a number of critical steps that are taken during the risk management exercise and these are as follows:
Identifying risks

Potential risks that may arise are identified by Members, Management Team, Wider Management Team and Service Managers, so that informed decisions can be made about policies and/or service delivery methods. They may be general, relating to the environment within which the council operates, or specific, relating to a key area of service delivery.
Analysing risks
Available data is used to provide information to help assess the likelihood of any risk arising or the potential impact on the councils activities. The council has introduced a risk matrix which is a numerical scoring system for analysing risks that have been identified by the council.
Profiling risks

Risks are profiled according to their likelihood and severity as follows:
High risk: A total risk scoring 10 or above (red).
Medium risk: A total risk scoring between 5 and 9 (amber).
Low risk: A total risk scoring 4 or below (green).
Prioritising risks

Risks are prioritised based on how the council decides to approach each risk. Control action is then determined based on tolerance and aversion to risk balanced against the availability of resources.
Determining actions on risk

A course of action can then be determined based on whether the risk is to be Transferred, Tolerated, Treated or Terminated.
Controlling risk

Once appropriate action is determined for each risk, the process of controlling that risk commences. This involves either Treating/Terminating/Tolerating or Transferring the risk and/or alleviating its potential impact.

Monitoring and progress reporting

Once risks have been identified, evaluated, their control action agreed and implemented, risks must be monitored and their progress should be formally reported so that:

- The adequacy of control actions that have been implemented can be reviewed.
- Changes in the severity of risks can be promptly identified and reported.
- Additional action to further control escalating risks can be promptly undertaken.
- Actions being carried out to control risks in respect of strategies that have been executed, or objective's that have been met can be terminated.
- Lessons can be learned for future risk assessments and decision making.

Recording Risks

All risks identified during the risk management process are recorded in either the Corporate Risk Register; and or individual Service Risk Registers. The purpose of risk registers is to document:

- Details of each risk, their severity and the monitoring and control actions that have been agreed to control each risk.
- Details of person(s) who are responsible for monitoring and controlling risks and reporting on their progress.
- Details of whether or not agreed controls are effectively managing risks.
- Details of what additional control actions are necessary to ensure intended actions are being achieved.
- Details of any new and emerging risks.

5. Roles and responsibilities of key individuals

Responsibility for risk management runs throughout the council. Specific roles and responsibilities have been identified so that risk management is embedded in the culture of the council.

- View the <u>roles and responsibilities of various key individuals and groups in relation to risk management</u>.
- View the <u>annual risk reporting programme</u>, to get an understanding of the timeline of creating the <u>Corporate Risk Register</u> and <u>Risk Management Strategy</u>.

6. Links to Governance issues

The following governance arrangements have been identified as having links to our Risk Management Strategy:
Controls

To ensure departments operate in an efficient and effective manner Service Managers are responsible for ensuring appropriate processes and procedures that incorporate adequate controls exist and are followed thereby enable the authority to;

- Comply with statutory and management requirements.
- Safeguard assets.

- Maintain accurate and secure records.
- Identify and correct any errors, omissions or oversights.

Systems of internal control

The council as a whole operates within a framework of policies and procedures intended to direct the activity of the council and ensure transparency in decision making. The Constitution forms the main spine of these arrangements and includes the council's financial procedure rules and contract procedure rules. Responsible officers are expected to ensure that effective internal control arrangements are incorporated into the design or development of systems and procedures. Such arrangements would include ensuring adequate segregation of duties, authorisation and physical security controls to protect the council from error, misappropriation or loss.

Compliance with internal controls is reviewed by the council's Internal Audit function. Internal Audit is an independent, objective assurance and consulting function designed to add value and improve an organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Control environment

The councils control environment consists of its system of governance, risk management process and system of internal control these systems are designed to ensure:
- Risk management is embedded into the activity of the organisation.
- Achievement of the organisations objectives is established and monitored.
- Compliance with established policies, procedures, laws and regulations.
- Staff are trained and equipped to manage risk in a way appropriate to their authority.
- Resources are used economically effectively and efficiently to facilitate continuous improvement.
- Finances are prudently managed and reported.
- Performance is effectively managed and reported.

All managers are responsible for ensuring the councils objectives are delivered with proper controls in place and through the effective and efficient use of resources thereby providing value for money. Controls are reported through the Annual Governance Statement, to ensure that systems are delivering consistent, predictable and effective results in or to meet service or corporate objectives.

Data Quality

The councils approach to delivering and improving data quality across the whole authority is outlined in the Data Quality Policy. The policy demonstrates the council's commitment to ensuring that all information retained or provided by the council is accurate, reliable and fit for purpose.

Anti-Fraud and Corruption

The councils approach to all forms of fraud and corruption is detailed in the Anti-Fraud & Corruption Strategy. The strategy is designed to:
- Encourage prevention.
- Promote detection.
- Support investigation of fraud, bribery and corruption.

Whistleblowing

The councils Whistleblowing Policy aims to ensure openness, probity and accountability by encouraging Officers and others, who have serious concerns about any aspect of the council's work, to come forward and voice their concerns within the council, without fear of reprisals, rather than overlooking a problem or "blowing the whistle" outside.

Money Laundering

In order to prevent the use of council services and personnel for money laundering, the council has developed an Anti-Money Laundering Policy that sets out internal procedures to ensure:
- Potential areas where money laundering may occur are identified.
- All legal and regulatory requirements are complied with.
- Actual or suspected cases of money laundering activity are appropriately reported.

Business Continuity Management

Service Managers are responsible for documenting Business Continuity Plans relevant to their service areas, so that critical functions and services can continue to be provided and there is effective recovery in the event of and following a disruption or catastrophic event.