

**ITEM**

**ITEM**

**Council – 26 March 2009**

## **RISK MANAGEMENT – ANNUAL REPORT**

### **Joint Report of the Risk and Health and Safety Advisor and the Strategic Director (Resources)**

**Statutory Powers:** (Local Government Act 1972 as amended.  
Accounting and Audit Regulations 2003)

**Financial Implications:** Existing budgets

#### **Purpose**

1. The purpose of this report is to provide information on risk management activities undertaken since April 2008. There is a direct link to CP6 (Improve core service performance in a cost-effective way) and indirect links to CPs 1 to 5.

#### **RECOMMENDATION**

**That Council considers the progress made on risk management and supports accordingly.**

#### **Background**

2. Risk Management continues to be an essential element of the Council's systems of management and there is a commitment to maintaining a systematic and consistent approach to risk identification, analysis and control which:
  - Enables the Council to achieve its priorities and services;
  - Contributes towards sustainable improvements in services and the achievement of best value;
  - Promotes the effective and efficient use of resources;
  - Contributes to the Council discharging its duty of care to the public and its employees;
  - Minimises damage to the Council's reputation;
3. The Risk Management Strategy (Annex A) which was amended in July 2008 to reflect changes in the requirements on the Council and our methods of operating.
4. Providing regular reports to members with responsibility for risk management is good business practice and is included as a requirement in the Council's Risk Management Strategy. This is mainly provided by quarterly reports to the Audit Committee and an annual report to Council. This report provides information on risk management activities undertaken since April 2008.

### Progress since 2008

5. As previously mentioned the Council's Strategy has been amended once during the period to encompass changes in the requirements on the Council and to better reflect good practice.

6. Reports have been made quarterly to the Audit Committee.

7. The Council's Risk Registers are held on Covalent, (the Performance Management System) and reviews have taken place of the following:

Strategic Risks  
Operational Risk  
Partnership Risks

8. The Strategic Risk Register was reviewed by the Strategic Management Team in May 2008. The next review is scheduled to take place in May 2009.

9. The Operational Risk Register is subject to review annually by Heads of Service as part of the Service Planning process and more frequently if circumstances dictate. Following production of the plans in 2008, risks were reviewed to ensure that those held were still current and newly identified risks were included. Meetings are now taking place with Heads of Service to ensure that the risks identified are still current and that suitable and sufficient control measures are in place.

10. The Partnership Risk Register has seen some progress in increasing the depth of risks identified within each partnership.

### Key Lines of Enquiry for Internal Control

11. Members will be aware that Comprehensive Performance Assessment (CPA) is being replaced by Comprehensive Area Assessment (CAA) and we are working to ensure that we are able to comply with the risk management requirements of the Use of Resources elements.

12. As far as CPA is concerned the current requirements are shown at Annex B and the Council's status as regards the use of resources criteria is as follows:

#### Level 3:

Level 3 requirements	Council's Status
* The risk management process is reviewed and updated at least annually.	<b>This requirement has been met.</b>

<p>* The risk management process specifically considers risks in relation to significant partnerships and provides for assurances to be obtained about the management of those risks.</p> <p>All appropriate staff are given relevant training and guidance to enable them to take responsibility for managing risk within their own working environment.</p> <p>* The members with specific responsibility for risk management have received risk management awareness training.</p> <p>* Members with responsibility for corporate risk management receive reports on a regular basis and take appropriate action to ensure that corporate business risks are being actively managed, including reporting to full council as appropriate.</p>	<p><b>This requirement has been met.</b> A risk register for partnerships has been entered onto Covalent and we are now in the process of carrying out more detailed risk assessments for specific partnerships.</p> <p><b>This requirement has been met.</b> Appropriate training continues to be part of the Induction process.</p> <p><b>This requirement has been met.</b></p> <p><b>This requirement has been met.</b> Reports are produced for Scrutiny at least quarterly and where appropriate interim reports will be submitted.</p>
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**Level 4:** Progress as below:

<b>Level 4 requirements</b>	<b>Council status</b>
<p>*A senior officer and member jointly champion and take overall responsibility for embedding risk management throughout the council.</p> <p>*The council can demonstrate that it has embedded risk management in its corporate business processes, including:</p> <ul style="list-style-type: none"> <li>• strategic planning</li> <li>• financial planning</li> <li>• policy making and review</li> <li>• performance management</li> </ul> <p>*All members have received</p>	<p><b>This requirement has been met</b> Mark Seymour is the senior officer Champion and Cllr Roger Croad the Member Champion.</p> <p>Risk Management is embedded in both strategic and financial planning. Policy making also has a good level of risk management embedded and this will continue to be improved. Work is progressing to ensure that risk management is an explicit part of all business processes.</p> <p><b>This requirement has been met</b></p>

<p>risk management awareness training.</p> <p>*The council considers positive risks (opportunities) as well as negative risks (threats).</p>	<p>The use of reports that include opportunities as well as risks is beneficial and we are considering methods of displaying this information in a more user friendly form.</p> <p>There is evidence that members are becoming increasing risk aware when considering reports and officers are reminded of the need to ensure that both threats and opportunities are included in them.</p> <p>Conducting Risk Workshops at an early stage enables both opportunities and threats to be more easily identified</p>
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### **Risk Workshops**

13. Risk workshops have proved to be a valuable method of working and they have continued to be held when appropriate.
14. The following workshops have recently been held:
  - Sherford;
  - Child Protection measures
15. It is planned that workshops will also consider or review the risks associated with:
  - the leisure contract
  - aspects of LGR

### **Training**

16. Training for Members. Training has been completed for all members and an information leaflet has been produced and distributed to them
17. Training for staff. The package used for staff has again been reviewed and new employees receive this training as part of their induction package. Appropriate information leaflets have also been produced for employees.

### **Business Continuity**

18. The review of the Business Continuity Plan is to be completed by the end of March 2009 and a test is being arranged for May 2009.

## Health and Safety

19. The Council's Joint Health and Safety Consultative Panel continues to meet quarterly and receives reports on the Council's Health and Safety activities including injury statistics for both employees and non-employees. Additionally information is provided to the Panel on proposed legislation changes and the possible effects this may have on the Council and its operations.
20. Both injury rates and the costs of accidents at work are closely monitored to identify any emerging trends so that appropriate action can be taken to reduce the risks to both the employees and the Council.
21. The Health and Safety Executive have initiatives looking at the management of waste collection and recycling and training events were held for all members of the refuse and recycling operations to ensure that they were aware of the hazards involved in their work and the measures in place to protect them.

## Internal Audit

22. Risk Management is subject to an annual audit and the audit for this year is currently underway.
23. **Risk Assessment**

Opportunities	Issues/Obstacles	Benefits
<p>A fully embedded risk management system will enable the Council to:</p> <ul style="list-style-type: none"> <li>▪ Meet demands for savings.</li> <li>▪ Target resources more effectively</li> <li>▪ Produce better outcomes on corporate objectives</li> <li>▪ Deliver innovative projects</li> <li>▪ Produce better outcomes for service users</li> <li>▪ Protect our reputation</li> <li>▪ Enable lower risk related costs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Failure of managers to identify risks timely</li> <li>▪ Failure to identify the risks associated with significant projects and partnerships may prevent the Council achieving its objectives and increase its liabilities.</li> <li>▪ Failure of all staff to embrace risk management at their individual level</li> <li>▪ Failure to comply with statutory requirements and good practice may leave the Council open to investigation</li> </ul>	<p>A fully embedded and working risk management system should enable the Council to:</p> <ul style="list-style-type: none"> <li>▪ Proactively identify both threats and opportunities and enable the council to take appropriate action.</li> <li>▪ Demonstrate its compliance with the criteria for CPA and demonstrate its proactive approach to improvement. (Whilst the Council may consider that maintaining an "Excellent" grade might not be the best</li> </ul>

	<p>and possible prosecution</p> <ul style="list-style-type: none"> <li>▪ We have suitable and sufficient policies and procedures in place in many areas. We must continue to ensure that these are monitored for compliance and that reviews are carried out when appropriate.</li> </ul>	<p>use of resources, dropping a grade could be detrimental to the Council's reputation)</p> <ul style="list-style-type: none"> <li>▪ Meet increasing demands on our resources more effectively</li> </ul>
<p>As part of increasing efficiencies and promoting best practice the Council seizes opportunities to work with a range of partners</p>	<ul style="list-style-type: none"> <li>▪ Failure to identify the risks associated with significant projects and partnerships may prevent the Council achieving its objectives and increase its liabilities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ A wider range of skills and benefits to the Council and the community can be achieved from correctly assessed partnership working</li> </ul>

## Conclusion

24. The Council's risk management systems are developing satisfactorily. We will ensure that we continue to improve our systems and performance.

Pete Osborne  
Risk and Health and Safety Advisor

Council  
26 March 2009

Mark Seymour  
Strategic Director (Resources)

## Background documents:

None

## The Council's Strategy for Risk Management

### Policy

1. For the purposes of this document, risk is defined as something that might have an impact on the achievement of the Council's objectives and its delivery of services to the community.
2. Risk management is defined as:  
  
"the culture, process, and structure that are directed towards effective management of potential opportunities and threats to the organisation achieving its objectives".
3. Risk is defined in the widest sense and is not confined to the traditional areas of insurance and Health & Safety. Appendix 1 shows the wide range of sources of risk which our risk management policy embraces.
4. Risks can be defined as:
  - Strategic These concern the long-term strategic objectives of the Council. They can be affected by such areas as capital availability, sovereign and political risks, legal and regulatory changes, reputation and changes in the physical environment.
  - Operational These concern the day-today issues that the Council is confronted with as it works to deliver its strategic objectives.
5. The Council recognises that it has to deliver services in an increasingly litigious and risk-averse society. However, risk management is regarded as a tool for exploiting opportunities as well as a safeguard against potential threats.
6. We believe that risk needs to be managed creatively rather than avoided and that consideration of risk should not stifle innovation. Risk management need not mean risk avoidance and may involve taking steps to reduce risk to an acceptable level or transfer risk to a third party.
7. The Council is committed to establishing a systematic and consistent approach to risk identification, analysis and control which:
  - Embeds risk management as an integral part of service and strategic planning and decision making;
  - Enables the Council to achieve its priorities and services.;

- Contributes towards sustainable improvements in services and the achievement of best value;
- Promotes the effective and efficient use of resources;
- Contributes to the Council discharging its duty of care to the public and its employees;
- Reduces the number and cost of claims arising and improves our ability to defend claims;
- Minimises damage to the Council's reputation;
- Enables the Council to comply with the requirements of the CIPFA/SOLACE corporate governance framework; and
- Enables the Council to comply with other statutory risk management and health and safety requirements.

8. High impact risks which South Hams faces include:

- Anything that poses a threat to the achievement of the Corporate and Service objectives, effective service delivery or delivery of major projects;
- Inability to respond to, or manage, change;
- Anything that could damage the Council's reputation and undermine community or staff confidence;
- Failure to guard against impropriety, malpractice, waste, or poor value for money; and
- Failure to comply with regulations such as those covering the environment, health and safety, employment practice, and human rights.

## **Organisation**

9. The Council will review annually the effectiveness of risk management.
10. The Executive is responsible for approving the authority's risk management policy statement and strategy.
11. The Audit Committee is responsible for reviewing the Council's Risk Management Performance at least quarterly.
12. The Chief Executive has overall responsibility for risk management and will be assisted by:
  - a. The Strategic Management Team (SMT) who function as the strategic risk management group. They will prioritise those risks likely to have a significant impact on the achievement of the Council's objectives.
  - b. The Risk Management Group, which will meet at least quarterly, will drive the implementation of risk management, maintain the corporate risk register and advise and support SMT on risks likely to have a significant

impact on the achievement of the Council's objectives. The Risk Management Group is also responsible for the provision of training and guidance on risk management matters. The Group will comprise:

- Risk and Health & Safety Advisor;
- Insurance Officer;
- The SMT Risk Management Champion;
- Head of Operations;
- Head of IT;
- Head of Property Services;
- Head of Improvement Team.
- Internal Audit (in an advisory capacity);
- The Member advocate for Risk Management

In the absence of any of the above arrangements should be made for a nominated deputy to attend.

12. Reflecting our belief that risk management is “everyone’s business,” and that all members of staff also have a role to play, primary responsibility for identifying and managing significant strategic and operational risks arising from their service activities lies with Heads of Service who will ensure that annual service plans are informed by a rigorous assessment of risks.
13. SMT and Heads of Service will champion the risk management process within their areas of responsibility.
14. Head of Financial Services is responsible, in conjunction with the Council's Claims Handlers, Brokers, and Insurers, for:
  - Minimising the overall cost of inevitable claims which do arise; and
  - Supporting the risk management programme by supplying any advice and data, both statistical and anecdotal, to Service managers.
15. The Internal Auditor is responsible for monitoring the implementation and effectiveness of the risk management strategy and for monitoring compliance with controls introduced by Service Managers, as part of the ongoing audit programme. He/she will provide Heads of Services with guidance to enable them to carry out self assessment of their controls. He/she will provide the group with annual reports on the implementation of risk management and the results will be reported to SMT and the Audit Committee through Internal Audit’s normal reporting process.
16. Roles and Responsibilities are shown at Appendix 2.

## **Arrangements**

17. Arrangements will be put in place to:
  - Identify and quantify risks and potential liabilities;
  - Ensure awareness among all levels of staff with regards to the control of risk;
  - Ensure that all significant risks and potential liabilities are addressed including effective systems of internal control;
  - Ensure that the appropriate decisions are taken on the acceptable level of retained risk; and
  - Review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis.
18. Heads of Service will be responsible for identifying their objectives and preparing a risk analysis and control action plan for their services. They should also ensure that risk assessments where appropriate are carried out as a routine part of management activities. They will be reviewed annually as part of the service plan and contribute to the Statement of Internal Control. It is a fundamental aspect of the Risk Management cycle shown at Appendix 3.
19. The Risk Management Group will provide a report to SMT and the Audit Committee no less than quarterly and to Executive and Council annually summarising significant risks arising and reviewing the effectiveness of risk management measures. This will provide assurance for the System of Internal Control, the annual review required under the Council's Local Code of Corporate Governance and for Key Lines of Enquiry (KLOE) Internal Control assessment compliance.
20. The Risk Management Group will provide training to Service Managers, with the aim of ensuring that they have the skills necessary to identify, evaluate and control the risks associated with the services they provide.
21. This strategy also links to the relevant paragraphs in the Council's Constitution and Financial Instructions. It will be clearly communicated to members and staff, and be subject to review on an annual basis by the Risk Management Group.
22. The Council will maintain a register of significant Strategic, Operational, Partnership and Health and Safety risks on the performance management system currently used and known as Covalent.

## Reporting

23. Reports on the Council's Risk Management activities will be provided as follows:

- Council                                      Annually;
- Executive                                    As and when the Council's Strategy requires amendment;
- The Audit Committee                    Not less than quarterly;
- SMT    At least annually as part of the review of the Strategic Risk Register.

## Business Continuity

24. The Civil Contingencies Act 2004 requires the Council as a Category 1 responder to put in place business continuity arrangements to ensure that in the event of an emergency we can continue to exercise both our civil protection functions and perform our ordinary functions.
25. The Council has identified business continuity as a strategic risk and the existence of a Business Continuity Plan is included in the KLOE for Use of Resources - Internal Control.
26. In addition business continuity will require a separate but similar risk management strategy and process. A separate Business Continuity Planning Group is established with operational links between it and the Risk Management Group.

## Health and Safety

27. The Council has duties under health and safety legislation to both its employees and non-employees who may be affected as a result of its activities.
28. The Council's Health and Safety policy Statement sets out the Council's objectives for managing health and safety. This statement is to be reviewed at least annually.
29. Risk assessment forms the basis of the Council's health and safety management and significant risks to the Council, its employees and others to whom a duty of care is owed are to be assessed, with such assessment being reviewed whenever necessary and at not less than 2 yearly intervals.
30. Each assessment will be accompanied by the necessary arrangements to mitigate the risks and will be included on the Council's risk register.

**Range of sources of risk which the risk management policy embraces.**

**Strategic**

- Political
- Legislative/Regulatory
- Economic
- Social
- Technological
- Partnership
- Environmental
- Competition
- Customer/Citizen
- Business Continuity

***Operational***

- *Managerial/Professional*
- Financial
- Legal
- Physical
- Contractual

## Roles and responsibilities

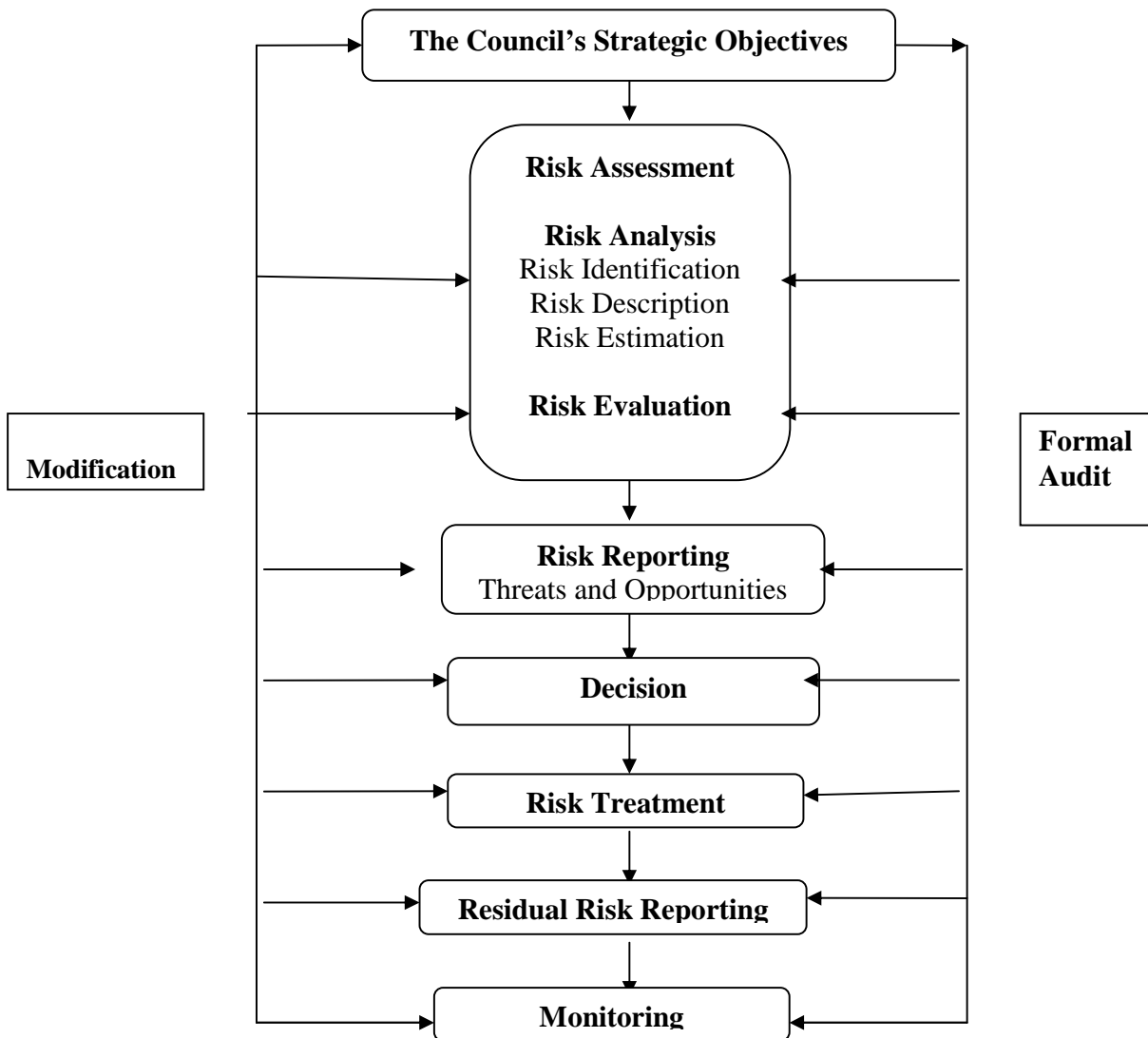
Identifying and allocating roles and responsibilities for risk management is essential if the strategy is to be developed, implemented and reviewed effectively.

Key roles are outlined below.

	<b><i>Roles &amp; Responsibilities</i></b>
The Council	To oversee the effective management of risk by officers of the Council and receive an annual report on Risk Management
Executive	Responsible for approving the authority's risk management policy statement and strategy.
The Audit Committee	For quarterly reviewing the effectiveness of risk management.
Officer and Member Risk Management Advocates	The champion speaks authoritatively about risk management in the context of achieving corporate objectives and is an enthusiastic supporter. The champion will be most effective by leading, supporting, and broadly communicating benefits and reporting progress.
Chief Executive and Strategic Management Team (SMT)	To ensure that the Council manages risk effectively through the development of a comprehensive corporate strategy and to champion the risk management process within their areas of responsibility. <i>To receive a report on Strategic Risks and carry out a review of these risks at least annually.</i>
Strategic Manager (Resources)	To act as the Corporate Lead on SMT
Risk Management Group	To drive the implementation of risk management, maintain the corporate risk register and advise and support SMT on risks likely to have a significant impact on the achievement of the Council's objectives. The Risk Management group is also responsible for the provision of training and guidance on risk management matters.
Heads of Service	To champion the risk management process within their areas of responsibility. Responsible for identifying their objectives and preparing a risk analysis and control action plan for their services. Identifying and managing significant strategic and operational risks arising from their service activities. Ensuring risk assessments where appropriate are carried out as a routine part of management activities.
Service Managers	To identify and manage risk effectively in their particular

	service areas
Employees	To identify and manage risk effectively in their job

The Risk Management Process



Acknowledgement: "A Risk Management Standard AIRMIC,ALARM, IRM:2002

**KLOE Risk Management Requirements**

<p><b>4. INTERNAL CONTROL</b>  <b>How well does the council’s internal control environment enable it to manage its significant business risks?</b></p>		
<p><b>Key line of enquiry</b>  4.1 The council manages its significant business risks</p>		
<p><b>Audit Focus</b></p>		
<p>Evidence that:</p> <ul style="list-style-type: none"> <li>the council has a risk management process in place</li> <li>the risk management system covers partnership working</li> </ul>		
<p><b>Criteria for Judgement</b></p>		
<p><b>Level 2</b></p>	<p><b>Level 3</b></p>	<p><b>Level 4</b></p>
<p>* <b>The council has adopted a risk management strategy/policy that has been approved by members.</b></p> <p>* <b>The risk management strategy/policy requires the council to:</b></p> <ul style="list-style-type: none"> <li><b>identify corporate and operational risks</b></li> <li><b>assess the risks for likelihood and impact</b></li> <li><b>identify mitigating controls</b></li> <li><b>allocate responsibility for the mitigating controls.</b></li> </ul> <p>* <b>The council maintains and reviews a register of its corporate business risks linking them to strategic business objectives and assigning ownership for each risk.</b></p>	<p>* <b>The risk management process is reviewed and updated at least annually.</b></p> <p>* <b>The risk management process specifically considers risks in relation to significant partnerships and provides for assurances to be obtained about the management of those risks.</b></p> <p>* <b>All appropriate staff are given relevant training and guidance to enable them to take responsibility for managing risk within their own working environment. (now bold)</b></p> <p>* <b>The members with specific responsibility for risk management have received risk management awareness training.</b></p>	<p>A senior officer and member jointly champion and take responsibility for embedding risk management throughout the council.</p> <p>The council can demonstrate that it has embedded risk management in its corporate business processes, including:</p> <ul style="list-style-type: none"> <li>strategic planning</li> <li>financial planning</li> <li>policy making and review</li> <li>performance management.</li> </ul> <p>All members receive risk management awareness training.</p> <p>The council considers positive risks (opportunities) as well as negative risks (threats).</p>

<p><b>* Member responsibility for corporate risk management is identified in the terms of reference of one or more committees as appropriate.</b></p> <p><b>* Reports to support strategic policy decisions, and project initiation documents, include a risk assessment.</b></p>	<p><b>* Members with responsibility for corporate risk management receive reports on a regular basis and take appropriate action to ensure that corporate business risks are being actively managed, including reporting to full council as appropriate.</b></p>	
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