

EXECUTIVE 10 July 2008

RISK MANAGEMENT STRATEGY - AMENDMENTS

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

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 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 has been reviewed and amended regularly, the last amendment being approved in December 2007.

Current Situation

2. The Council's Risk Registers are held on Covalent, the Performance and Risk Management system. It is essential that the registers are reviewed regularly and maintained in an up-to-date state.
3. Currently the requirement for managers and others to do this is implicit but there is no formal requirement.

Proposed Changes

4. The draft strategy and Policy (Annex A) has been amended to include the requirement for:

"Managers and others with assigned responsibilities should regularly monitor and review their assigned risks on the Council's Performance and Risk Management system (Covalent) and ensure that the risks and identified control measures are up-to-date."
5. A similar requirement has been included in the Roles and Responsibilities at Appendix 2 to the document.

6. These changes will work towards ensuring that risk management is embedded and that the monitoring of identified risks becomes part of management processes.

Risk Assessment

7. The following are the significant opportunities, issues/obstacles and benefits identified:

Opportunities/Benefits
<p>The risk management strategy is reviewed annually which provides an opportunity to ensure that it is up-to-date and relevant to the Council's systems. The strategy will be current and enable us to demonstrate the review process to external audit. The proposed change will help to ensure that the risk registers are current</p>

Issues/obstacles/threats	Mitigation
Executive fails to agree the amendments.	The measure is reasonable and confirms the process that should be taking place
Mangers and others with assigned responsibilities fail to up-date their risks	Further training will be available to enable those concerned to become better acquainted with Covalent

Conclusion

8. 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
Risk and Health and Safety Advisor

10 July 2008

M Seymour
Strategic Director (Resources)

Risk Management Strategy

SOUTH HAMS DISTRICT COUNCIL



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-to-day 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 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.

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 the 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 Environment Services;
 - Head of IT;
 - Head of Property Services;
 - Head of Improvement Team.
 - The Member advocate for Risk Management
 - Internal Audit Manager (in an advisory capacity);
 - Solicitor to the Council (in an advisory capacity);

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.
23. Managers and others with assigned responsibilities should regularly monitor and review their assigned risks on the Council's Performance and Risk Management system (Covalent) and ensure that the risks and identified control measures are up-to-date.

Reporting

24. 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

25. 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.
26. 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.
27. 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

28. 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.

29. 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.
30. 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.
31. 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

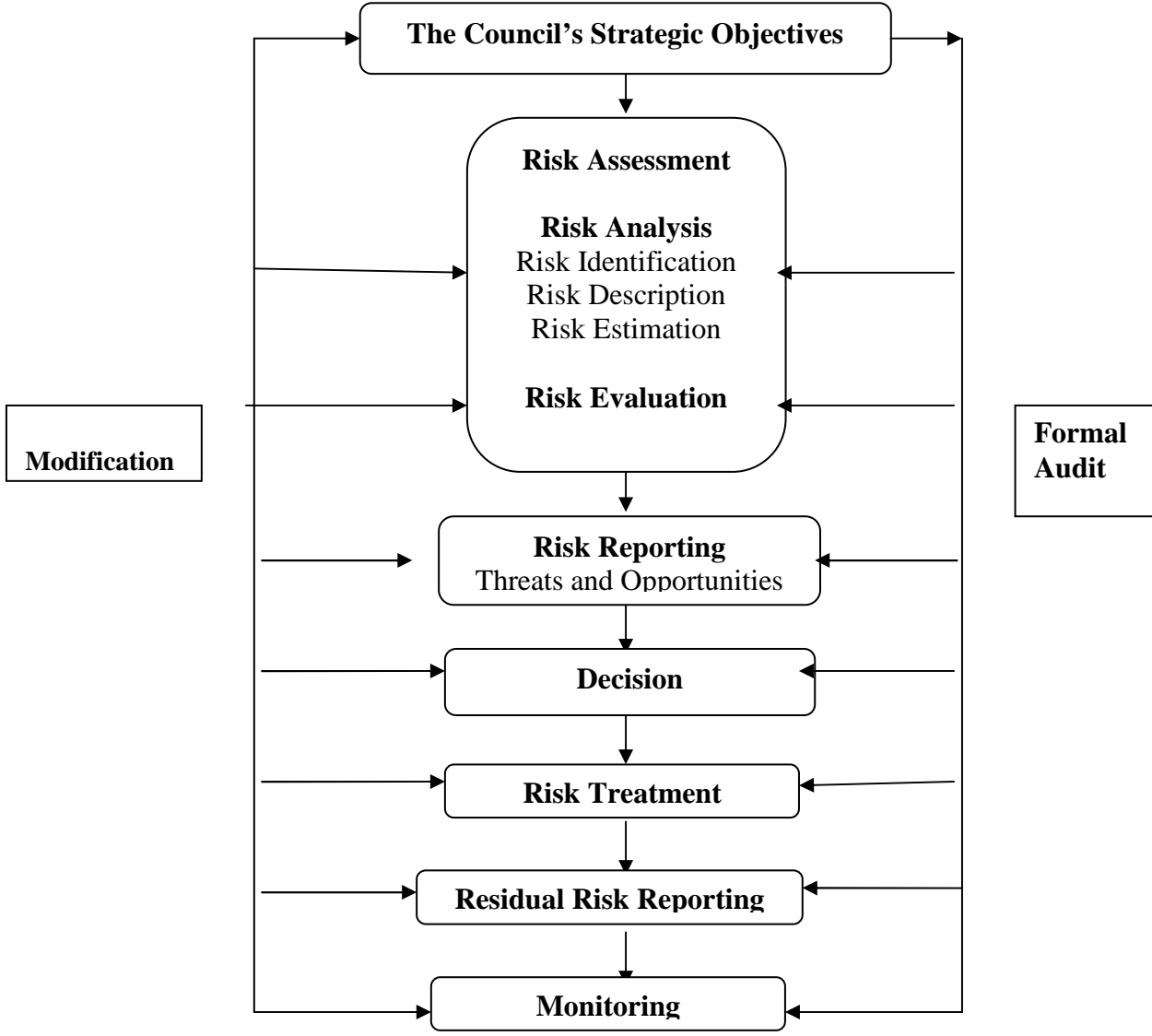
Roles and responsibilities

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.

	Roles & Responsibilities
The Council	Oversee the effective management of risk by officers of the Council and receive an annual report on Risk Management
Executive	Approve the authority's risk management policy statement and strategy.
The Audit Committee	Review quarterly the effectiveness of risk management.
Officer and Member Risk Management Advocates	The advocate speaks authoritatively about risk management in the context of achieving corporate objectives and is an enthusiastic supporter. The advocate will be most effective by leading, supporting, and broadly communicating benefits and reporting progress.
Chief Executive and Strategic Management Team (SMT)	<ul style="list-style-type: none"> ▪ 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 the SMT
Risk Management Group	<ul style="list-style-type: none"> ▪ 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. ▪ To provide appropriate training and guidance on risk management matters.
Heads of Service	<ul style="list-style-type: none"> ▪ Champion the risk management process within their areas of responsibility. ▪ Identify their objectives and preparing a risk analysis and control action plan for their services. ▪ Identify and managing significant strategic and operational risks arising from their service activities. ▪ Ensure risk assessments where appropriate are carried out as a routine part of management activities. ▪ Review their areas of concern on the Council's Performance and Risk Management System (Covalent)
Service Managers	<ul style="list-style-type: none"> ▪ Identify and manage risk effectively in their particular service areas ▪ Review their areas of concern on the Council's Performance and Risk Management System (Covalent)
Employees	Identify and manage risk effectively appropriate to their role

The Risk Management Process



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