

# Risk Management

## Bury Metropolitan Borough Council

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## Introduction

There are strong links between effective risk management and effective management. The Society of Local Authority Chief Executives (SOLACE), in its publication "Chance or Choice" states that "risk management is about making the right decisions and about achieving objectives once those decisions are made". Risk management should therefore be integral to the corporate management arrangements of an authority, as the process is currently recognised as a fundamental feature of corporate governance.

As the risk management process is fundamental to effective evaluation of policy and service delivery, it is axiomatic that its effective performance is key to the achievement of Best Value.

## Background

The risk management process needs to be adopted and implemented consistently within an authority, in effect embedded in the culture. To facilitate this, some authorities have developed strategies that set out what the risk management process is trying to achieve and how it will be achieved. It is also important that members and staff at all levels throughout an authority are clear about the contribution, which they need to make.

There are considerable strategic and operational benefits from having an integrated approach to risk management. Significant strategic benefits include the delivery of best value, getting things right first time and the ability to address emerging business risks through effective management. Numerous operational benefits exist with the main tangible improvements including more effective preventative and reactive measures to curtail the growth in liability incidents/claims and reduced insurance, provisions and claims handling costs.

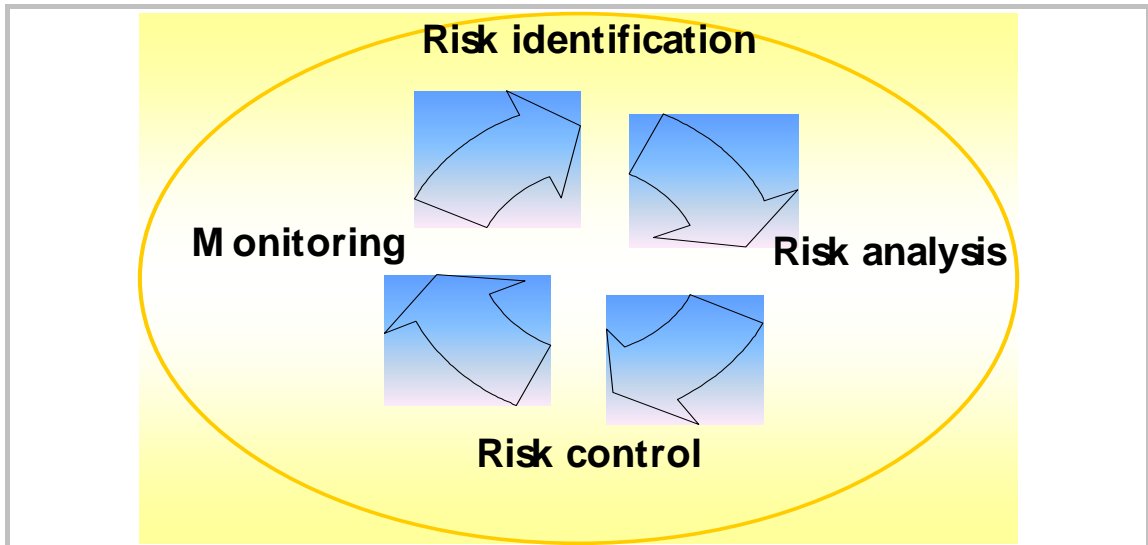
Risk management is the process of identifying significant risks relevant to the achievement of an authority's strategic and operational objectives, evaluating their potential consequences and implementing the most effective way of controlling and monitoring them.

One of the significant changes over the past few years has been a greater emphasis on using risk management principles to consider not only physical risks, but as a more holistic approach. This can include ensuring the delivery of strategic and corporate priorities, managing reputational risks, and dealing with other issues (e.g. Human Rights Act, Data Protection Act).

A sound corporate approach to risk management can thus help with the process of change faced by councils. The risk management process is commonly shown as a cycle as illustrated in Exhibit 1.

**EXHIBIT 1 RISK MANAGEMENT CYCLE**

Useful framework which can be implemented at both strategic and operational levels



## Audit approach

The approach to our review was to undertake an overview of the council's strategy for implementing its risk management approach and to see how far it has become embedded in day to day service delivery.

To help achieve this, we have undertaken interviews with a number of key officers who are involved in risk management along with attendance at the corporate risk management meeting held on 3 August 2004. We have also appraised a number of key corporate documents including the council's risk management strategy and risk register. To help us understand how far risk management has been translated into service delivery, we have looked at the arrangements in two departments namely education & culture and social services, health & housing.

## Main conclusions

The council has developed solid foundations and is implementing its strategic approach to risk management. Departments are actively involved in identifying corporate and departmental risks. The next steps are for the council to take its risk management approach down to an operational level and embed it further into day to day service delivery.

## Strategic approach

The council's risk management strategy was agreed in 2002 and was revised in November 2003. The strategy compares well against the approach taken by councils elsewhere in the country. The strategy also contains clear roles and responsibilities for those people involved in risk management starting at a corporate level down to individuals responsible for delivering front line services. When this is implemented in full and becomes part of everyone's role this will be the point that risk management is being embedded as part of normal service delivery.

An initial action plan to take forward activities to implementing the strategy was agreed and most of these have been implemented. Examples of those actions completed or in the process of being implemented include:

- all reports submitted to councillors contain the risk implications of the proposals being made;
- being a component of the stages in project management;
- identifying the risk implications of policy led budgeting proposals and decisions; and
- training to raise the awareness of risk management has taken place involving councillors, management team and departmental management teams.

A corporate risk register has been produced through a workshop facilitated by the council's insurers. However it is unclear whether any changes or action have arisen to reduce the corporate risks that have been identified.

## Corporate arrangements

The Director of Finance and E-Government is responsible for overseeing the council's risk management strategy. The Deputy Leader of the Council is the councillor lead for risk management. Internal audit have responsibility for the implementation of risk management and are currently looking to increase its capacity to take this work forward.

A corporate risk management group has been established, which includes all the council departments along with representatives from legal, health and safety and the council's insurers. Some of the areas that this group have been looking at include progress of implementing the strategy at a departmental level, electrical testing, asbestos, legionella and business continuity. Whilst these areas are progressing, there is an acknowledgment that risk management still needs to be embedded further at a day-to-day service delivery level.

The council's Performance Management Sub-Committee is to oversee progress on the implementation of risk management. In particular, they will be reviewing how this is affecting the council's liability on highway claims.

## Departmental arrangements

There has been good progress in the Education & Culture and Health & Social Care Departments in implementing their risk management approaches. In November 2003, the council's insurers facilitated a workshop to help departments identify the risks that they face. For the two departments reviewed, these have been translated into departmental risk registers. Each risk identified has been scored so that departments can then focus upon those risks that are above the tolerance level and incorporated into a departmental management action plan.

For most of these risks the actions and controls already in place have been identified (including how adequate these are), the required actions or controls to be put in place, the responsibility for doing this and the critical success factors or key performance indicators.

Whilst a number of these were due to be reviewed on a quarterly basis, this has yet to occur. However, the departments have had these plans in place for just under a year and all are going to undertake a review during the autumn.

Departmental business plans do reflect the need to address the key risks identified. This is identified as an action on most of the service plans that have been reviewed.

## The next steps

Whilst the council has had a risk management strategy since 2002, there has been a more rapid progress on this since the workshops that were held in November 2003. It is therefore unclear at this stage about which risks have reduced as a result of having this process in place.

The council has been effective at developing its approach at a corporate and departmental level. The next stage will be to embed its approach further in line with the council's plan, which includes:

- managing and reducing those risks identified on the using the corporate risk register;
- taking the risk management approach down to an operational level to ensure that all employees are aware of how risk management can help in their day-to-day work; and
- completing the reviews that are due to take place in the autumn that will allow the council to have a clearer picture on the effectiveness of its strategy and their associated actions.

By ensuring the actions and timescales contained in the action plan are achieved, the council has a real opportunity to have a comprehensive risk management strategy in place.

## Status of our reports to the Council

*Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to Members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or officer in their individual capacity, or to any third party.*

