

## Example

# RISK MANAGEMENT POLICY STATEMENT

### What is risk?

Within the Council risk is regarded as the threat of some event, action or loss of opportunity, which, if it occurs, will affect our ability to meet our goals.

To achieve our goals some risks will need to be taken in order to move forward and realise opportunities. The council also recognises that there are some risks that cannot be taken. The Council will adopt a managed approach to risk, that encourages calculated risk taking.

### What is risk management?

**Risk Management** is the systematic application of policies, procedures and checks to identify potential risks and lessen their impact on the Council. This involves:

- Identifying potential risks
- Assessing their potential and likelihood impact on the Council
- Taking action to minimise the potential impact
- Monitoring and reporting on the status of key risks on a regular basis. This also includes being conscious of changes in the environment and the impact these changes may have on the Council's risk profile.

**Risk Management** is not just about either taking or avoiding risks. It involves taking appropriate actions relating to risks to ensure the Council achieves its business objectives. Deciding not to take opportunities and not to look for new ways of doing business can be a greater risk than doing so.

### Types of risks:

The **type of risks** the Council faces are many and include strategic, project, and operational type risks which may threaten the Council's integrity, ability to govern, financial, human resource, physical, information and intellectual database assets and/or the Council's image.

### Ways to manage risk:

There are five principal ways in which we can effectively manage risk:

- We can make a conscious decision to not take any action

- We can accept the risk but take some actions to lessen its likelihood or impact
- We can transfer the risk to another individual or organisation
- We can insure against the risk
- We can eliminate the risk by ceasing to perform, the function causing it.

### **Our vision for future risk management:**

**Our vision** for risk management is to have a culture in which we manage risk in an integrated manner to enable us to achieve our goals.

### **Risk management objectives:**

Our risk management objectives are to:

- Develop a “risk aware” culture that encourages all staff to identify risks and associated opportunities in a planned and co-ordinated manner and to respond to them with cost effective actions
- Achieve our long-term goals as outlined in the Long-Term Council Community Plan
- Be seen by our community and other stakeholders as a council that lives its values and manages its business risks responsibly.

### **Risk management strategies:**

Our strategies for the management of risk are as follows:

#### ***Strategic risk***

- To have the Council endorse our risk management policy.
- To develop a framework for identifying, monitoring and communicating strategic risks, at Executive Management Team level and downwards, and to integrate this approach into the strategic planning process.
- To ensure that strategic risk issues are identified, monitored and regularly reported to the Executive Management Team.

#### ***Operational risk***

- To develop and maintain a framework for identifying, communicating, monitoring and regularly reporting about risks (at all appropriate levels) associated with the Council’s ongoing activities, and to integrate this into the Council’s existing management systems.
- To develop training material for managers and staff regarding risk management, its importance and how risk management can assist with what we do.

### ***Project risk***

- To develop and maintain a framework for identifying, communicating, monitoring and regularly reporting about risks (at all appropriate levels) associated with projects.
- To develop a project sign-off procedure for implementation within the Council.
- To promulgate these procedures throughout the Council.

### **Risk management responsibility and accountabilities:**

Within Council responsibility for risk management rests with all staff. This includes going about our jobs in a careful and conscientious manner that reflects the values and culture we have within Council. The Chief Executive and the Executive Management Team are responsible for developing a culture that supports effective management of risk at strategic operational and project levels.

### ***Strategic risk***

Strategic risks are those things that prevent the Council from implementing its strategies. This can be caused by the Council not correctly aligning its goals and strategies, or simply failing to implement its strategies. ***Accountability for managing strategic risk therefore rests with the Chief Executive and the Council.*** The benefit of effectively managing strategic risks is that we can better forecast and quickly adapt to the changing demands that are placed upon the Council. It also means that we are less likely to be surprised by some external event that calls for significant change.

### ***Operational risk***

Operational risks are inherent in the ongoing activities that we perform within the different areas of Council. ***Accountability for managing operational risks rests with Managers.*** The benefits of efficiently managing operational risks include maintaining superior quality standards, eliminating undesirable surprises, the early identification of problem issues, being prepared for emergencies if they happen and being held in high regard by our stakeholders for our management of risk.

### ***Project risk (including acquisitions and investments)***

These are risks associated with projects that are of a specific, normally short-term nature, and are frequently associated with major acquisitions, change management and integration projects. Project Sponsors are accountable for the achievement of project deliverables and outcomes. However, ***specific risks associated with project management are normally delegated to project managers*** for attention and action. Included among the benefits of efficiently managing project risks are the avoidance of unexpected time and cost overruns.

### **Critical success factors for risk management:**

The successful management of risk within the Council will depend upon:

- Our risk management policy, strategies and framework meeting our current needs and being sufficiently robust to enable us to meet the goals and strategies outlined in our annual plan and other strategic documents.

- Risk management being an integral part of our culture and thinking, especially in relation to our strategic, operational and project planning and activities at all levels.
- Risk management being openly accepted and supported by all staff as providing good business value, with this acceptance being reinforced through avenues such as managers and staff performance requirements and performance assessment criteria.
- Risk management being easy to incorporate into our daily activity and being seen as essential to us in achieving our vision and strategic goals.