

DRAFT



# CHANCE OR CHOICE

**Middlesbrough Council  
Risk Management Strategy**

## RISK MANAGEMENT STRATEGY

### **Introduction**

This Risk Management Strategy outlines the objectives of risk management within Middlesbrough Council and details the activities undertaken by Middlesbrough Council to ensure the effective management of risk.

Risk management is a key part of corporate governance. Corporate governance being essentially the way an organisation manages its business, determines strategy and objectives and goes about achieving those objectives. Good risk management will help identify and deal with the key risks facing an organisation in the pursuit of its goals. Risk management is an integral part of good management and not simply a compliance exercise.

“if a council doesn’t have effective risk management then it doesn’t have effective management (chance or choice, SOLACE, 2000).

The Council’s auditors and inspectors have identified the Council’s current risk management approach as in need of development. For example, risk management only scores a 2, on a scale of one to four where four is the highest, and has been assessed as less than adequate in the recent round of auditor judgements which feed into the annual CPA refreshment exercise.

This strategy is set out as follows:

- Definition of risk management
- Objectives
- Responsibilities
- Strategic risk management
  - identifying and assessing risk
  - addressing risks
  - reviewing and reporting risk
- Service-specific operational risk management
- Cross-cutting operational risk management
- Conclusion

### **Definition**

Risk management is the process by which risks are identified, evaluated and controlled. “Risk” is the threat that an event or action will adversely affect an organisation’s ability to achieve its objectives and strategies.

## Objectives

The objectives of risk management within Middlesbrough Council are to:

- ensure that it is clear how risk should be managed across the Council at both strategic and operational level
- manage risks in accordance with best practice
- raise awareness of the need for risk management in all areas of service delivery
- minimise the likelihood of injury, damage and losses
- address auditors' and inspectors' issues.

## Responsibilities

	Role
<b>Members</b>	Responsible for: <ul style="list-style-type: none"> <li>▪ overseeing the effective management of risk by officers of the Council.</li> <li>▪ agreeing the Risk Management Strategy</li> </ul>
<b>CMT</b>	Responsible for ensuring that the Council manages risk effectively through the development and implementation of a Risk Management Strategy.
<b>SMTs</b>	Responsible for managing service specific risks in accordance with the Risk Management Strategy and the Minimum Standard for Performance Management.
<b>Operational Risk Management Group</b>	Responsible for: <ul style="list-style-type: none"> <li>▪ managing operational risks that cut across the organisation by developing a cross-cutting operational risk register and assessing, addressing, monitoring and reviewing those risks identified</li> <li>▪ raising awareness of risk management across the Council</li> </ul>

## Strategic risk management

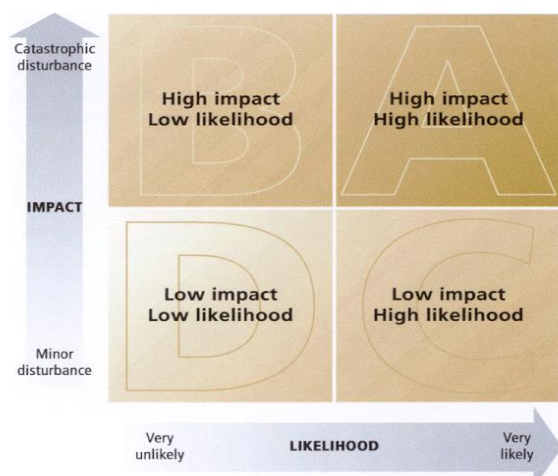
### Identifying and assessing risk

Strategic risks are identified and assessed by CMT through regular CMT meetings and where appropriate through a special CMT meeting.

The categories used, by Middlesbrough Council, to assist in the identification of risks are based on; the PESTLE framework recommended by the Audit Commission and the checklist from the Risk Management Guide by District Audit:

- Political
- Environmental
- Social
- Technological
- Legislative
- Resources Including Human, Physical And Financial
- Competitive:
- Customer/Citizen

Risks were identified by CMT under the above categories and assessed against the Audit Commission grid:



The risks identified by CMT and assessed as being at level “A” or “B” formed the Strategic Risk Register. This is forwarded to CMT and Scrutiny for comment and approval.

### Addressing risks

There are four general approaches to addressing risk:

**Transfer the risk:** this might be done through such things as conventional insurance or by asking a third party to take on the risk.

**Tolerate the risk:** the ability to take effective action against some risks may be limited or the cost of taking action may be disproportionate to the potential benefit gained. In this instance, the action required is to monitor the risk to ensure that its likelihood or impact does not change.

**Treat the risk:** the action required is to ensure that actions, to contain the risk to an acceptable level, are undertaken.

**Terminate the risk:** eliminate the risk, usually by deciding to avoid a course of action or stop a particular activity.

The Strategic Risk Register provides details of the actions taken to ‘treat’ the risks; identified, assessed as being at level “A” or “B”, that could not or have not been transferred or terminated.

### Reviewing and reporting risk

Strategic risks are monitored on a quarterly basis through CMT, this provides an opportunity to update the risk register with new risks, remove risks that are no longer assessed as being at level ‘A’ or ‘B’ and to update any actions taken to mitigate against risks.

At the end of the financial year CMT undertake a full review of strategic risks and update the Strategic Risk Register as appropriate. An update on risk management issues and the

revised Strategic Risk Register are taken to the Executive and Scrutiny to enable members to monitor the actions taken on their behalf, to mitigate against the risks identified.

## **Service-specific operational risk management**

The expectation on service areas with regard to operational risk management is included in the Minimum Standard for Performance Management. The minimum standard states that each service area must include operational risk management information in SMART form in their service plans.

This approach enables service areas to address operational risk in a manner most appropriate to the department. The minimum standard expects that risks are identified, assessed, addressed, reviewed and reported on a regular basis e.g. at least six-monthly and that there is appropriate Member involvement.

## **Cross-cutting operational risk management**

A Risk Forum will be established to assist in the management of cross-cutting risks and embedding risk management throughout the Council. The role of the Risk Forum will be to:

- identify, assess, address, review and report on cross-cutting operational risks and develop and monitor a cross-cutting operational risk register
- ensure that service specific risks are managed in line with the Strategic Risk Strategy, the minimum standard for performance management and risk standards identified by the Risk and Insurance Unit
- communicate risk management to staff
- provide support to managers in implementing effective risk management solutions
- evaluate new approaches on risk management and the extent to which they would be helpful to the authority and its services
- support the provision of staff training in, and raise the level of, risk management

The Corporate Risk Manager would chair the Risk Forum, Membership would comprise of representatives from:

- Legal Services
- Performance and Policy
- Internal Audit
- Health and Safety adviser (suggest lead officer for H&S who works for HBS, but whose brief is to ensure H&S for MBC)
- In addition risk practitioners from service areas (at least one per service area and where applicable service areas can nominate additional representatives) will be required to attend the forum as required to assist in the development of operational risk and to report as requested on risk activity within their service.
- Risk practitioners from HBS will be required to attend the forum as required to assist in the development of operational risk and to report as requested on risk activity within their service.

The group will meet in line with the requirements of the workload however; it is expected to meet at least quarterly. A six-monthly briefing paper outlining key issues will be forwarded to CMT, Executive and also Scrutiny. The briefing paper will include:

- outline of operational risk management activity across the Council
- evidence of good practice
- identify areas of weakness
- identify issues to be resolved by CMT

## **Conclusion**

Risk management is a continuous process; this Risk Management Strategy will be kept under annual review to enable it to develop in line with council needs and best practice in relation to risk management.

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***Risk Management Strategy prepared August 2004***

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