

**EXETER CITY COUNCIL****Risk Management Policy****1. Introduction**

1.1 Exeter City Council is committed to the effective management of risk at every level within the Council and to providing:

- a safe environment for its employees and customers
- safe working arrangements for employees
- training to enable its employees to undertake their work effectively, efficiently and safely.

1.2 The purpose of this Risk Management Policy is to state the Council's risk management objectives, approach, responsibilities and procedures.

**2 Objectives**

2.1 The purpose of risk management is to:

- preserve and protect the Council's assets, reputation and staff
- promote Corporate Governance by integrating risk management and internal control
- promote a risk aware culture in order to avoid unnecessary liabilities and costs, but to encourage the taking of calculated risks in pursuit of opportunities that benefit the Council
- enhance and protect the local environment
- improve business performance.

**3 Risk management approach**

3.1 Aim

To ensure it is effective, risk management needs to be aligned with corporate aims, objectives and priorities. The Council's approach to embedding risk management is to create a culture that spreads best practice, identifies and communicates lessons learnt from both internal and external experiences, and using appropriate expertise.

Risk management has to be proactive to ensure that corporate and operational risks are:

- identified
- assessed by considering the impacts and likelihoods of their occurrence
- effectively managed by identifying suitable controls and countermeasures, and assessing the cost effectiveness of the mitigating actions proposed.

Effective risk management anticipates and avoid risks rather than dealing with the consequences of events happening. However, not all risks can be managed, particularly those that are caused by external factors over which the Council has no control (e.g. severe weather). Key services and Mission Critical Activities are therefore required to develop Business Continuity Plans in order to reduce the impact should a major event occur.

3.2 Risk appetite and tolerance

Calculated controlled risks, such as accepting new opportunities or using innovative approaches for the benefit of the Council, may be taken providing the risk exposure is within the Council's 'risk tolerance' levels, these are defined as:

- 3.2.1 acceptable risks – the risks associated with any proposed actions and decisions need to be clearly identified, evaluated and managed to ensure that risk exposure is acceptable. Particular care is needed in considering actions that could:
- have an adverse effect on the Council’s reputation and/or performance
  - undermine the independent and objective review of activities
  - result in censure or fines being imposed by regulatory bodies
  - result in financial loss

Any threat or opportunity that could have a significant impact on the Council or its services must be closely examined, and all risks clearly evaluated and referred to the appropriate Strategic Director. Where there is both a significant potential impact and a high likelihood of occurrence, then the Strategic Director must report the risk to the SMT.

- 3.2.2 prohibited risks – where risks could result in physical harm; non-compliance with legislation or Government regulations; or non-compliance with the Council’s policies, rules and procedures, etc., then these risks are not acceptable. Therefore, any opportunity or innovative approach that could result in such outcomes must not be pursued, and must be reported to the appropriate Strategic Director accordingly.

### 3.3 Risk treatment

There are four basic ways of responding to risk:

a) *avoidance* – deciding not to continue or proceed with the activity in view of the level of risks involved, wherever possible. (Note: statutory requirements cannot be avoided)

b) *transfer* – which involves another party bearing or sharing the risk, a typical example is the use of insurance. (Note: ultimate responsibility to undertake statutory requirements remains with the Council even if third party provision is engaged)

c) *control* – by ensuring existing controls are effective by periodic review and testing, and implementing additional controls where considered necessary

d) *acceptance* – certain risks cannot be adequately treated by either avoidance, transfer or control. In such cases, there is no alternative but for the Council to accept the residual (‘remaining’) risks concerned. Details of how these risks and their possible effects are to be managed must be recorded in the service’s (and where appropriate Corporate) Risk Register, and subject to regular review.

### 3.4 Framework

The Council maintains a Corporate Risk Register (CRR) that details the:

- hazards (events) that may impact upon the Council and its services
- possible risks and consequences, both negative (risks and threats) and positive (opportunities) that could happen should the hazards occur
- inherent (i.e. before treatment) risk scores, between 1 and 4, of the potential impact and likelihood of the hazards occurring on the basis that there is no mitigation in place
- controls and countermeasures that are in place in order to mitigate the risks
- residual (i.e. after treatment) scores, between 1 and 4, of the potential impact and likelihood of the hazard occurring taking into account the mitigation in place
- further actions planned to reduce the risks, the timescales and responsible persons

## 4 Responsibilities and procedures

General – to achieve effective Enterprise Risk Management, risk management must be embedded from the very top of the Council right down to each individual unit, service, employee and Councillor.

- 4.1 All Council employees and Councillors are responsible for ensuring there are robust and fit-for-purpose systems of internal control and risk management in place; and they are aware of the risks:
- they are empowered to take
  - that must be avoided
  - that must be reported upwards
- 4.2 The Executive - is responsible for considering and approving the Risk Management Policy.
- 4.3 The Leader of the Council - is responsible for acting as the Lead Councillor for risk management
- 4.4 Resources Scrutiny Committee – is responsible for:
- monitoring the effectiveness of risk management throughout the Council and progress made against the CRR target for actions dates
  - considering the CRR and recommending its approval to the Executive
- 4.5 All Scrutiny Committees – are responsible for monitoring the effectiveness of risk management for the services that each committee is responsible for scrutinising the progress made against the targets and dates for the agreed actions
- 4.6 SMT - is responsible for:
- approving the risk management approach
  - affirming and supporting the work of risk management throughout the Council which is an important part of the Council's Corporate Governance arrangements
  - monitoring half-yearly each service's RM progress, achievements regarding target dates, etc. and supporting the corporate risk management process
  - reporting all new and amended risks to the Corporate Manager Policy for inclusion onto the CRR and for ensuring they are linked to the budget planning process
- 4.7 Assistant Directors and Corporate Managers – are responsible for:
- ensuring that all employees within their service understand and comply with the risk management policy and procedures
  - identifying, evaluating and managing operational risks and reporting any possible corporate risks to their Strategic Director and the SMT for consideration
  - ensuring that risk registers are established for their services and regularly reviewed to ensure that risks are adequately monitored and managed
- 4.8 Risk Management Group (RMG) - is responsible for:
- monitoring the Council's risk management process
  - updating and publishing the CRR on the Council's Internet webpage
  - reviewing the Council's CRR, seeking progress reports regarding completion of intended action (i.e. action target dates) for reporting to Scrutiny
  - assessing new and amended risks for clarity and linkages to capital and revenue bids
  - assessing the CRR to ensure that it is a 'living document' and agreeing the CRR for submission to Scrutiny Committee
  - referring H&S issues, etc, to the KPG for consideration and monitoring progress
  - acting as a Group and individually as RM champions within the Council

- 4.9 Key Partners' Group (KPG) - is responsible for:
- preparing an annual H&S action plan detailing specific areas for KPG's review in liaison with the SMT and the RMG
  - receiving and monitoring reports from Units regarding progress in their H&S and insurance claims, particularly in respect of high risk H&S topics (e.g. required annual work, risk assessments, etc.)
  - reviewing H&S and relevant insurance matters, and reporting progress to the RMG
  - reporting to the RMG any H&S issues that are considered possible CRR entries
- 4.10 Internal Audit - is responsible for:
- undertaking audits of the Council's Risk Management system and procedures in order to assess their effectiveness and compliance with the Council's requirements as part of Corporate Governance process
  - making recommendations to improve the effectiveness of RM within the Council

**APPROVAL:**

This policy was referred to and signed by the Leader and the Chief Executive on 4 July 2006

The policy was last reviewed in February 2012

This Policy version is number 2.12

Next review date: February 2013