

ITEM

ITEM

COUNCIL – 27 MARCH 2008

RISK MANAGEMENT – ANNUAL REPORT

Joint Report of the lead officer of the Risk Management Group 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 2007. 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 comments 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 adopted by the Council in June 2005 has been amended twice during the reporting period to ensure that it reflects 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 in the Council's Risk Management Strategy. This is 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 2007.

Current Situation

- 5. As previously mentioned the Council’s Strategy has been amended twice 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 newly established 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 2007. The next review is scheduled to take place in May 2008.
- 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 2007 a review risks were reviewed to ensure that those held were still current and to include newly identified risks.
- 10. The Partnership Risk Register was reported last year as being in its infancy. We have made some progress increasing the depth of risks identified within each partnership but due to the nature of some of the partnerships this is inevitably a slow process.

Key Lines of Enquiry for Internal Control

- 11. 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.	This requirement has been met.
* The risk management process specifically considers risks in relation to significant partnerships and provides for	This requirement has been met. A risk register for partnerships has been entered onto Covalent and we are now in the process of carrying out more detailed

<p>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>risk assessments for specific partnerships.</p> <p>This requirement has been met. Appropriate training continues to be part of the Induction process.</p> <p>This requirement has been met.</p> <p>This requirement has been met. 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:

Level 4 requirements	Council status
<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"> • strategic planning • financial planning • policy making and review • performance management <p>*All members have received risk management awareness training.</p>	<p>This requirement has been met 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>This requirement was previously met and we are working towards achieving it again. Also see Paragraph 14 below</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

12. Risk workshops have proved to be a valuable method of working and they have continued to be held when appropriate.
13. The following workshops have been held:
 - Sherford – following the conclusion of the AAP;
 - Single status;
 - The Leisure Contract.

Training

14. Training for Members. It was the wish to the Leader and Scrutiny, who previously had responsibility for Risk Management, that appropriate training be arranged for all members following the elections in May 2007. A review of the content of the risk management awareness package was undertaken and a series of events was arranged during the period from July 2007 to January 2008. To date all but 6 members have completed this revised training.
15. Training for staff. The package used for staff has also been reviewed and new employees receive this training as part of their induction package.

Business Continuity

16. The Business Continuity Plan is in the process of being updated to take account of changes in the Council and the perception of the risks we may face to the disruption of services.

Health and Safety

17. 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.
18. A training event was held for all Panel members in December 2007 which not only produced suggestions for changes in the Terms of Reference of the Panel but also compiled a list of actions to be considered for improving health and safety.
19. With regard to injury rates, they 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.
20. The work to ensure that we can comply with the Health and Safety Executive's Standard for Effective Health and Safety Management is progressing and an action plan is being produced to enable the Council to meet the gap between where we currently are and where we would wish to be.
21. A training event was held in January 2008 for all managers with the aim of updating the knowledge of their health and safety responsibilities and producing action plans increase to enable development of their service areas.
22. The Health and Safety Executive have indicated that they intend to visit all local authorities during the next 18 months to examine the policies and procedures in use for the management of waste collection and recycling and managing stress and these areas have been given an increased priority for work.

Internal Audit

23. Risk Management is subject to an annual audit and the audit for this year is currently underway.
24. **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"> ▪ Meet demands for savings. ▪ Target resources more effectively 	<ul style="list-style-type: none"> ▪ Failure of managers to identify risks timely ▪ Failure to identify the risks associated with significant projects and partnerships may prevent the 	<p>A fully embedded and working risk management system should enable the Council to:</p> <ul style="list-style-type: none"> ▪ Proactively identify both threats and opportunities and

<ul style="list-style-type: none"> ▪ Produce better outcomes on corporate objectives ▪ Deliver innovative projects ▪ Produce better outcomes for service users ▪ Protect our reputation ▪ Enable lower risk related costs 	<p>Council achieving its objectives and increase its liabilities.</p> <ul style="list-style-type: none"> ▪ Failure of all staff to embrace risk management at their individual level ▪ Failure to comply with statutory requirements and good practice may leave the Council open to investigation and possible prosecution ▪ We have suitable and sufficient policies and procedures in place in many areas. We must continue to ensure that these and monitored for compliance and that reviews are carried out when appropriate. 	<p>enable the council to take appropriate action.</p> <ul style="list-style-type: none"> ▪ 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 use of resources, dropping a grade could be detrimental to the Council’s reputation) ▪ Meet increasing demands on our resources more effectively
<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"> ▪ Failure to identify the risks associated with significant projects and partnerships may prevent the Council achieving its objectives and increase its liabilities. 	<ul style="list-style-type: none"> ▪ A wider range of skills and benefits to the Council and the community can be achieved from correctly assessed partnership working

Conclusion

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

Pete Osborne
Lead officer – Risk Management Group

Council
27 March 2008

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

- 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

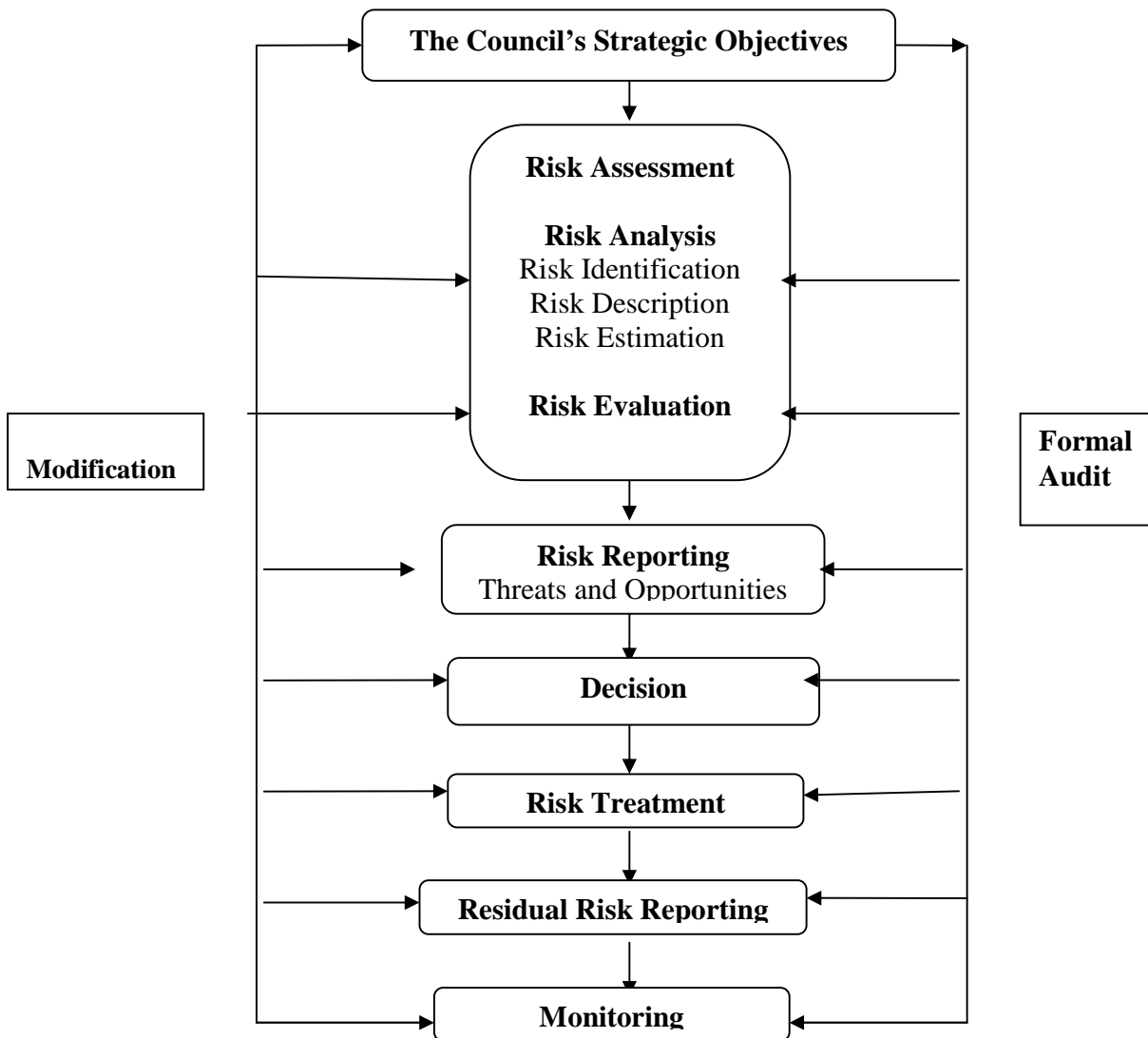
Identifying and allocating roles and responsibilities for risk management is essential if the strategy is to be developed, implemented and reviewed effectively.

Key roles are outlined below.

	<i>Roles & Responsibilities</i>
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>4. INTERNAL CONTROL How well does the council’s internal control environment enable it to manage its significant business risks?</p>		
<p>Key line of enquiry 4.1 The council manages its significant business risks</p>		
<p>Audit Focus</p>		
<p>Evidence that:</p> <ul style="list-style-type: none"> the council has a risk management process in place the risk management system covers partnership working 		
<p>Criteria for Judgement</p>		
<p>Level 2</p>	<p>Level 3</p>	<p>Level 4</p>
<p>* The council has adopted a risk management strategy/policy that has been approved by members.</p> <p>* The risk management strategy/policy requires the council to:</p> <ul style="list-style-type: none"> identify corporate and operational risks assess the risks for likelihood and impact identify mitigating controls allocate responsibility for the mitigating controls. <p>* The council maintains and reviews a register of its corporate business risks linking them to strategic business objectives and assigning ownership for each risk.</p>	<p>* The risk management process is reviewed and updated at least annually.</p> <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. (now bold)</p> <p>* The members with specific responsibility for risk management have received risk management awareness training.</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"> strategic planning financial planning policy making and review performance management. <p>All members receive risk management awareness training.</p> <p>The council considers positive risks (opportunities) as well as negative risks (threats).</p>

<p>* Member responsibility for corporate risk management is identified in the terms of reference of one or more committees as appropriate.</p> <p>* Reports to support strategic policy decisions, and project initiation documents, include a risk assessment.</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>	
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