



Title	Risk Management Annual Report
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Service Area	Finance
Wards of the District directly affected	Not applicable
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No
Date and meeting when issue was last considered and relevant minute number	Finance and Audit Scrutiny Committee – 13 th November 2012. Last report for consideration of Significant Business Risk Register: Executive – 10 th October 2012.
Background Papers	Minutes of Risk Management Group meetings

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

Officer/Councillor Approval		
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).		
Officer Approval	Date	Name
Relevant Director	31 Oct 2012	Andrew Jones
Chief Executive		
CMT	19 Nov 2012	CMT
Section 151 Officer	31 Oct 2012	Mike Snow
Legal		
Finance	31 Oct 2012	As S151 Officer
Portfolio Holders	31 Oct 2012	Councillor Michael Doody and Councillor Andrew Mobbs
Consultation Undertaken		
Not applicable		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

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 last year's 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 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 One of the 4-year Action Plan (Appendix B).

3 **REASON FOR RECOMMENDATIONS**

- 3.1 To assist members fulfil their role in overseeing the organisation's risk management framework.
- 3.2 Members are required to approve the council's policy on risk (including the degree to which the council is willing to accept risk).
- 3.3 Members are required to approve initiatives designed to enhance risk management.

See 'Responsibility for Risk Management' –Section 7 overleaf.

4 **ALTERNATIVE OPTION(S) CONSIDERED**

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

5 **BUDGETARY FRAMEWORK**

- 5.1 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.

6 **POLICY FRAMEWORK**

- 6.1 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.

7 **RESPONSIBILITY FOR RISK MANAGEMENT**

- 7.1 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."

8 **PROGRESS TO DATE**

- 8.1 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 things 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.

- 8.2 To help achieve the objective of embedding risk management the council has a Risk Management Strategy, set out as Appendix A to this report.
- 8.3 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 last year, 2011/12. The programme is therefore currently in its second 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.
- 8.4 The action plan has been 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.
- 8.5 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
- 8.6 Under each strand, answers to a series of questions identify the level of maturity the organisation has reached.
- 8.7 Further details are set out in Annexe 1 to Appendix A.
- 8.8 The level of maturity is assessed at one of the following (in ascending order of maturity):
 - Engaging
 - Happening
 - Working
 - Embedded & Integrated
 - Driving
- 8.9 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.
- 8.10 The arrangements to be addressed are those that particularly fall short within those strands.
- 8.11 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.

- 8.12 Progress in respect of last year's action plan is set out as Appendix B to this report.
- 8.13 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.
- 8.14 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 two years ago and a revised terms of reference agreed.
- 8.15 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.
- 8.16 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.

9 **CONCLUSIONS**

- 9.1 The acknowledged 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 guidance necessary for decision-making. Local authorities have

lower risk appetites than commercial organisations as the incentive to achieve is not as obvious. 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 which would jeopardise its ability to continue as a going concern; 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 understand the importance of risk management in all that the council does; to champion the cause of risk management as part of the fulfilment of the role of members.

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 champion¹

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 manager²

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 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 which is included as Annexe 3.

Methodology for identifying and assessing risk

Risk is categorised between strategic and operational.

¹ This officer is the Deputy Chief Executive (AJ)

² 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"> • Potential of it occurring several times within the specified period (for example - ten years). • Has occurred recently.
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"> • Could occur more than once within the period (for example - ten years). • Could be difficult to control due to some external influences. • Is there a history of occurrence?
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	<ul style="list-style-type: none"> • Has not occurred. • Unlikely to occur.

Estimation	Description	Indicators
	the years covered by the assessment).	

Consequences

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

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

It was considered timely to appraise the council's risk management arrangements thoroughly, with the areas for improvement identified from the analysis forming the components of a comprehensive action plan.

To achieve this, the function joined the CIPFA Risk Management Benchmarking Club.

This involved completion of a very detailed survey and receipt of a report on the results of the exercise.

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

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

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

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 particularly fall 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?

Annexe2: 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 which 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		§				§
Senior management team	§	§		§		§
Risk champion	§		§	§	§	§
Risk manager	§		§	§	§	§
Risk management group	§		§	§	§	§
Departmental management teams				§	§	§
Service managers				§	§	§
Employees				§	§	
Insurance Officer				§	§	

**REVIEW OF PROGRESS FOR ACHIEVING YEAR ONE OF ACTION PLAN
2011/12 TO 2014/15**

Year One

Outcomes & delivery

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.

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

The action plan for 2011/12 was based on determining the extent to which risk management contributes to overall performance and to specific outcomes; in other words, the extent to which it contributes to the council achieving its objectives. This was placed as the first action to review within the 4-year action plan as it was deemed the one that the council was weakest in. In examining the action, however, it soon became clear how difficult it was to address and that other local authorities, indeed all organisations, find that equally the case. There are a number of reasons for this.

There is an inconsistency that is always applied to risk management. Rarely is an organisation's success credited to good risk management practices but when something goes wrong this is often attributed to poor or ineffective risk management.

Such proof is also dependent on being able to measure success and knowing the state the organisation was in before the implementation of effective risk management practices and how that compares afterwards. Very often such tangible results are not measured, particularly in the public sector. This is increasingly the case as organisations look to reduce their costs and measurements such as customer/citizen surveys are curtailed.

Despite a lack of firm evidence that risk management has contributed to improved delivery outcomes there is much anecdotal evidence of how and where risk management has improved services at Warwick District Council.

There are the following **operational examples**:

- Assessment of fire risk in chutes in housing blocks.
- Flood alleviation scheme for Ashow.
- Benefit payment runs being undertaken from home.
- More regular and robust footpath inspection regime.
- Implementation of lone workers policy and Tunstall system.
- Programmed DSE assessments.

- Health and Safety risk assessments undertaken for all operational buildings, events and activities managed by Cultural Services.
- Planned preventative maintenance schedules on plant and equipment.
- Normal Operating Procedures and Emergency Action plans for operational buildings managed by Cultural Services.

Neighbourhood Services have supplied the following detailed operational examples:

Gritting of certain areas of Car Parks/Parks

Over a period it was recognised that there was an increasing frequency of claims from members of the public having slipped on untreated areas of car parks and open spaces that Neighbourhood Services were responsible for. That combined with a trend where winters over a number of years appeared to becoming colder with more frequent icy and snowy conditions prompted a rethink of their approach.

During periods of ice and snow the staffing resource within the Refuse/Recycling and Street Cleansing contract, currently held by SITA, routinely helped out Warwickshire County Council Highways Department by gritting certain stretches of public footpath if resources allowed. The grit was provided by the County Council. The Highways Department within the County were approached to ask whether grit could be purchased at the same time for our own use and a schedule was put in place to undertake gritting at strategic points in car parks and public open spaces, when conditions required. Given the availability of this resource there was also the ability to centralise the purchasing of grit for the council with the resource from SITA having the ability to keep Warwick District Council-owned grit bins stocked up for Housing etc.

The above approach has allowed both the impact and the likelihood of the risk to be reduced.

People being locked into Parks

Contract Services had a number of incidents where individuals or groups were being locked after closing time into Jephson Gardens. This prompted a review of the control measures in place and an investigation revealed that there was a possibility that the closing procedure operated by our contractors could have resulted in members of the public being unaware of the gates being closed. A change in the managed closure of the park minimised this and so far no further individuals have been locked in

Reduction in recycle income

Within the current contract the income from the collected dry recyclables was split between the council and its contractor. The economic climate (currently in a downturn) fluctuates causing instability. The contract re-let for 2013 gives any income from the recyclables to the contractor thus removing this risk from the council completely.

Strategically, the following provide examples of where risk management has helped the organisation to achieve its objectives:

- There is a risk management component to the Fit for the Future programme resulting in a more realistic forecast as to what can be achieved with current and projected resources.
- The approach to the Summer 2011 disorder was based on sound risk management and emergency planning principles.
- Jubilee House is generally held up as a successful project – this was based on sound project risk management.
- Procurement practice is continually being enhanced to reflect risk, particularly the risk of being challenged and assist the council meets its financial objectives.
- Supplier of key system relied on to help customers was failing to deliver. Implemented various mitigations to minimise disruption to service and managed contract by withholding payment and reducing performance bonuses. Also looked into replacement suppliers and, with support of Procurement Manager, reviewed options to cancel contract at minimal cost if needed.

Neighbourhood Services have supplied the following detailed strategic examples:

- The changed approach to the council's Corporate Risk Management has given us the opportunity to re-invigorate the approach that we take to managing risk. The Neighbourhood Services Risk Register will become a standing agenda item on the monthly Team Leaders meeting, enabling us to respond, review or add to the existing document. Any updates resulting from that meeting will be communicated to our Portfolio Holder.
- The recent news about the ban on the import and movement of Ash Trees into Great Britain, will have a bearing on our existing risk entitled "Risk of trees becoming diseased e.g. Dutch Elm Disease". The recently introduced legislation will have a bearing on our own responsibility for trees within the District and therefore our own control measures will need to reflect, if necessary, this new information. The monthly Team Leader meeting will be the platform for this discussion.

The Insurance Officer has advised that, as the council looks to reduce its costs, it is important that risks are managed properly or the council is likely to face an increase in claims. Similarly, the council is better able to repudiate claims where it has effective risk management.

Under normal circumstances there would be an expectation that, as an organisation's risk management arrangements improve, its insurance premiums will reduce. Unfortunately, insurers are wary of reducing liability premiums whilst salary and wage costs fall as they view this as indicative of a reduced inspection regime with the consequence of claims increasing.

It is clear that the risk culture within the organisation has improved considerably in recent years. Employees, particularly senior managers, are more risk-aware with risk being a key factor in the decision-making process. Formally, many reports, especially to council committees, contain an assessment of the risks when a proposal is put forward. At an informal level, it is clear that officers increasingly apply risk management principles of risk identification and assessment, together with a consideration of mitigations and controls, when managing their work or proposing a course of action.

The recent introduction of the Finance and Audit Scrutiny Committee reviews of service risk registers has helped considerably in promoting the importance of risk management and making managers more risk-conscious.

Despite the apparent difficulties in being able to establish a precise link organisational successes with sound risk management initiatives, organisations that aspire to improve and be 'world class' need effective risk management arrangements in place to support and assist those aspirations.

Although it is difficult to determine precisely the contribution that risk management makes to an organisation achieving its objectives, there can be little doubt that risk management, if established effectively, will be a critical factor in a successful organisation. Recent studies have borne this out. Information on some of these studies is set out as Appendix C to this report.

RECENT RESEARCH ON THE LINK BETWEEN RISK MANAGEMENT AND ORGANISATIONAL PERFORMANCE

The successful embedding of risk management procedures and practices has been found to have a direct correlation with corporate performance, according to the Federation of European Risk Management Associations (FERMA) 2012 Risk Management Benchmarking Survey.

Its findings revealed that companies with the most sophisticated risk management systems had experienced the strongest level of growth during the past five years.

The survey received a record 809 responses from risk and insurance managers in 20 European countries, and found that:

- 28% of companies with advanced risk management practices reported a growth rate of more than 10%, compared to 22% whose risk management was classed as mature, 15% for moderate and 16% for emerging.
- Among companies with a growth rate of more than 20%, three-quarters (74%) have mature or advanced risk management practices.

Dr Lynn Drennan, chief executive of the Association of Local Authority Risk Managers (ALARM), contended in an article on 28 May 2010 headed 'Benchmarking Risk Management in Public Services' that risk management can help public sector organisations produce better outcomes more efficiently in the difficult times ahead.

Dr Drennan argues that a risk-managed approach can aid efficiency and effectiveness by ensuring that the organisation's key objectives are clearly articulated, the actions required to achieve these are defined and impediments reduced or eliminated. Risk management also supports innovation because it reduces the degree of uncertainty associated with strategic decision-making and helps empower the organisation to grasp opportunities that may enhance services.

Patrick Ow, a risk management consultant, writing an article entitled 'Embedding Risk Management Practices for Improved Organisational Performance', published 14 March 2012, states that 'Improving business results require risk management practices to be simplified and embedded seamlessly into normal business operations, planning and budgeting processes, and organisational culture. It is no longer an add-on or a management fad. Private and public sector organisations alike have struggled to understand risk management implementation steps and techniques. For those who have overcome it, they are reaping the fruits of their labour.'

Organisations that have a mature risk management outlook are more likely to run business strategy projects successfully, according to a report by global accounting firm Ernst & Young.

Ernst and Young's report, 'Turning risk into results: How leading companies use risk management to fuel better performance', examined the relationship between risk management maturity and financial performance in more than 2,700 companies, concluding that there was a positive relationship between the two.

Randall Miller, Global Advisory Risk Leader for Ernst & Young, advised 'companies with more mature risk management practices outperform their peers financially. Our client experience, research and study results strengthen that perspective'.

"Companies with more mature risk management practices outperform their peers financially. Our client experience, research and study results strengthen that perspective," said Randall Miller, Global Advisory Risk Leader for Ernst & Young.

The report suggested that because of risk's previous role in compliance activities, senior executives may not perceive risk management as strategic to the enterprise: "Senior executives also may not have sufficient confidence in their ability to identify and address the risks that could impact the financial performance—or even the viability—of their organisation."

Australia has long been a leader in risk management with its own risk management standard being adopted by organisations worldwide.

John Jones, risk management consultant with RiskTech notes, in an article entitled 'The Rise of Risk Management' published on 3 November 2011, that 'In Australia, risk management is essential for all major companies and is mandatory for publicly listed companies.'

He reports that 'companies that embraced risk management as an integral part of their company's culture and structure have been significantly more successful in weathering the financial storms, natural catastrophes and market changes we have seen in recent times'.

Successful organisations are already the advocates of good risk management, Jones points out: SingTel, one of the leading telecommunications companies in Australia, 'was at the forefront of risk management in Australia'.