

REPORT TO EXECUTIVE – 8 MARCH 2007**RISK MANAGEMENT STRATEGY - AMENDMENTS****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

The purpose of this report is to recommend changes to the Risk Management Strategy. There is a direct link to CP6 (Improve core service performance in a cost-effective way) and indirect links to CPs 1,2, and 5

Recommendations**That the Executive:**

- a. **approve the amendments to the Risk Management Strategy**

Background

1. The Risk Management Strategy was adopted by the Executive on 28 July 2005 following comment and input from Scrutiny. It was amended on 13 October 2005 and a copy of the approved document is attached at Annex A.

Current Situation

2. Following the examination by our external Auditors in November 2006 a need has been identified to make some minor changes to the Strategy to ensure that we meet the requirements of good practice. These are outlined below:
 - 2.2 The inclusion of the responsibilities of Scrutiny
 - 2.3 The Heads of Service responsibilities for service plans
 - 3.3 Change from CPA to "Key Lines of Enquiry (KLOE)
 - 4 Reporting – a new section setting out the frequency of reportsAppendix 2 Council - To receive an annual report
3. Whilst these are minor amendments they will ensure that both Strategy and current practice agree and indicate in a clearer manner the frequency of reporting and the bodies being reported to.
4. A copy of the draft revised Strategy with amendments incorporated is at Annex B.

5. **Risk Assessment**

Risk	Mitigation
Evidence produced for external audit not supported by our policies	Accept the proposed amendments
All members not being aware of the Council's Risk Management activities.	The proposed amendments ensure that all members receive information on at least an annual basis

Conclusion

6. The Council has adopted Risk Management as being an essential part of its management systems and the Risk Management Strategy should include the current arrangements and provide for the systems required to ensure that risks to our objectives are managed and that Risk Management is fully embedded in every aspect of the Council.

P J Osborne
Lead officer – Risk Management Group

8 March 2007

M Seymour
Strategic Director (Resources)

Risk Management Strategy October 2005

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 strives 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 Councils 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 The Chief Executive has overall responsibility for risk management. To assist:-
- a) The Strategic Management Team (SMT) will 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;
 - one member of SMT;
 - Head of Operations;
 - Head of IT;
 - Internal Audit (in an advisory capacity);
 - Head of Property Services;
 - Head of Legal Services (in an advisory capacity); and
 - Head of Improvement Team.

In the absence of any of the above arrangements will be made for a nominated deputy to attend.
- 2.3 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.
- 2.4 SMT and Heads of Service will champion the risk management process within their areas of responsibility.
- 2.5 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.

2.6 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.

2.7 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. This 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 CPA 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 As part of the review process, the Fundamental Service Review submission will include an assessment of strategic and operational risks associated with options considered. Risk Management information and advice, for this purpose, should be sought from the Risk Management Group by review teams.

3.6 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. Business Continuity

4.1 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.

4.2 The Council has identified business continuity as a strategic risk.

4.3 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

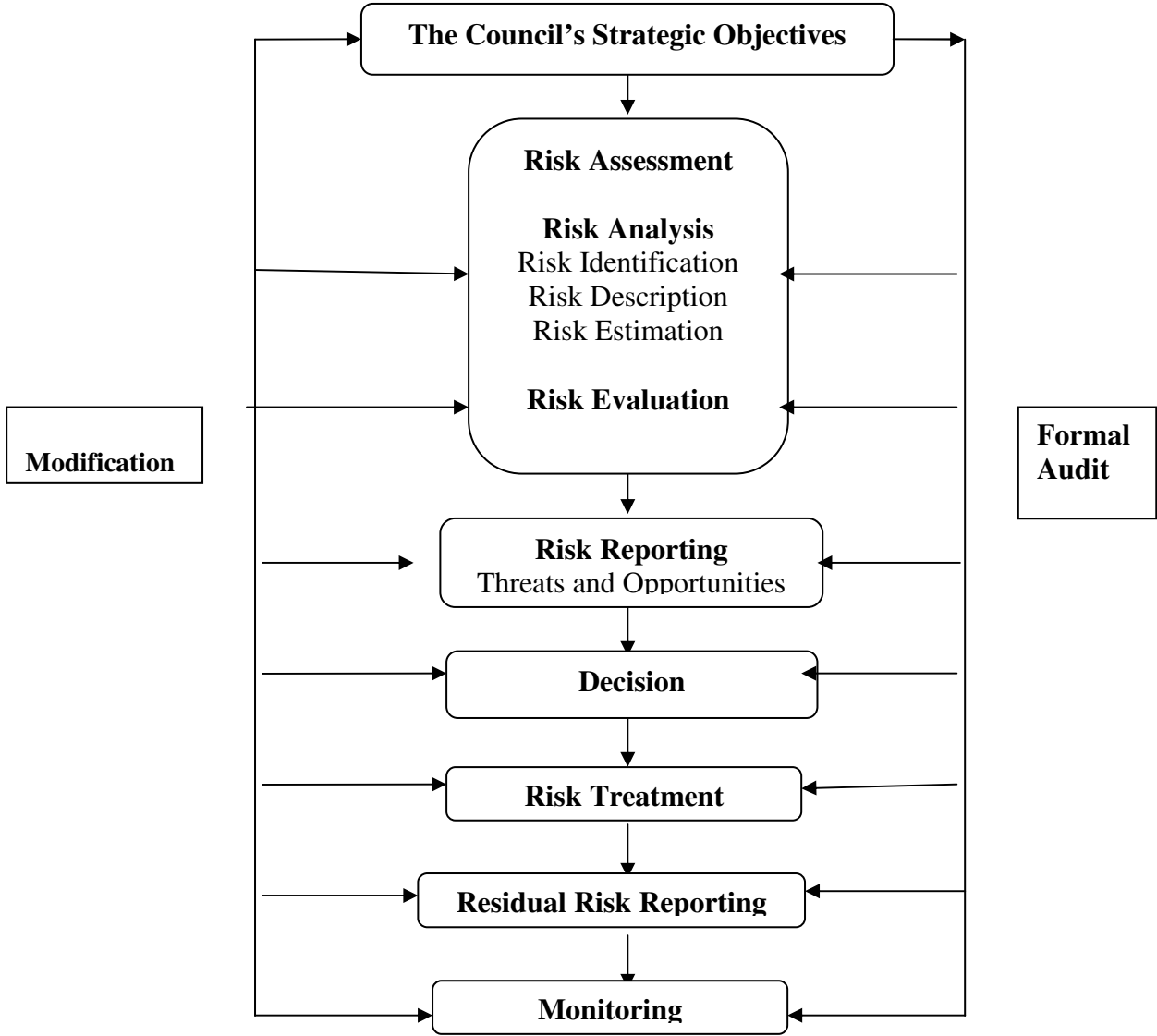
Roles and responsibilities

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.

	Roles & Responsibilities
The Council	To oversee the effective management of risk by officers of the Council
Executive	Responsible for approving the authority's risk management policy statement and strategy.
Scrutiny	For quarterly reviewing the effectiveness of risk management.
Risk Management Champion	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.
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 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

Draft Risk Management Strategy February 2007 (Amendments shown in italics)

SOUTH HAMS DISTRICT COUNCIL



1.0 **Policy**

1.8 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.

1.9 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.

1.10 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.

1.11 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.

1.12 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.

1.13 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.

1.14 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.

3.0 Organisation

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

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

3.3 The Chief Executive has overall responsibility for risk management and will be assisted by:

c) 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.

d) 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.

3.4 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.*

3.5 SMT and Heads of Service will champion the risk management process within their areas of responsibility.

3.6 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.

3.7 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

3.8 Roles and Responsibilities are shown at Appendix 2.

3.0 Arrangements

3.7 Arrangements will be put in place to:

- Identify and quantify risks and potential liabilities;
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- 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.

3.8 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.

3.9 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.

3.10 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.

3.11 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.

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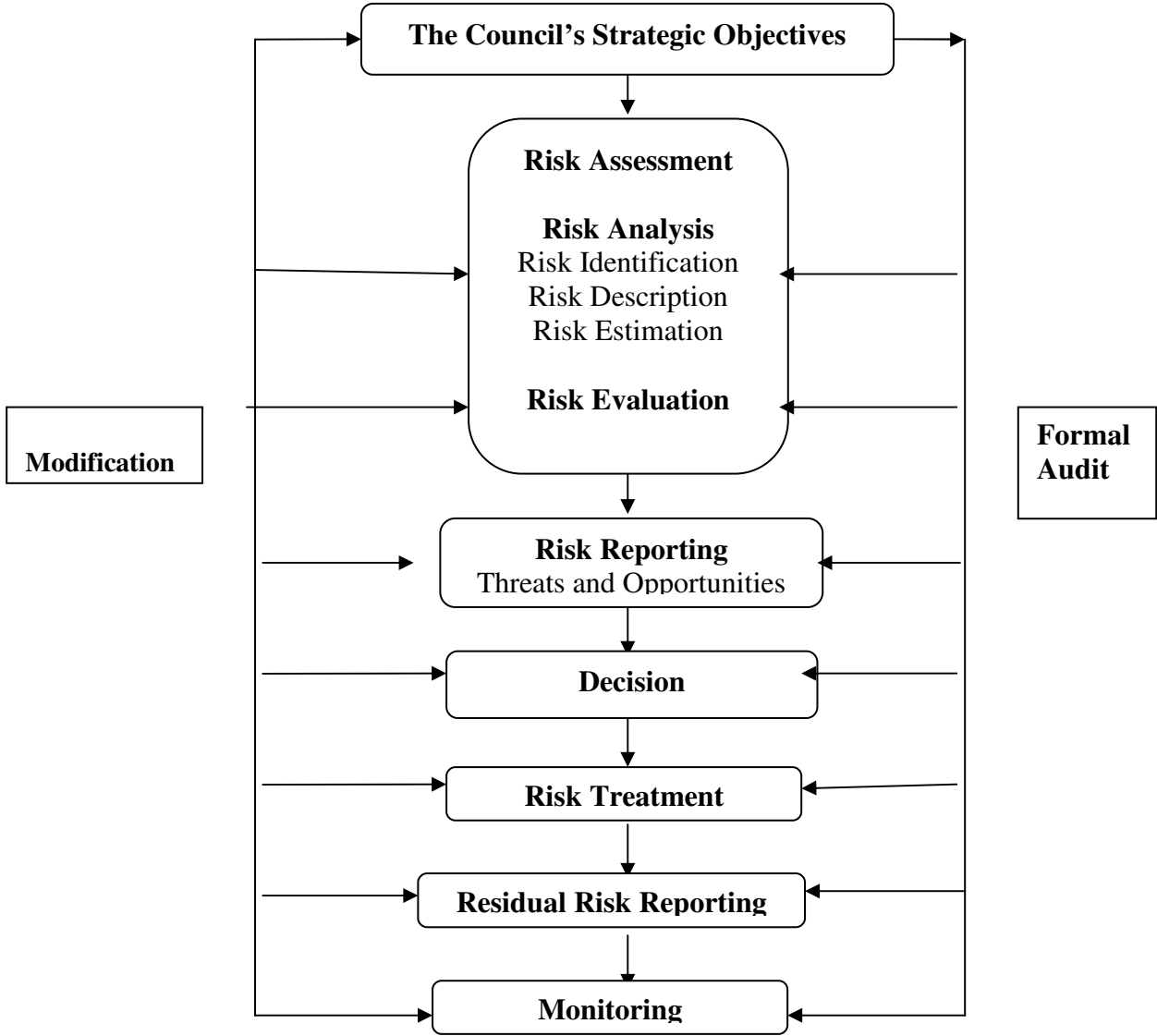
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Identifying and allocating roles and responsibilities for risk management is essential if the strategy is to be developed, implemented and reviewed effectively.

Key roles are outlined below.

	Roles & Responsibilities
The Council	To oversee the effective management of risk by officers of the Council and <i>receive an annual report on Risk Management</i>
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. <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.
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