

 <b>Finance and Audit Scrutiny Committee</b> <b>30 September 2014</b>		<b>Agenda Item No. 5</b>
<b>Title</b>	Risk Management Annual Report 2013/14	
<b>For further information about this report please contact</b>	Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk	
<b>Service Area</b>	Finance	
<b>Wards of the District directly affected</b>	Not applicable	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	Finance & Audit Scrutiny Committee – 8 October 2013. Last report for consideration of Significant Business Risk Register: Executive – 30 July 2014.	
<b>Background Papers</b>	Minutes of Risk Management Group meetings	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No

<b>Officer/Councillor Approval</b>		
With regard to officer approval all reports <i>must</i> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Relevant Director	5 Sept 2014	Andrew Jones
Chief Executive	5 Sept 2014	Chris Elliott
CMT	5 Sept 2014	CMT
Section 151 Officer	5 Sept 2014	Mike Snow
Legal	5 Sept 2014	
Finance	5 Sept 2014	As S151 Officer
Portfolio Holders	5 Sept 2014	Councillor Andrew Mobbs and Councillor Stephen Cross
<b>Consultation Undertaken</b>		
Not applicable		
<b>Final Decision?</b>		Yes
<b>Suggested next steps (if not final decision please set out below)</b>		

## 1 **SUMMARY**

- 1.1 As part of the ongoing objective to embed risk management within the organisation the report updates the Risk Management Strategy (Appendix A) and details progress in implementing risk management throughout the organisation including the implementation of items in last year's risk management action plan (Appendix B).

## 2 **RECOMMENDATIONS**

- 2.1 That members note the report and its contents, in particular that which sets out members' responsibility for risk management.
- 2.2 That members affirm the Council's risk management strategy (Appendix A).
- 2.3 That members confirm they are satisfied with the progress being made in embedding risk management in the Council, noting the review of Year Three of the 4-year Action Plan (Appendix B).

## 3 **REASON FOR RECOMMENDATIONS**

- 3.1 Members are responsible for overseeing the organisation's risk management arrangements. See Section 8, 'Responsibility for Risk Management', below.

## 4 **BUDGETARY FRAMEWORK**

- 4.1 Although there are no direct budgetary implications arising from this report, risk management performs a key role in corporate governance including that of the Budgetary Framework. An effective risk management framework helps to ensure that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.

## 5 **POLICY FRAMEWORK**

- 5.1 Although there are no direct policy implications, risk management is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.

## 6 **RISKS**

- 6.1 The purpose of the report is to comment on the Council's effectiveness in managing its risks.

## 7 **ALTERNATIVE OPTION(S) CONSIDERED**

- 7.1 This report is not concerned with recommending a particular option in preference to others so this section is not applicable.

## 8 **RESPONSIBILITY FOR RISK MANAGEMENT**

- 8.1 In its management paper, "Worth the risk: improving risk management in local government", the Audit Commission sets out clearly the responsibilities of members and officers:

"Members need to determine within existing and new leadership structures how they will plan and monitor the council's risk management arrangements. They should:

- decide on the structure through which risk management will be led and monitored;
- consider appointing a particular group or committee, such as an audit committee, to oversee risk management and to provide a focus for the process;
- agree an implementation strategy;
- approve the council's policy on risk (including the degree to which the council is willing to accept risk);
- agree the list of most significant risks;
- receive reports on risk management and internal control – officers should report at least annually, with possibly interim reporting on a quarterly basis;
- commission and review an annual assessment of effectiveness: and
- approve the public disclosure of the outcome of this annual assessment, including publishing it in an appropriate manner.

The role of senior officers is to implement the risk management policy agreed by members.

It is important that the chief executive is the clear figurehead for implementing the risk management process by making a clear and public personal commitment to making it work. However, it is unlikely that the chief executive will have the time to lead in practice and, as part of the planning process, the person best placed to lead the risk management implementation and improvement process should be identified and appointed to carry out this task. Other people throughout the organisation should also be tasked with taking clear responsibility for appropriate aspects of risk management in their area of responsibility."

## 9 **PROGRESS TO DATE**

- 9.1 The overriding objective for risk management is to embed it within the organisation so that it is a seamless, but fundamental, part of the organisation's processes and not viewed as a separate bureaucratic activity with little value. However, as with all objectives of this nature, there is no specific picture of what a fully risk-embedded organisation looks like and the goal of embedding risk management is an ongoing process rather than one with a definite ending.

- 9.2 To help achieve the objective of embedding risk management the Council has a Risk Management Strategy, set out as Appendix A to this report.
- 9.3 Within the Strategy is an action plan that details the tasks necessary to advance risk management. The action plan is a 4-year programme that was initiated in 2011/12. The programme is therefore currently in its fourth year. Members are required each year to review the Strategy and review the progress made in the action plan. The action plan is set out as Annexe 1 within Appendix A.
- 9.4 The action plan is based on the areas for improvement identified from a recent appraisal of the Council's risk management arrangements, undertaken through the CIPFA Risk Management Benchmarking Club.
- 9.5 The benchmarking survey is based on ALARM's National Performance Model for Risk Management in Public Services that breaks down risk management activity into seven strands:
- Leadership and management
  - Strategy and policy
  - People
  - Partnership, shared risks and resources
  - Processes and tools
  - Risk handling and assurance
  - Outcomes and delivery
- 9.6 Under each strand, answers to a series of questions identify the level of maturity the organisation has reached.
- 9.7 Further details are set out in Annexe 1 to Appendix A.
- 9.8 The level of maturity is assessed at one of the following (in ascending order of maturity):
- Engaging
  - Happening
  - Working
  - Embedded & Integrated
  - Driving
- 9.9 A strategic action plan has been produced to improve maturity levels for those strands deemed to be at lower levels of maturity i.e. at the "Happening" or "Engaging" levels.
- 9.10 The arrangements to be addressed are those that particularly fall short within those strands.
- 9.11 Previous annual action plans were based on addressing areas for improvement identified by the Key Lines of Enquiry 2.4 under the Comprehensive Area Assessment.
- 9.12 Progress in respect of last year's action plan is set out as Appendix B to this report.
- 9.13 The Risk Management Group meets on a regular basis throughout the

year to review progress and share and promote best practice in the field of risk management.

- 9.14 There had been a Risk Management Group within the Council for a number of years but following structural and staffing changes the Group was re-launched about four years ago and revised terms of reference agreed.
- 9.15 Each quarter, the senior management team reviews and updates the Significant Business Risk Register. This is then presented to the Executive for its consideration. Finance and Audit scrutiny Committee also consider the report making any representations to Executive as they see fit.
- 9.16 The Finance and Audit Scrutiny Committee has instigated a programme of quarterly reviews of service risk registers. This has proved to be highly beneficial, providing the impetus for services to review thoroughly their risk registers via the engagement of their management team and their portfolio holder.

## 10 **CONCLUSIONS**

- 10.1 The well-established key to effective risk management is having risk management arrangements which are embedded in the culture of the organisation and which are not separate 'bolt on' activities. Clearly, this is not an easy objective to achieve and, with the accepted wisdom that "risk management is an ongoing journey rather than one with a fixed destination", the crucial factor is that we continue to make good progress in implementing risk management within the Authority. This report provides evidence of that being achieved.

## WARWICK DISTRICT COUNCIL RISK MANAGEMENT STRATEGY

### **Purpose of strategy**

The purpose of the strategy is to embed risk management in the Authority by establishing a risk management framework that provides:

- n an efficient control environment
- n the overt allocation of accountability for risk management throughout the organisation
- n a well-established risk assessment process
- n performance monitoring of risk management activity
- n communications process to support risk management

*A 4-year action plan to advance risk management in the organisation is set out as Annexe 1.*

### **Definition and scope of risk management**

The Council has adopted the Audit Commission's definition of risk and risk management as contained in its Management Paper, 'Worth the risk: improving risk management in local government':

**Risk is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and successfully execute its strategies. Risk management is the process by which risks are identified, evaluated and controlled. It is a key element of the framework of governance together with community focus, structures and processes, standards of conduct and service delivery arrangements.**

The overall process of managing risk can be divided into:

- § Risk analysis, or assessment, which includes the identification, estimation and evaluation of the risks; and
- § Risk management that encompasses the planning, monitoring and controlling activities based on the information derived from risk analysis.

### **Aims and objectives**

The risk management policy of Warwick District Council is to adopt best practices in the identification, evaluation, and cost-effective control of risks to ensure that they are eliminated or reduced to an acceptable level.

It is acknowledged that some risks will always exist and will never be eliminated. All employees must understand the nature of risk and accept responsibility for risks associated with their area of authority. The necessary support, assistance and commitment of senior management will be provided.

The risk management objectives of the Council are to:

- § integrate risk management into the culture of the Council
- § manage risk in accordance with best practice
- § consider legal compliance as a minimum standard
- § anticipate and respond to changing social, environmental and legislative requirements
- § prevent injury and damage and reduce the cost of risk
- § raise awareness of the need for risk management.

These objectives will be achieved by:

- § establishing a risk management organisational structure to act in an advisory and guiding capacity which is accessible to all employees
- § including risk management as an agenda item at meetings as appropriate
- § continuing to demonstrate the application of risk management principles
- § providing risk management awareness training
- § maintaining documented procedures for the control of risk and the provision of suitable information, training and supervision
- § maintaining an appropriate incident reporting and recording system, with investigation procedures to establish cause and prevent recurrence
- § preparing contingency plans in areas where there is a potential for an occurrence having a catastrophic effect on the Council and its service delivery capability
- § maintaining effective communication
- § monitoring arrangements on an ongoing basis

### **Definition of the Council's risk appetite**

An organisation's risk appetite is the amount of risk that it is prepared to take in order to achieve its objectives. Defining the organisation's risk appetite provides the strategic framework for effective decision-making. Risk appetites for local authorities will also be lower due to the regulatory nature of most services and because of their stewardship obligations for public resources. However, local

authorities may be forced to take risks beyond their choosing to comply with central government directives or to satisfy public expectations of improved services.

Warwick District Council's risk appetite is determined by individual circumstances. In general terms, the Council's approach to providing services is to be innovative and to seek continuous improvement within a framework of robust corporate governance. This framework includes risk management that identifies and assesses risks appertaining to actions being considered or proposed. Decisions on whether to proceed with such actions are only taken after the careful assessment of the identified risks and an analysis of the risks compared to the benefits.

However, in all circumstances:

§ The Council would wish to manage its financial affairs such that no action will be taken that would jeopardise its ability to continue to provide services within its available resource; and

§ The Council would wish to secure the legal integrity of its actions at all times.

### **Roles and responsibilities**

The following groups and individuals have the following roles and responsibilities for risk management within the Council.

#### Executive

To oversee the effective management of risk throughout the Council; to hold the corporate management team accountable for the effective management of risk by officers of the Council.

#### Finance and Audit Scrutiny Committee

To scrutinise and review the management of risk on behalf of Executive.

#### Elected Members

To promote the importance of risk management in all that the Council does; to champion the cause of risk management.

#### Chief Executive

To be the clear figurehead for implementing the risk management process by making a clear and public personal commitment to making it work.

#### Senior Management Team

To ensure that the Council manages risk effectively through the development of a comprehensive risk management strategy; to monitor delivery by receiving reports from the risk management group.



### Risk champion<sup>1</sup>

To champion the cause of risk management within the Council, particularly at the strategic level; to take personal responsibility for ensuring that the risk management objectives as set out in the policy are achieved.

### Risk manager<sup>2</sup>

To support the Council and its departments and services in the effective development, implementation and review of the risk management strategy.

### Risk management group

To determine, implement and review the Council's risk management policy and its risk management strategy. The risk management group is responsible for developing specific programmes and procedures for establishing and maintaining risk management activities. This group will ensure the dispersal of vital information and, where appropriate, provide guidance, interpretation and understanding of the systems involved.

*The terms of reference of this group are set out as Annexe 2.*

### Departmental management teams

To ensure that risk is managed effectively in each service area within the agreed risk management strategy; to report to the Risk Management Group on how hazards and risks have been managed within their service area.

### Service managers

To manage risk effectively in their particular service areas; to report on how hazards and risks have been managed to their Departmental Management Team or directly to the Risk Management Group.

### Employees

To manage risk effectively in their jobs and report hazards and risks to their service managers

### Insurance & Risk officer

To advise on practices which will minimise the likelihood of adverse events occurring and arrange insurance cover where necessary and appropriate.

*The responsibilities of the various groups and individuals are summarised in the table that is included as Annexe 3.*

## **Methodology for identifying and assessing risk**

Risk is categorised between strategic and operational.

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<sup>1</sup> This officer is the Deputy Chief Executive (AJ)

<sup>2</sup> This officer is the Audit and Risk Manager.

Strategic risks are those risks identified as potentially damaging to the achievement of the Council’s objectives. These can be sub-categorised into:

- Political
- Social
- Legislative
- Competitive
- Economic
- Technological
- Environmental
- Customer/citizen

Operational risks are those risks that should be managed by departmental officers who will be responsible for operating and maintaining the services. These can be sub-categorised into:

- Professional
- Legal
- Contractual
- Environmental
- Financial
- Physical
- Information

For risk registers, the following definitions are applied for the measurement of risk in respect of probability and consequences:

### Probability of Occurrence

Estimation	Description	Indicators
5: High (Probable)	Likely to occur each year (defined as more than 25% chance of occurrence in any one of the years covered by the assessment).	<ul style="list-style-type: none"> <li>• Potential of it occurring several times within the specified period (for example - ten years).</li> <li>• Has occurred recently.</li> </ul>
4: Medium to High	Apply judgement	Apply judgement
3: Medium (Possible)	Likely to occur during a 10 year period (defined as between 2% and 25% chance of occurrence in any one of the years covered by the assessment).	<ul style="list-style-type: none"> <li>• Could occur more than once within the period (for example - ten years).</li> <li>• Could be difficult to control due to some external influences.</li> <li>• Is there a history of occurrence?</li> </ul>
2: Low to Medium	Apply judgement	Apply judgement
1: Low (Remote)	Not likely to occur in a 10 year period (defined as less than 2% chance of occurrence in any one of the years covered by the	<ul style="list-style-type: none"> <li>• Has not occurred.</li> <li>• Unlikely to occur.</li> </ul>

Estimation	Description	Indicators
	assessment).	

### Consequences

Estimation	Description
5: High	<ul style="list-style-type: none"> <li>Financial impact on the organisation is likely to exceed £500K</li> <li>Significant impact on the organisation's strategy or operational activities</li> <li>Significant stakeholder concern</li> </ul>
4: Medium to High	Apply judgement
3: Medium	<ul style="list-style-type: none"> <li>Financial impact on the organisation likely to be between £100K and £250K</li> <li>Moderate impact on the organisation's strategy or operational activities</li> <li>Moderate stakeholder concern</li> </ul>
2: Low to Medium	Apply judgement
1: Low	<ul style="list-style-type: none"> <li>Financial impact on the organisation likely to be less than £10K</li> <li>Low impact on the organisation's strategy or operational activities</li> <li>Low stakeholder concern</li> </ul>

## **Annexe 1: Risk Management Strategic Action Plan 2011/12 to 2014/15**

Through the CIPFA Risk Management Benchmarking Club the Council's risk management arrangements were appraised. Areas for improvement were identified from the analysis and these formed the components of a comprehensive action plan.

The benchmarking is based on ALARM's National Performance Model for Risk Management in Public Services published in 2009. This in turn is based on the "Risk Management Assessment Framework", developed by HM Treasury in 2002, itself having its genesis in the EFQM approach.

It breaks down risk management activity into seven strands:

- Leadership and management
- Strategy and policy
- People
- Partnership, shared risks and resources
- Processes and tools
- Risk handling and assurance
- Outcomes and delivery

Under each strand, a series of questions have been developed which members answer. These answers are weighted to reflect their relative impact on performance and collated into a final "score" for each section. This identifies the level of maturity the organisation has reached.

The level of maturity is assessed at one of the following (in ascending order of maturity):

- Engaging
- Happening
- Working
- Embedded & Integrated
- Driving

Our results were as follows:

- Leadership and management – Working
- Strategy and policy – Working
- People – Working
- Partnership, shared risks and resources – Happening
- Processes and tools – Working
- Risk handling and assurance – Happening
- Outcomes and delivery – Engaging

In terms of what this means for us, this is described in the following table. 'Our Level' describes the risk management arrangements that we are currently achieving whilst 'Ahead of us' describes advanced risk management arrangements that we aspire to.

Strand	Behavioural Maturity Level	
	Our Level	Ahead of us
Leadership and management	<p>Working:</p> <ul style="list-style-type: none"> <li>• Senior managers and portfolio holders take the lead to apply risk management thoroughly across the organisation.</li> <li>• They own and manage a register of key strategic risks and set the risk appetite.</li> </ul>	<p>Embedded &amp; Integrated:</p> <ul style="list-style-type: none"> <li>• Risk management is championed by the CEO.</li> <li>• The Board and senior managers challenge the risks to the organisation and understand their risk appetite.</li> <li>• Management leads risk management by example.</li> </ul> <p>Driving:</p> <ul style="list-style-type: none"> <li>• Senior management uses consideration of risk to drive excellence through the business, with strong support and rewards for well-managed risk-taking.</li> </ul>
Strategy and policy	<p>Working:</p> <ul style="list-style-type: none"> <li>• Risk management principles are reflected in the organisation's strategies and policies.</li> <li>• Risk framework is reviewed, developed, refined and communicated.</li> </ul>	<p>Embedded &amp; Integrated:</p> <ul style="list-style-type: none"> <li>• Risk handling is an inherent feature of policy and strategy making processes.</li> <li>• Risk management system is benchmarked and best practices identified and shared across the organisation.</li> </ul> <p>Driving:</p> <ul style="list-style-type: none"> <li>• Risk management capability in policy and strategy making helps to drive organisational excellent.</li> </ul>
People	<p>Working:</p> <ul style="list-style-type: none"> <li>• A core group of people have the skills and knowledge to manage risk effectively and implement the risk management framework.</li> <li>• Staff are aware of key risks and responsibilities.</li> </ul>	<p>Embedded &amp; Integrated:</p> <ul style="list-style-type: none"> <li>• People are encouraged and supported to take managed risks through innovation.</li> <li>• Regular training and clear communication of risk.</li> </ul> <p>Driving:</p> <ul style="list-style-type: none"> <li>• All staff are empowered to be responsible for risk management.</li> <li>• The organisation has a good record of innovation and well-managed risk taking.</li> <li>• Absence of a blame culture.</li> </ul>

Strand	Behavioural Maturity Level	
	Our Level	Ahead of us
Partnership, shared risks and resources	<p>Happening:</p> <ul style="list-style-type: none"> <li>• Approaches for addressing risk with partners are being developed and implemented.</li> <li>• Appropriate tools are developed and resources for risk identified.</li> </ul>	<p>Working:</p> <ul style="list-style-type: none"> <li>• Risk with partners and suppliers is well managed across organisational boundaries.</li> <li>• Appropriate resources are in place to manage risk.</li> </ul> <p>Embedded &amp; Integrated:</p> <ul style="list-style-type: none"> <li>• Sound governance arrangements are established.</li> <li>• Partners support one another's risk management capacity and capability.</li> </ul> <p>Driving:</p> <ul style="list-style-type: none"> <li>• Clear evidence of improved partnership delivery through risk management and that key risks to the community are being effectively managed.</li> </ul>
Processes and tools	<p>Working:</p> <ul style="list-style-type: none"> <li>• Risk management processes used to support key business processes.</li> <li>• Early warning indicators and lessons learned are reported.</li> <li>• Critical services supported through continuity plans.</li> </ul>	<p>Embedded &amp; Integrated:</p> <ul style="list-style-type: none"> <li>• A framework of risk management processes in place and used to support service delivery.</li> <li>• Robust business continuity management system.</li> </ul> <p>Driving:</p> <ul style="list-style-type: none"> <li>• Management of risk and uncertainty is well integrated within all major business processes and key driver in business success.</li> </ul>
Risk handling and assurance	<p>Happening:</p> <ul style="list-style-type: none"> <li>• Some evidence that risk management is being effective.</li> <li>• Performance monitoring and assurance reporting being developed.</li> </ul>	<p>Working:</p> <ul style="list-style-type: none"> <li>• Clear evidence that risk management is being effective in all key areas.</li> <li>• Capability assessed within a formal assurance framework and against best practice.</li> </ul> <p>Embedded &amp; Integrated:</p> <ul style="list-style-type: none"> <li>• Evidence that risk management is being effective and useful for the organisation and producing clear benefits.</li> </ul>

Strand	Behavioural Maturity Level	
	Our Level	Ahead of us
		<ul style="list-style-type: none"> <li>Evidence of innovative risk taking.</li> </ul> Driving: <ul style="list-style-type: none"> <li>Clear evidence that risks are being effectively managed throughout the organisation.</li> <li>Considered risk taking is part of the organisational culture.</li> </ul>
Outcomes and delivery	Engaging: <ul style="list-style-type: none"> <li>No clear evidence of improved outcomes.</li> </ul>	Happening: <ul style="list-style-type: none"> <li>Limited evidence that risk management is being effective in, at least, the most relevant areas.</li> </ul> Working: <ul style="list-style-type: none"> <li>Clear evidence that risk management is supporting the delivery of key outcomes in all relevant areas.</li> </ul> Embedded & Integrated: <ul style="list-style-type: none"> <li>Clear evidence of significantly improved delivery of relevant outcomes and evidence of positive and sustained improvement.</li> </ul> Driving: <ul style="list-style-type: none"> <li>Risk management arrangements clearly acting as a driver for change and linked to plans and planning cycles.</li> </ul>

It is considered that 'Working' is a satisfactory level of maturity for an authority of our size with many advanced arrangements that are characteristic of the higher levels of maturity being unrealistic or not worthwhile in terms of the benefits that would derive from them.

A strategic action plan has been produced to improve maturity levels for those strands deemed to be at lower levels of maturity i.e. at the "Happening" or "Engaging" levels.

The arrangements to be addressed are those that fall significantly short within those strands.

## Risk Management Strategic Action Plan

The key questions asked under the benchmarking exercise that led to the maturity assessments are set out below. These will become the areas to investigate and, where possible, address.

Individual action plans will be developed but these will need to be flexible as matters evolve.

The strands, or areas, to address have been prioritised according to their level of assessed maturity. The periods over which to address these areas are also identified below.

### Year One: 2011/12

#### Outcomes & delivery (Engaging)

**Risk management contribution to overall performance** –The organisation can demonstrate that its risk management arrangements are making a positive contribution to overall performance and service delivery.

##### Key Questions:

- Is there demonstrable evidence that risk management is contributing to the delivery outcomes?
- Is there demonstrable evidence that risk management is contributing to better financial outcomes?
- Is there demonstrable evidence that risk management is contributing to supporting the reputation of the organisation?
- Is there demonstrable evidence that risk management approaches are having a beneficial effect on how risks to the public are being managed?

**Contribution to specific outcomes** – Evidence of examples of risk management arrangements having a direct positive effect on the delivery of annual or strategic objectives.

##### Key Questions:

- Are there examples of risk management arrangements (maximum of three) that have had a significant and direct positive impact on annual or strategic objectives?
- Are there examples of risk management directly contributing to innovative improvements that have improved delivery of services or products to the public?



## **Partnership, shared risks & resources** (Happening)

### **Year Two: 2012/13**

**Partnerships** – Partnership work is undertaken with appropriate consideration of risk and formal risk management arrangements are in place.

Key Questions:

- Are all key partnerships formally identified and are there consistent and common approaches to managing risks with partners, which cut across organisation boundaries ?
- Where different public sector bodies work together to manage risks for shared strategic objectives: Is there an agreed protocol that defines when risk identification and assessments should be carried out jointly and clearly establishes accountability and capacity maintained to monitor performance and take early action in the event of difficulty?
- Where different public sector bodies work together to manage risks for shared strategic objectives: Has the extent to which risks can be transferred to, or shared with, organisations – both public and private – best placed to manage and / or carry them been assessed?
- Are appropriate contingency and service continuity agreements in place with key partners to manage major incidents?

### **Year Three: 2013/14**

**Finance** – Risk financing arrangements for the organisation ensure that sufficient resources are available to deliver its risk management strategy and to protect itself against insurable losses.

Key Questions:

- Are sufficient resources provided to fund the implementation of the risk management strategy?
- Are additional resources provided when additional risk activities are cost-effective?

**Tools** – A range of appropriate tools and process are available to the organisation to manage risk.

Key Questions:

- Does the organisation have appropriate tools for collecting and analysing risk information?

## Year Four: 2014/15

### Risk handling & assurance (Happening)

**Risk handling** – Risks are handled effectively across the organisation, particularly in terms of cost effectiveness and including arrangements with partner organisations.

#### Key Questions:

- Are major decisions risk-informed?
- Are strategic risks including risks to the public, risks that cut across service areas, departments, several organisations, etc. and those risks that relate to the delivery of services managed cost effectively - without incurring disproportionate risk management costs or experiencing excessive losses?
- Are there arrangements to ensure that opportunities are taken and managed cost effectively - without incurring disproportionate risk management costs or experiencing excessive losses?
- Are plans and targets risk-based?

**Assurance** – The organisation has effective arrangements in place to ensure that it can provide itself with assurance that risks are well managed.

#### Key Questions:

- To what extent does assurance information cover all significant risks?
- Does assurance information cover all key controls and their effectiveness?
- Is an assessment of the performance of the organisation's risk management arrangements reported and to what extent is risk information disclosed to stakeholders?
- Is there a statement from an independent source about whether risk management is effective and carried out as approved?

## **Annexe 2: Risk Management Group - Terms of Reference**

The terms of the reference of the risk management group comprises:

### ***Overall aim***

- § To ensure that effective Risk Management is in place across the Council.

### ***Membership***

- § The Group will comprise representatives from key services across the Council.

### ***Specific Objectives and Responsibilities***

- § Promote best practice in the management of risks.
- § Assist in the identification and evaluation of risks that could threaten achievement of the Council's objectives.
- § Help develop, implement and review the corporate risk management strategy and policy.
- § Help managers maintain and develop their risk registers by periodically reviewing them and making recommendations on their improvement.
- § Review events and disseminate information regarding lessons learnt in an attempt to help services improve on the management of risk.
- § Compile and implement an annual work plan that helps to embed risk management in the organisation.
- § Help create a risk-aware culture by, for example, instilling in staff the need to manage risks in their jobs.
- § Identify cross-cutting and strategic risks for the attention of senior management.
- § Make recommendations to management on practices and procedures that it is intended will improve the management of risks within Warwick District Council.
- § Oversee the development and implementation of a consistent approach to risk management across the Council's services.

### **Annexe 3: Summary of Responsibilities**

	Develop the corporate risk management strategy	Agree the corporate risk management strategy	Provide advice and support on strategy development and implementation	Implement the strategy	Share experience of risk and risk management issues	Review the effectiveness of the strategy
Elected members / Executive		§				§
Chief Executive		§		§		§
Senior management team		§		§		§
Senior management team	§	§		§		§
Risk champion	§		§	§	§	§
Audit & Risk Manager	§		§	§	§	§
Risk management group	§		§	§	§	§
Departmental management teams				§	§	§
Service managers				§	§	§
Employees				§	§	
Insurance & Risk Officer			§	§	§	

**REVIEW OF PROGRESS FOR EMBEDDING RISK MANAGEMENT AT THE COUNCIL**

**PROGRESS IN ACHIEVING YEAR THREE OF ACTION PLAN 2011/12 TO 2014/15: RISK FINANCING**

**Required benchmarks:**

**Finance** – Risk financing arrangements for the organisation ensure that sufficient resources are available to deliver its risk management strategy and to protect against insurable losses.

**Tools** – A range of appropriate tools and processes are available to the organisation to manage risk.

**Insurance Provisions**

There are two Insurance Provisions for meeting the costs of the excesses on liability claims – one for the General Fund and the other for Housing Revenue Account.

The liability policies are Public Liability, Employers Liability, Officials Indemnity, Libel and Slander, Land Charges and Professional Negligence.

Until 1<sup>st</sup> November 2007 the excess on all these policies was £25,000 per claim with a stop loss of £150,000 applying public liability claims only. The effect of a stop loss is that the maximum Warwick District Council would have pay for the public liability claims arising in an insurance year is limited to the stop loss.

In 2007 all the council's insurances were put out to tender and as there was a soft market in place a significant overall reduction in premiums was made and having reviewed the potential costs based on past claims history the excesses on all liability covers except public liability were reduced to £5,000 per claim and the public liability stop loss was reduced to £125,000.

Insurers have not had to meet any claims due to the stop loss being exceeded for over 10 years though they have had to pay several where the claim cost exceeds the individual claim excess.

The Insurance and Risk Officer keeps the claims handling systems up to date with payments made on the insurer's website and when the monthly statement is received from the Council's Insurer, Zurich Municipal, checks the payments being requested and allocates them to the appropriate provision.

Provisions are reviewed at estimate time and year-end with the maximum potential liability being assessed and then discounted before being split between GF and HRA on historic claims basis.

A transfer is done by the Principal Accountant (Capital) at year-end. Ideally for good risk management the excess should be charged back to the department cost code but as claims can take several years to be made and settled the cost code may no longer exist when payment needs to be made.

The insurances were last tendered in 2012 and though the market was starting to show signs hardening there was a reduction in property premium, even though sums insured had been increased, which offset the increase in liability premium so there was no increase on the previous year's overall premium.

The insurance contract allows for the stop loss level to be reviewed within the insurance contract period and this usually happens when the option to extend the contract has been written in as part of the tender. The agreement in 2007 was for 3 years + 2years and the agreement from 2012 is 3+2+2.

The table below shows that latest position regarding the overall cost to the council of its liability insurance. The figures will change as claims are settled and new ones received and do not take into account staff time in investigating claims.

<b>Cost of Liability Insurance</b>							
Insurance Year	Premium paid	Excess	PL Stop loss	No. claims	Claims paid/to be paid by insurer	Claims paid/to be paid by WDC	Overall cost to WDC
2006	£85,005	£25k all	£150,000	51	£68,120	£132,030	£217,035
2007	£68,721	£25k PL £5k all other	£125,000	71	£0	£121,794	£190,515
2008	£73,276	£25k PL £5k all other	£125,000	48 (2 open)	£17,171	£106,676	£179,952
2009	£89,009	£25k PL £5k all other	£125,000	61 (3 open)	£68,438	£154,204	£243,213
2010	£88,687	£25k PL £5k all other	£128,125	60 (8 open)	£12,545	£102,996	£191,683
2011	£86,794	£25k PL £5k all other	£128,125	66 (13 open)	£0	£137,978	£224,772
2012	£114,234	£25k PL £5k all other	£115,000	35 (13 open)	£0	£97,326	£211,560
2013	£115,051	£25k PL £5k all other	£115,000	29 (27 open)	£0	£58,064	£173,115

It should be noted that our current insurers handle all claims within the premium paid, other insurers would require additional claims handling fee for each claim.

Premiums change from one year to the next as sums insured are amended or salary and wage figures change but also because of changes in the insurance market.

This year there will be an increase in the property premium as some rebuilding cost valuation work has been done which identified that some properties were significantly underinsured.

We have also been put on notice that there could be an increase to some liability premiums because the market in this area has significantly hardened over the last 18 months – some other local authorities have seen premiums nearly double even though their claim experience hasn't worsened. Although the number of claims we receive seems to have fallen in recent years we have been seeing larger value claims - particularly for subsidence caused by trees.

In order to try and keep the increased premium spend to a minimum excess levels will need to be reviewed but past exercises have shown that it may not be cost effective to make changes as the difference in premium is outweighed by the additional claims payments which would be made.

For information the table below shows the overall premium spend since 2006.

<b>Overall Premium Spend</b>	
<b>Year</b>	<b>£</b>
<b>2006</b>	462,450
<b>2007</b>	331,470
<b>2008</b>	354,060
<b>2009</b>	384,740
<b>2010</b>	408,400
<b>2011</b>	426,430
<b>2012</b>	426,430
<b>2013</b>	434,428

### **Insurance Reserve**

The Council also has an Insurance Reserve.

This was established in 2008 as follows:

	<b>£</b>
<b>MMI potential claw back</b>	205,000
<b>Maintain security improvements</b>	15,000
<b>Maintain theft cover</b>	20,000
<b>Reserve for claims not met by insurers</b>	100,000
<b>TOTAL</b>	<b>340,000</b>

Since then, additional contributions have been made to the fund and one payment has gone out in the form of MMI claw back. These transactions have resulted in a balance as at 31 March 2014 of £322,257.

As no payments have been made other than the MMI claw back, consideration is being given to reclassifying the reserve as 'The MMI Reserve' in order to meet the full potential claw back and any shortfall on claims payments should we get new claims falling into the MMI period of cover as these will now only be paid at 85% of the claim.

By way of background, MMI (Municipal Mutual Insurance) was the main local authority insurer until they ceased writing business in September 1992. They have been in run-off since and in 1994 agreement was reached with insureds for a 'Scheme of Arrangement' that meant they would continue to pay claims in full but there was provision for payments to be 'clawed back' if a position was reached where projections showed they wouldn't be able to achieve a solvent run-off.

In November 2012 MMI decided to trigger the claw-back provision in the Scheme of Arrangement and the first payment of £45,769, which represented 15% of the claims paid under the scheme, was requested and paid in January 2014.

It is expected that further claw back levies will be made and our current potential liability is £259,362. Should we suddenly receive a claim which is covered by MMI then our recovery liability will increase and we will have to meet the first 15% of the claim.

A contingent liability has been included in the accounts to reflect the difference between the amount in the provision and the potential liability.

**Tools** – A range of appropriate tools and processes are available to the organisation to manage risk.

#### JCAD applications LACHS claims handling system.

Information for all claims is held on the system including correspondence and payments. This enables detailed reports to be prepared for presentation to the market when going out to tender and when negotiating with insurers at renewal.

Reports can also be run to identify areas of risk by looking at cause of claim and location.

#### Risk Registers

Risk registers are in place for all Service Areas. In addition, projects such as the Local Plan have risk registers setting out their key risks. There is also an overarching risk register, managed by the Senior Management Team and overseen by the Executive, entitled the Significant Business Risk Register that records the Council's corporate and strategic risks.

#### AssessNet Health and Safety System

Appropriate line managers and designated risk assessors have access to the AssessNet system. This allows them to record risk assessments within their service areas, enabling them to keep track of actions generated and review dates that are set. The Senior Management Team has access to the system and is also made aware via SMT reports as to the status of the assessments and are asked to follow up with the appropriate management response where necessary.

To enable the Senior Management Team to monitor and manage the review of risk assessments and tasks generated, the Health & Safety Adviser continues to



arrange for a list of risk assessments and their status to be sent to SMT on a quarterly basis.

### Risk Based Auditing

The Internal Audit team employs risk-based auditing techniques, firstly in identifying risk areas when compiling the Audit Plan and then in the delivery of those audit assignments by ensuring that key risks within individual reviews are identified and then assessed.

### Working with insurers

Insurers carry out inspections of high value properties each year and provide reports with both required and advised improvements we should carry out. Under the current agreement we also get an allowance towards have some specific risk services provided and so far we have asked for Events Management training (though this is still to happen) and Building Reinstatement Valuation work which was done for a sample of properties this year. Insurers have suggested for the next insurance year that we consider having a report done on tree risks and how we manage them as this is a growing claims area, particularly subsidence claims.

### Working with brokers

In order to help get the best response from the insurance market when we tender the cover we employ insurance brokers and this contract was re-tendered this year. As part of the contract the brokers supply some risk management support and our last brokers provided training for members and senior officers. This year we are looking to use our new brokers to provide training for the risk management group.

## **OTHER ACTIVITIES UNDERTAKEN DURING THE YEAR TO EMBED RISK MANAGEMENT THROUGHOUT THE ORGANISATION**

### **Programme of Service Risk Register Reviews**

The Finance & Audit Scrutiny Committee has continued its programme of service risk register reviews. This has proved to be a very effective process that has raised significantly the profile of risk management throughout the organisation and the value derived from it. The programme of reviews is now entering the second cycle so Committee are able to assess the extent of improvements that services have made to their risk registers and to their processes for managing risks.

### **Risk Management Training**

Utilising sums of money provided by the Council's broker for this purpose, risk management training was provided to senior officers. Separate training is to be provided by the new broker (having re-tended the contract during 2013/14) to the Risk Management Group very shortly. Member training is due to be provided after the forthcoming elections as part of the member training programme.

## **Committee Reports Risk Template**

Committee reports are now required to detail the risk management implications in respect of the issues contained in the report. This requirement raises the profile of risk management and helps to ensure the proper consideration of risks when embarking on new projects or developing strategies and policies.

## **Project Risk Registers**

Project risk registers are now routinely in place for specific projects such as the Local Plan and the England Bowls. In the case of the Local Plan, this is reviewed by SMT regularly.

## **EXAMPLES OF RISK MANAGEMENT INITIATIVES IN SERVICES**

Services across the Council are embracing risk management. The following are examples of how managers are using risk management techniques to manage their services.

### **Development Services: Local Plan Risk Management**

Preparing the Local Plan is a complex and lengthy process which involves balancing a large number of competing factors some of which are within the Councils control and some of which are not. It involves not only thinking about local, regional and national dimensions but also requires a fine balance to be struck between local political priorities and the findings of technical evidence.

This complexity means that there are always uncertainties which carry risks for the Plan's timetable and soundness. Risk management is playing an important part in the management of the Local Plan process as a way of ensuring both officers and members are aware of the risks and to enable different possible scenarios to be mapped and discussed in the context of a good understanding of potential consequences.

The key elements of the approach to risk management of the Local Plan are:

- a) A risk register that is updated at least monthly. This is reported to Senior Management Team and is often used as the basis for the regular portfolio holder briefings on the Local Plan
- b) In the context of the risk register, a weekly meeting is held between Development Services staff and Corporate Management Team to discuss plan progress and risks. At this meeting the main risks to the Plan are discussed and mitigation strategies mapped out. Examples might include political risks where mitigation involves thinking through how and when to brief members or risks arising from the plans of neighbouring authorities, where mitigation might involve complex discussions at officer, senior management or political level.
- c) Frequent briefings for Executive and Group Leaders: for the most part, the risk register is used overtly and proactively to shape these briefings and inform discussion, but even when the risk register is not used overtly,

these discussions are framed around risk management to encourage members to think about possible consequences of different ways forward.

- d) Briefing for all members: whilst these are less frequent the discussion is usually framed to help members think about the risks and consequences associated with different courses of action so that informed decisions can be made at formal Council meetings.

Whilst there are always many uncertainties associated with the Local Plan, it is hoped that the risk management approach taken by the Council can ensure that issues can be avoided or resolved effectively and opportunities exploited quickly.

### **Neighbourhood Services: Risk Management Workshop**

Neighbourhood Services held a risk management workshop as part of their team brief meeting, which included the majority of Neighbourhood Services staff. They worked through the risk management process firstly using a day to day example that people could relate to i.e. travelling to work. Then, breaking into groups, they worked through two risks included within their risk register. The session was deemed a success with Neighbourhood services staff having a better understanding of risk management as a result.

### **Emergency Planning and Business Continuity Management**

The following is a list of emergency planning and business continuity initiatives undertaken during the year that involved risk management.

- √ Full update and distribution of the WDC Major Emergency Plan – Feb 2014
- √ Creation of pocket sized emergency log books for responders named in the Major Emergency Plan
- √ Full update of the Council's Flood Response Plan – March 2014
- √ Full update of the Council's Standard Operating Procedures for the 24/7 Emergency Duty Officer based at CCTV – April 2014
- √ Development of the Council's ResilienceDirect site allowing access to WDC emergency documentation from any location with an internet connection. Training given to all new account holders including CMT, Key Health and Community Protection Staff and the Council's 24/7 Emergency Duty Officers at CCTV.
- √ Training - Major Incident Logs, Records, Documents and Reports for CMT, Senior Officers with a role in the Major Emergency Plan and staff who may be expected to log information for Senior Officers in a crisis.
- √ Training – Emergencies on Trial for SMT (inc CMT)
- √ Exercise – WDC Call Out Exercise for responders in the Council's Major Emergency Plan – May 2014
- √ Attendance at the multi-agency Warwickshire Local Resilience Forum and Chair of the Warwickshire LRF Resilient Telecoms Group.
- √ Full update of the Warwickshire Local Resilience Forum Resilient Telecommunications Plan – May 2014
- √ Exercise – Facilitation of multi-agency Satellite Phone Call Cascade Exercise
- √ Full update and distribution of the Council's BCM plan – June 2014

### **Events Management**

During the year, the Safety Advisory Group, employing risk management, facilitated a number of multi-agency meetings for events both on WDC land and private land to ensure the events were operated safely. The events are listed below.

#### *WDC Land*

- Bowls England National Championships
- Leamington Carnival
- Kenilworth Carnival
- Leamington Peace Festival
- Warwickshire Pride
- Leamington Food & Drink Festival
- Freedom Parade (Fusiliers) – Warwick

#### *External Events*

- Festival of Motoring (Stoneleigh Park)
- City of Birmingham Dog Show (Stoneleigh Park)
- The Shooting Show (Stoneleigh Park)
- Kit Car (Stoneleigh Park)
- Catalyst – New Frontiers (Stoneleigh Park)
- Race for Life (Stoneleigh Park)
- Grassland and Muck (Stoneleigh Park)
- Pig and Poultry (Stoneleigh Park)