

Council 29 March 2007

## **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 2006. 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**

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

#### **Background**

2. While recognising that the Council has to deliver services in an increasingly risk-averse and litigious society, risk management is regarded as a tool for exploiting opportunities as well as safeguarding against potential threats.
3. Risk needs to be managed creatively rather than avoided and 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.
4. There is a commitment to establishing 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;

5. Risk Management is also a key element of the Audit Commission's Key Lines of Enquiry (KLOE) Use of Resources assessment of the Council's performance.
6. The Risk Management Strategy (Appendix A) which was adopted by the Council in June 2005 defines risk as something that might have an impact on the achievement of the Council's objectives and its delivery of services to the community.
7. 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 demonstrates Member involvement in the process and provides evidence for the KLOE Use of Resources Assessment.
8. Our Strategy also requires an annual report to Council outlining the Council's activities on risk management during the year. This report provides information on risk management activities undertaken since April 2006.

### **Current Situation**

9. Following adoption of the Council's Strategy in June 2005 it has subsequently been amended twice to encompass changes in the requirements on the Council and to better reflect good practice.
10. As required by the Council's Strategy quarterly reports have been provided to Scrutiny during the year.
11. Using the Performance Management system, Covalent, Risk Registers have been constructed for:  
  
Strategic Risks  
Operational Risk  
Partnership Risks
12. The Strategic Risk Register is reviewed twice a year by the Strategic Management Team, the last occasion being October 2006 at which time some minor changes were made. The next review is scheduled to take place in April 2007.
13. 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. The risks identified in the 2005/2006 and 2006/2007 Service Plans have been reviewed and incorporated where necessary.
14. The Partnership Risk Register is in its infancy and we are in the process of carrying out detailed analysis of the risks involved in each Partnership to ensure that significant risks to the Council are identified and control measures put in place to remove or mitigate the effects of them.

## Key Lines of Enquiry for Internal Control

15. 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>
* 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>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.
All appropriate staff are given relevant training and guidance to enable them to take responsibility for managing risk within their own working environment.	<b>This requirement has been met.</b> Appropriate training continues to be part of the Induction process.
* The members with specific responsibility for risk management have received risk management awareness training.	<b>This requirement has been met.</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>This requirement has been met.</b> Reports are produced for Scrutiny at least quarterly and where appropriate interim reports will be submitted.

### Level 4: Progress as below:

Level 4 requirements	Council status
*A senior officer and member jointly champion and take overall responsibility for	<b>This requirement has been met</b> Mark Seymour is the senior officer Champion and Cllr Roger Croad the

<p>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 risk management awareness training.</p> <p>*The council considers positive risks (opportunities) as well as negative risks (threats).</p>	<p>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> Also see Paragraph 9 below</p> <p>Members will be aware that reports now include opportunities as well as risks and they will continue to be monitored to ensure that this is happening. 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. Conducting Risk Workshops at an early stage enables both opportunities and threats to be more easily identified</p>
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## Risk Workshops

16. The value of this method of working is now accepted and risk workshops are taking place when appropriate.
17. Two workshops have been facilitated for Sherford and there are further sessions planned following the Sherford AAP Examination. It is our intention to facilitate workshops for the following at the appropriate time:
  - Langage
  - Shared Service working
  - Local Government Review
18. Draft guidance for partnerships has been produced and this is currently under consultation. This document includes the use of risk workshops as an integral

part of the process. It is also intended that both training and guidance on projects includes the use of workshops.

## **Training**

19. Training for Members. Although all members have received some training a review of the training needs is underway. Following the Local Council elections in May 2007 it may be appropriate for all members to attend some form of short refresher training in order to demonstrate that we are ensuring their skills and knowledge is at a suitable level. It is intended to provide this training in small groups and also take account of member's prior knowledge.
20. Training for staff. All existing staff received awareness training in 2005 and new staff receive it as part of their Induction Package.
21. A Risk Management area has been introduced on the Intranet and we are in the process of producing a basis guide on risk management for all staff.

## **Business Continuity**

22. Following the Business Continuity Plan exercise in May 2006 amendments continue to be made to the Plan to ensure that it meets the Council's. It is anticipated that a further table top exercise will be conducted in the autumn of 2007 to test elements of the revised plan.

## **Health and Safety**

23. The Council's Joint Health and Safety Consultative Panel meets 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.
24. Our injury rates continue to reduce year on year. Where trends are identified appropriate action is taken review control measures and ensure that these are suitable and sufficient. In the past this has involved providing additional training as well as increasing monitoring.
25. In this context it is gratifying to note that the introduction of wheeled bins has seen only one incident that is directly attributable to the new method of working.
26. We have been involved in developing a plan to ensure that the Council can comply with the Health and Safety Executive's Standard for Effective Health and Safety Management and progress on this will be reported to the Health and Safety Panel.

27. The programme of training for health and safety is linked into the partnerships with Teignbridge and Mid Devon District Councils and West Devon Borough Council but we also have arranged our own training for asbestos awareness and first aid and defibrillators.

### Internal Audit

28. Risk Management is subject to an annual audit and this was carried out by Internal Audit in late 2006. The conclusions of their report are at Annex C.
29. The report identified the following three areas where further effort is required. The first two were included in the amendment to the Strategy that was presented to Executive on 8 March 2007 and indeed this report fulfils one of them. The third is being dealt with by ensuring that the risk management process is explicit in both the training and guidance for projects.
- Formal meetings of the Council's Strategic Risk Management Group;
  - Annual report to Council; and
  - Continued progress on the risk management process in key projects run by the Council.

30. **Risk Assessment**

<b>Threats</b>	<b>Mitigation</b>
Failure to achieve the Council's objectives	A fully embedded and working risk management system should be able to proactively identify both threats and opportunities and enable the council to take appropriate action.
Failure to maintain CPA grading	A fully operational risk management system will enable the Council to 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.
Failure to identify the risks associated with significant projects and partnerships may prevent the Council achieving its objectives and increase its liabilities.	Risk workshops are designed to ensure that all significant risks are identified and control put in place to mitigate them

Failure of all staff to embrace risk management at their individual level	Staff training emphasises that all staff members have a role to play and indicates how they can and do manage risks in practical terms.
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<b>Opportunities</b>
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A fully embedded risk management process will enable better deployment of resources and possible enable the Council to meet demands for savings.
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## **Conclusion**

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

P J Osborne  
Lead officer – Risk Management Group

29 March 2007

M Seymour  
Strategic Director (Resources)

## **Background documents:**

None

## ANNEX A

Risk Management Strategy

SOUTH HAMS DISTRICT COUNCIL



## 1.0 Policy

- 1.1 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.
- 1.2 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 will embrace.
- 1.3 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-to-day issues that the Council is confronted with as it works to deliver its strategic objectives.
- 1.4 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.
- 1.5 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.
- 1.6 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.

1.7 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.

## 2.0 Organisation

2.1 The Executive is responsible for approving the authority's risk management policy statement and strategy and for annually reviewing the effectiveness of risk management.

2.2 Scrutiny is responsible for reviewing the Council's Risk Management Performance at least quarterly.

2.3 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:
  - 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);

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

- 2.4 Reflecting our belief that risk management is “everyone’s business,” and 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.
- 2.5 SMT and Heads of Service will champion the risk management process within their areas of responsibility.
- 2.6 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.
- 2.7 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 Scrutiny through Internal Audit’s normal reporting process
- 2.8 Roles and Responsibilities are shown at Appendix 2.

### **3.0 Arrangements**

- 3.1 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.
- 3.2 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.

- 3.3 The Risk Management Group will provide a report to SMT and Scrutiny 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.
- 3.4 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.
- 3.5 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.

#### **4. Reporting**

- 4.1 Reports on the Council's Risk Management activities will be provided as follows:
  - a. Council Annually;
  - b. Executive As and when the Council's Strategy requires amendment;
  - c. Scrutiny Not less than quarterly;
  - d. SMT At least annually as part of the review of the Strategic Risk Register.

#### **5. Business Continuity**

- 5.1 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.
- 5.2 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.
- 5.3 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.

**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

## Appendix 2

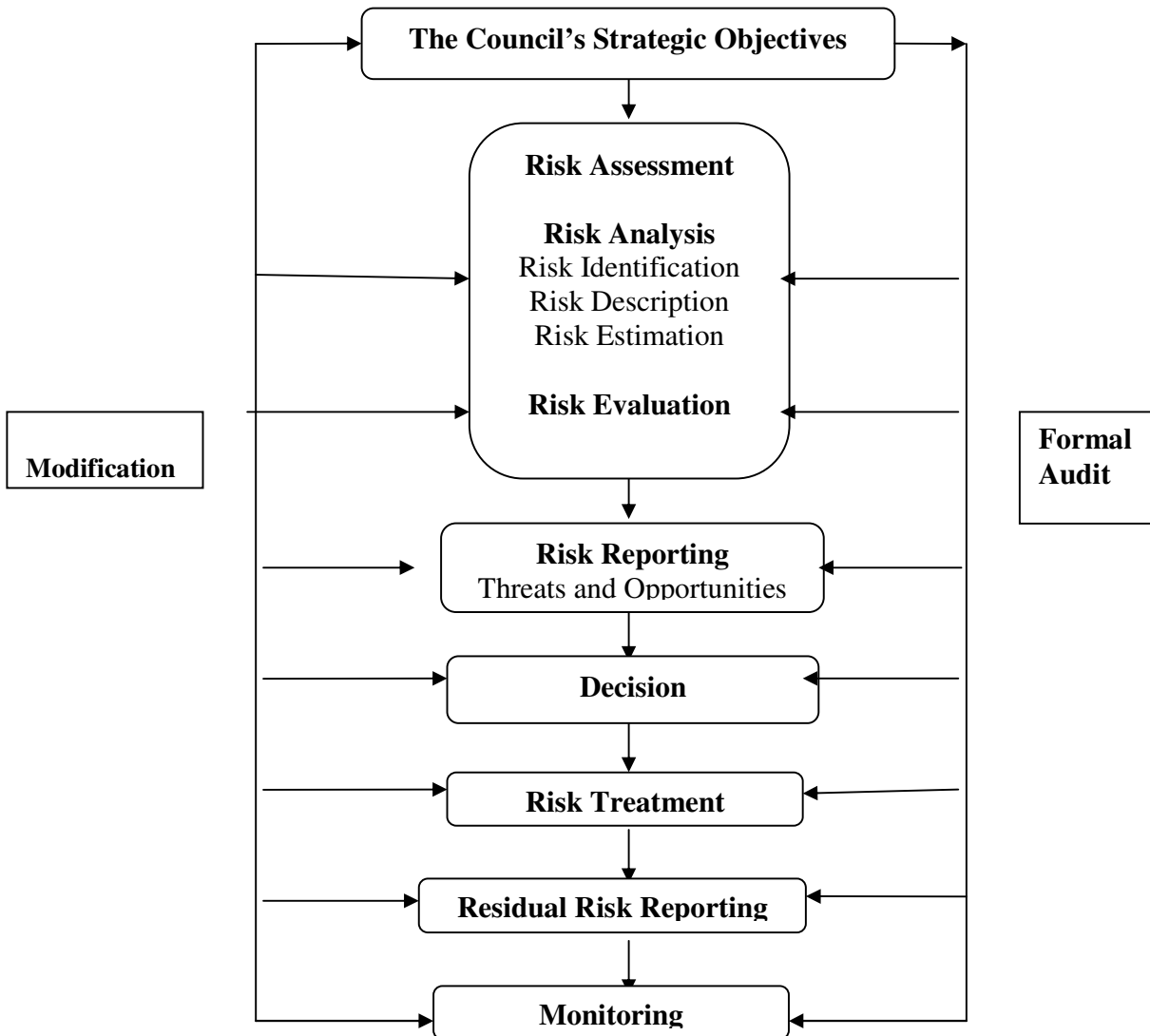
### Roles and responsibilities

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>Roles &amp; Responsibilities</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.
Scrutiny	For quarterly reviewing the effectiveness of risk management.
Officer and Member Risk Management Champions	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. To receive a report on Strategic Risks and carry out a review of these risks at least annually.
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**

<b>4. INTERNAL CONTROL</b> <b>How well does the council’s internal control environment enable it to manage its significant business risks?</b>		
<b>Key line of enquiry</b> 4.1 The council manages its significant business risks		
<b>Audit Focus</b>		
Evidence that: <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>		
<b>Criteria for Judgement</b>		
<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
<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>* 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>* 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>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><b>* The members with specific responsibility for risk management have received risk management awareness training.</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>	<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>

### Internal Audit Report 2006/2007

#### Conclusions

Further progress has been made since the last annual internal audit report on Risk Management covering all aspects of the Use of Resources Key Lines of Enquiry (KLOE) checklist attached at Appendix A:

- Member training completed;
- Partnerships and their risks have been identified;
- Risk Registers put on the Council's performance management system, including for partnerships;
- Risk workshops on key projects completed;
- Quarterly reports to Scrutiny completed; and
- Regular meetings of the Risk Management Group.

However, there is further work required on the risk management process to bring the Council up to level 4 of the Use of Resources self assessment checklist:

- Formal meetings of the Council's Strategic Risk Management Group in line with the approved Risk Management Strategy;
- Annual report to Council in line with the approved Risk Management Strategy; and
- Continued progress on the risk management process in key projects run by the Council.