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Discussion Report for the Risk Management Group and Management Team

South Derbyshire District Council

INSIDE THIS REPORT

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Introduction

Last year (August 2001) District Audit issued an information paper highlighting the issues which local authorities should consider when establishing their risk management arrangements.

The Society of Local Authority Chief Executives (SOLACE), in its publication 'Chance or Choice' says that 'risk management is about making the right decisions and about achieving objectives once those decisions have been made'. Risk management is a key requirement for effective decision making, business planning and successful operational processes. Risk management operates most effectively in organisations where:

- the management team is the driving force behind the risk management process within an authority

- there is a focus on pro-active risk management and not reactive insurance (less than 20% of risks are insurable)

- the risk management process is owned by managers, and integrated into day to day working arrangements

- there is strong and positive internal challenge, linked to Best Value, Corporate Governance and other cross-cutting agendas.

Local government is undergoing major change and is under pressure to deliver better services in new and innovative ways. All of this attracts risk, which needs to be managed successfully if desired outcomes are to be achieved.

Purpose of the audit

The diagnostic aimed to:

- establish the extent of current risk management arrangements at SDDC

- review what scope there is to make improvements with current arrangements

- identify good practice ideas to help SDDC develop its approach

- discuss these findings with the new Risk Management Group.

Audit approach

This is a brief diagnostic audit designed to highlight the main risk management issues faced by SDDC. We have briefly considered six themes:

- integrating risk management with corporate management arrangements

- identifying, evaluating, controlling and monitoring risk

- risk financing

- managing claims and losses

- exposure to employer liability claims

- exposure to public liability claims.

Our work has included:

- a discussion with the Risk Manager and also with the Management team as part of the risk-based audit planning exercise

- completion, with the Risk Manager, of the DA/ALARM survey and comparison with the district/borough councils average response

- a review of all risk management reports issued since 2000/2001 and some still in draft, to identify ideas which SDDC can use when developing their approach (included as an Appendix).

Main conclusions

Our main conclusions are that SDDC's approach to risk management is at an early stage of development, but generally in line with that found in many district and borough councils. More development work is needed in all of the areas, but particularly around:

- developing the role of the newly formed risk management group, and ensuring that there is a clear link between this and review of corporate risks by the Management Team

- producing an agreed authority-wide risk profile, strategy and action plan, which leads to measurement of how effective the controls have been

- embedding risk management with the corporate planning, service planning and performance reporting system

- training staff appropriately and ensuring that risk management becomes an everyday activity at all levels of the organisation

- using existing data sources to identify business risks as well as use them for their primary purposes.

Next steps

The Authority should now work through the completed Action Plan. The Audit Commission will be doing a follow up of the Risk Management report during 2003/2004.

Status of our reports to the Council

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to Members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or officer in their individual capacity, or to any third party.

Risk management within the corporate framework

Main conclusions

1. South Derbyshire's risk management arrangements are at an early stage of development. However, these are being informed by activities such as risk identification using the Council's insurers, and designation of a specific risk manager to oversee the process. The new corporate planning system is a good vehicle for embedding risk management into the way services operate at a day to day level. (See Table 1 for further detail.)

Particular strengths

2. Like most authorities, SDDC has:

   - established a performance management framework for disclosing and monitoring its business aims and objectives

   - set up a risk management group and formally appointed a risk manager.

3. SDDC has done better than average in producing a policy statement on risk management, compared to the database information.

4. However, some of the information in this database originates from as early as 2001. We are aware that many authorities will have dealt with this issue since, especially as many of the diagnostic audits were completed in 2001 and 2002.

Particular weaknesses

5. SDDC did not have its risk management objectives set out clearly when compared to the 52% of respondents saying 'yes' to this question. Unlike many of its counterparts, the Risk Manager position and Risk Management Group are very recent creations. Therefore much of the expected risk profiling, risk management and training activities have not yet been delivered.

6. The auditor attended the first meeting of the new Risk Management Group. At this meeting it became clear that:

   - the membership is largely operational (ie service head level) with no Management Team representation or steer

   - the group therefore had some difficulty with whether they should identify and assess corporate risks or leave them to be determined by Management Team

   - Management Team would be informed of the RMG's work using the minutes, but other than that it was not clear what action management team would be taking to progress corporate issues.

Next steps

7. It is vital that the Risk Management Group has either membership from or a direct feedback loop into the Management Team. Unless there is a corporate dimension to the discussion, attention will be focussed on operational matters and action requiring higher level authority will not be forthcoming. Some thought needs to be given to, in particular:

    *   clearer terms of reference for the RMG and Management team between operational and corporate risk assessment and profiling

    *   how risk assessment will be introduced simply into service and corporate planning

    *   the role of the Management Team in helping to identify corporate risks, and deal with risk profiling

    *   the designation of a direct Risk Management champion at Management Team level who will oversee and guide the work of the RMG

    *   how members and the Management Team will be reported to on and directly involved in managing risk management outcomes (positive and negative)

    *   how all staff will be 'sold' the new risk management ethos on an ongoing basis.

Arrangements for managing risk

Main conclusions

8. SDDC now has an overall policy statement on risk, but the newness of the approach means that it is not well established within the officer structure. Like most authorities, training has been run in the past, but has focussed primarily on insurance/insurable risks and has been at a high level. Few staff lower down in the organisation are aware of or using assessment processes for operational business risks, though some form of risk management is probably occurring within the corporate planning framework. Now that the Council has a nominated risk manager, it can begin to develop officer awareness and ensure that responsibility for handling risks becomes part of everyday activity. (See Table 2 for detail.)

Strengths

9. SDDC has plans for Internal Audit to review risk management, but these plans have not yet produced action. However, the survey responses originate in 2001 and 2002, when many authorities were starting to develop their auditing arrangements. If we were to re-run the survey now, we might find that many more authorities had included risk in their IA programmes and reported on outcomes.

Particular weaknesses

10. Unlike many other respondents, SDDC had no provision for training programmes and personal job targets for its risk manager(s). It had also not considered whether it was at risk from its recruitment and HR processes. Therefore, most staff are unaware that they have a general responsibility for risk management, or how to discharge that responsibility. Involvement of the Management Team will be important in securing that responsibility is acted upon (see previous section).

Next steps

11. SDDC needs to:

- produce a detailed strategy and action plan for managing risks identified as part of the corporate arrangements (profiling) work
- ensure that risk management responsibilities are included in all relevant job descriptions
- deliver training which is balanced between insurable and operational risks, and includes the new assessment matrix/process, to a wide cross section of staff (and members)
- consider how to ensure that IA review of risk management is robust
- consider how far the human resource management systems and procedures open the authority to corporate and operational risks.

Identifying, prioritising, controlling and monitoring risk

Main conclusions

12. SDDC is beginning to actively identify business/operational risks using a number of different sources. Work has been done to identify main areas of service risk using Zurich Municipal, and also by the Management Team when considering its corporate plan actions. This has provided a good position statement and outline way forward. However the approach to risk identification is not consistent at service level and has not produced a risk profile which can guide service or corporate planning. SDDC is further at risk from partnership liabilities which are not part of normal insurance or contracting arrangements. (See Table 3.)

Strengths

13. There are no particular strengths in this section. However it is worth noting that SDDC is using a variety of different means to identify risk from its existing data sources, even though this is not thought of as a risk management exercise.

Weaknesses

14. SDDC has three areas where its responses are below average. These indicate that:

    - it is not assessing how effective risk management helps achieve corporate and service objectives

    - because of the stage which the authority is at, it has not reported a detailed action plan to address key risks to Management Team (or members)

    - it cannot assess the effectiveness of any arrangements put in place (via this action plan) to control risks.

15. Our work in the earlier sections indicates that SDDC needs Management Team involvement in the corporate risks in order to move risk profiling forward appropriately.

Next steps

16. SDDC needs to:

    - engage all staff , including Management Team, in the process of risk identification using some of the measures which other authorities have (see Table 3), and ensure IA is also consulted

    - undertake a formal risk self assessment exercise (planned, to add to the work of Zurich Municipal)

    - produce an authority-wide, prioritised risk profile and action plan which is approved by Management Team and Members

    - consider how to use existing data sources to identify risks via the RM group and Management Team, so minimising any additional burdens from applying risk management

    - demonstrate that effective risk management has helped to achieve objectives

    - set up systems for assessing contractor and partnership liabilities which are not governed by normal insurance checks (third party liability, professional indemnity etc).

Risk financing

Main conclusions

17. SDDC's approach to costing risk and promoting ownership of insurance losses is under-developed. This reflects that it is still in the very early stages of developing its risk management group, risk profile and strategy. However, it is undertaking work with its insurers (Zurich Municipal) which will help guide the approach. (See Table 4.)

Next steps

18. Once SDDC has developed its strategy, profile and carried out training, it needs to develop a systematic approach to:

- assessing the financial implications of risks

- having appropriate management responses

- promoting budget holder ownership of risks by allocating losses back to the originating departments.

Managing claims and losses

Main conclusions

19. This area of risk management is also under-developed. Unlike most authorities, the claims management system is not actively used to identify risks, trends and controls. This reflects that loss information has been recorded mainly for insurance or financial control purposes and not considered in the wider business context. In general, claims information can be very valuable in providing SDDC with information on whether its approaches to various business risks are being effective. (See Table 5.)

20. SDDC has an increasing trend of staff claims for work-related stress and industrial injuries. Most authorities reported that claims for work-related stress were not increasing, therefore this is an area where SDDC needs to develop some management controls.

21. SDDC has been fortunate in having static numbers of claims from external third parties. Most districts and boroughs are having to deal with rising numbers, therefore SDDC needs to improve its systems for handling these in anticipation that the same will occur.

Next steps

22. SDDC needs to:

   - develop reporting from the current claims management system which can be used to identify business/corporate risks, and consider including 'near misses'
     (ie incidents which do not give rise to claims but could have)

   - ensure that this information is fed back into the performance management and business planning system, and also into Best Value reviews

   - develop pro-active controls for the rising numbers of work related stress cases

   - develop pro-active controls in anticipation of more claims from external third parties.

Financial accounting arrangements

Main conclusions

23. Financial accounting arrangements are in line with what is expected under FRS12. However, unlike many authorities:

    - there is no fund or reserve established to cover self-insured claims

    - there has been little review of whether the Council is over- or under-insured.

Next steps

24. SDDC should consider whether there should be a defined fund or reserve, or whether it would be better to assess the usual value of losses each year and keep this in mind when setting operational budgets. Setting aside a defined reserve can hold back money which otherwise might be spent during the year, and may not promote service ownership of risks if they think they will be funded anyway.

25. In some authorities, the Risk Management group has a budget to fund specific projects agreed during the year. This promotes balance between identifying the problem and ownership of the ultimate response.

Other issues and ideas

26. We have undertaken a review of risk management reports issued in the last 18 months, and some suggestions for SDDC to consider are included below. **All** of these are relevant, but we have highlighted those which are most critical.

Idea or good practice feature	Authority
Strategy	
• **Detailed strategy covering CIPFA/Solace and DA guidelines and resulting management action plan**	Stafford BC
• The strategy makes is clear that every employee of the council has a role in risk management	Leicester City
• Risk management implementation plan - a roll out of various risk management activities to a specified project plan	Mansfield
Risk assessment	
• **Risk assessment process for highest level corporate business risks**	Stafford BC
• Workshop using electronic voting for risk assessment and resulting prioritised risk list	Shropshire County
• **Risk management software has been purchased and workshops have taken place for CMT, Heads of Service, Programme Areas and specifically in relation to the Council's ITN/e-government project**	Rotherham
• **The CMT strategic workshop identified 25 of the 'most important' risks facing the Council and the Heads of Service workshop took three of the key critical risks and identified risk mitigation measures**	Rotherham
• Staff are being provided with a 'risk disk' (decision wheel)	Mansfield
Risk management	
• **Comprehensive management action plans for risk**	Shropshire County
• **Corporate management action plan for addressing high level corporate risks**	Stafford BC
• **Member of the CHAS scheme covering approved contractors for other public sector bodies**	Gedling
• Local level but appropriate examples of transfer, toleration, treatment and termination of risk	Gedling
• **Members are aware of and participate in the RM group meetings where they have a specific interest**	Ashfield

Idea or good practice feature	Authority
Risk Management roles	
• **RMG assess whether risks have a corporate implication**	Telford and Wrekin
• **Role of RMG and others is identified in the strategy**	Stafford BC
• ' Six improvement teams will deliver the authority's objectives and each will be asked to consider the management of risk as part of the work programme	North West Leics DC
• A large number of (mainly H&S) risk assessors across the authority	Lincoln City
• **Management champions**	
— ' **There is a risk management champion on the management board**	Shropshire County
— **Corporate Director of Resources is the management lead**	Telford and Wrekin, Stafford BC
• **Cabinet Members have attended Programme Area workshops and a comprehensive presentation on strategic risk management was given to Members in October 2002**	Rotherham
• **The Council has assigned corporate responsibility for maintaining the risk register to Best Value officers in order to try and cement the relationship between risk management, performance management and Best Value**	Rotherham
• **There is now a portfolio holder for risk management**	Mansfield
Monitoring and review	
• **Central Audit Committee (members) are reviewing risk management action plans, important issues are drawn out for the committee to consider**	Shropshire County
• **Corporate Risk Management Group and Directors Board will receive reports every 6 months to scrutinize the effectiveness of risk management**	Leicester City
• **Risk issues and implications identified in reports to Cabinet; rewriting service plans to include a specific reference to risk**	Chesterfield
• A review of risk management is part of the Corporate Governance best value review	Leicester City
• Elected members were fully involved in a risk review exercise led by a risk management consultancy	Shropshire County
• The claims management system is used to identify risk	Doncaster
• **Quarterly reporting of insurance and claims data for operational managers (and probably now management team/members)**	Shropshire County
• **The RMG has logged which reviews are ongoing and whether there is a risk management representative within the team. RMG will be included in all review consultation exercises to cover situations where the review team does not include an RMG member**	Gedling

Idea or good practice feature	Authority
Information sharing	
• **Risk management forms and detailed guidance held on the intranet and easily accessible by all staff** (mainly for Health and Safety), including: — A/Z subject directory — On line forms — Supervisors' guidance — Generic and divisional risk assessments — Force contracts — Relevant Health and safety acts	Lincolnshire Police
• **A dedicated risk hotline for staff to call with issues or problems, whether major or minor**	Mansfield DC
• Shared folders for feeding back minutes and information	
• Considerable work has been undertaken to raise the profile of risk management such as: — Revision of the Financial Regulations to cover risk management, based on the CIPFA standard and using good practice information from Kent County Council — **'Hot topics' are being identified and departments affected will be brought to round table meetings for a coordinated approach** — The staff newsletter includes risk issues (health and safety, IT issues) — Specific briefings on issues which affect all staff	North Kesteven Gedling
Budget and funding	
• **Risk management group has a defined budget and terms of reference which allow it to action specific projects, and avoid becoming a talking shop**	Ashfield DC
• Risk management fund combined self-insurance provision with financing physical controls	Telford and Wrekin
• Insurance loss costs allocated back to depts based on past claims history	NW Leics, T&W
• **Insurance minimum premium applied and remainder allocated based on cost of losses in the year; costs are compared with other similar authorities**	T&W
Training examples	
• Insurance and risk management roadshows held for staff	Doncaster MBC
• Health and safety group is central to the training process	Lincs Police
• Plenty of examples of training on minimising operational risks	Shropshire County
Specific risk responses	
• Quality streets initiative in response to Highway incidents and claims, successful in reducing claims for slips, trips and falls	Doncaster MBC
• Stress management: surveys, training, confidential counselling service for staff, occupational health scheme and appraisal forms refer to work-related stress	Shropshire County
• Rigorous regime of inspections for footpaths and playground equipment	East Lindsey DC

The way forward

27. SDDC has made some progress with risk management but has much work to do before it becomes embedded in normal management processes. It should consider this report and also the good practice ideas from elsewhere.

28. The Authority should now work through the completed Action Plan. The Audit Commission will be doing a follow up of the Risk Management report during 2003/2004.

Diagnostic tables

TABLE 1

Question No	Risk Management issue to be addressed	SDDC	Most common response	Comment
1.1	Are the authority's overall business aims, objectives and policies clearly set out and published in a manner that can be understood easily by executive management (eg in a Corporate Plan)?	Yes	Yes	Average
1.2	Is risk management clearly part of the overall arrangements for achieving corporate objectives?	No	No	Average
1.3	**Have the authority's risk management objectives been set out clearly?**	**No**	**Yes**	**Below average**
1.4	Have the aims and objectives of the authority been communicated clearly to all staff?	Yes	Yes	Average
1.5	Do staff throughout the authority understand how corporate aims link to those of their individual unit/area?	Yes	Yes	Average
1.6	Do staff understand how the authority's corporate aims and objectives link to their personal objectives?	Yes	Yes	Average
1.7	Is there at least an annual process of reviewing the link between the authority's aims and objectives, and staffs' personal objectives?	Yes	Yes	Average
1.8	Is risk regarded as an opportunity as well as a threat by the authority in the achievement of its objectives?	Yes	Yes	Average
1.9	Is there a risk management group which takes a formal overview of corporate, strategic and business risks in the authority?	Yes	Yes	Average
1.10	Is there a formal process for advising elected Members of the risk management implications of decisions?	No	No	Average
1.11	Does the authority formally record risk management considerations in business/service plans?	No	No	Average
1.12	Are changes to the authority's risks identified, assessed and reported on an ongoing basis as to their impact on corporate objectives?	No	No	Average
1.13	Does the executive management team regularly review the authority's performance in managing its business risks?	No	No	Average
1.14	Does your authority apply risk management principles (see page 2 for definition) in each Best Value review?	No	No	Average

Question No	Risk Management issue to be addressed	SDDC	Most common response	Comment
2.1	Has the authority produced a written strategy for managing risk?	No	No	Average
2.3	**Has the authority produced a clear management/policy statement on risk management?**	**Yes**	**No**	**Above average**
2.4	Are all staff periodically made aware of risk management policy and changes to it?	No	No	Average
2.5	Has the authority allocated responsibilities for Corporate/Business Risk Management to a named individual or individuals?	Yes	Yes	Average

TABLE 2

Question No	Risk Management issue to be addressed	SDDC	Most common response	Comment
2.1	Has the authority produced a written **strategy** for managing risk?	No	No	Average
2.2	If yes, does the strategy outline: • Objectives and context • Accountability structure • Areas of risk covered • Risk identification and analysis methodology?			
2.3	Has the authority produced a clear management/policy statement on risk management?	No	No	Average
2.4	Are all staff periodically made aware of risk management policy and changes to it?	No	No	Average
2.5	Has the authority allocated responsibilities for Corporate/Business Risk Management to a named individual or individuals?	Yes	Yes	Average
2.6a	To what level are risk management responsibilities, related personal targets and training programmes cascaded down the organisation?			
	RM responsibility			
	Directors	Yes	Yes	Average
	Risk managers	Yes	Yes	Average
	Heads of service	Yes	Yes	Average
	Operational managers	Yes	Yes	Average
	Junior managers	No	No	Average
	Below junior managers	No	No	Average

Question No	Risk Management issue to be addressed	SDDC	Most common response	Comment
2.6b	**Personal targets**			
	Directors	No	No	Average
	Risk managers	**No**	**Yes**	**Below average**
	Heads of service	No	No	Average
	Operational managers	No	No	Average
	Junior managers	No	No	Average
	Below junior managers	No	No	Average
2.6c	**Training programme**			
	Directors	No	No	Average
	Risk managers	**No**	**Yes**	**Below average**
	Heads of service	No	No	Average
	Operational managers	No	No	Average
	Junior managers	No	No	Average
	Below junior managers	No	No	Average
2.7	**Does Internal Audit make provision in its audit plans to review the rigour of the risk management arrangements?**	**Yes**	**No**	**Above average**
2.8	Is risk management sufficiently integral to the following Human Resource procedures/systems?			
	Specific mention in certain job descriptions of risk responsibilities	d/k	Yes	**Needs review**
	Recruitment and selection	d/k	No	**Needs review**
	Induction training	d/k	No	**Needs review**
	Training and development	d/k	No	**Needs review**
	Personal performance assessment (objectives and performance reviews)	d/k	No	**Needs review**
	Disciplinary procedures	d/k	No	**Needs review**
	Staff absence	d/k	Yes	**Needs review**
2.9	Has the authority included a review of risk management in its five year Best Value review programme?	No	No	Average
2.10	If your authority is a member of ALARM, is it active in terms of sharing information, attending conferences, participating in benchmarking surveys etc?	Yes	Yes	Average

TABLE 3

Question No	Risk Management issue to be addressed	SDDC	Most common response	Comment
3.1.	Which of the following best describes your authority's approach to identifying risk?		% identifying measure	
	Senior manager group workshops	Yes	22%	
	Senior manager interviews	Yes	15%	
	Other staff group meetings/workshops		26%	Consider
	Other staff interviews (eg annual appraisals)		15%	Consider
	Risk manager self assessment	Yes	22%	
	Insurance officers' individual input	Yes	38%	
	Health and safety officer individual input	Yes	42%	
	Internal Audit findings		30%	Use
	External consultants	Yes	26%	
	Formal risk self assessment exercise		19%	Undertake
	Other		9%	
3.2	Has an authority wide risk profile been produced?	No	No	Average
3.3	Does the authority seek to identify the level of risk in terms of:			
	• Financial impact	Yes	Yes	Average
	• Reputation impact	Yes	Yes	Average
	• **Achievement of objectives**	**No**	**Yes**	**Below average**
	• Other?	d/k	Yes	Average
3.4	Do risk analysis exercises take account of:			
	• Likelihood	Yes	Yes	Average
	• Severity	Yes	Yes	Average
	• Existing controls	Yes	Yes	Average
	• Cost effectiveness of additional controls	Yes	Yes	Average
3.5	Has an action plan for implementing controls been developed?	No	No	Average
3.6	**Has the action plan been reported at top management level within the authority?**	**No**	**Yes**	**Below average**
3.7	Does the action plan outline:			
	• Action required to a time-scale?		Yes	
	• Responsibilities of specific staff members?		Yes	
	• Resources required?		Yes	

Question No	Risk Management issue to be addressed	SDDC	Most common response	Comment
3.8	**Does the authority measure the effectiveness of the arrangements for controlling risk?**	**No**	**Yes**	**Below average**
	If yes, is this achieved by:			
	• Regular periodic reporting to senior management?		Yes	
	• Regular periodic reporting to elected members?		No	
	• Collection of data for comparative purposes?		Yes	
3.9	Does the authority assess the strengths and weaknesses of the risk management systems of other authorities with which it works, eg partners, contractors, and consultants?	No	No	Average
3.10	Does the authority measure the effectiveness of risk management in terms of achievement of objectives and other outcomes?	No	No	
	If yes, please indicate which measures of performance are used. Please tick as appropriate.	The following are used but not related to RM	% authorities using these measures	
	Projects overspend	Yes	72%	Average
	Budgetary overspend	Yes	87%	Average
	Staff absence statistics (cost of absence)	Yes	92%	Average
	Housing Repairs data	Yes	36%	Average
	Health & Safety accidents (costs of absence and temporary cover)	Yes	87%	Average
	Insurance claim data - liabilities	Yes	100%	Average
	Vehicle repairs - total cost, including downtime and replacement vehicles	d/k	72%	Review
	Other		21%	

TABLE 4

Question No	Risk Management issue to be addressed	SDDC	Most common response	Comment
4.1	Following the identification of risks, does the authority systematically evaluate the cost effectiveness of the following options?			Average
	Transfer of risk	No	Yes	Below average
	Treatment of risk	No	Yes	Below average
	Toleration of risk	No	Yes	Below average
	Termination of risk	No	Yes	Below average
4.2	**Does the authority plan and justify appropriate methods of risk financing based on cost of loss analysis?**	Yes	No	Above average
4.3	In respect of the 20% of losses which are insurable, does the authority or its insurers effectively decide the extent of cover?	Auth	Auth	Average
4.4	**Are insurance costs or loss costs allocated back to operational departments based on loss contribution?**	No	Yes	Below average

TABLE 5

Question No	Risk Management issue to be addressed	SDDC	Most common response	Comment
5.1	Does the authority have written procedures for claims handling?	Yes	Yes	Average
5.2	Does your authority use its claims management system:			
	• **As a basis for risk identification and evaluation?**	No	Yes	Below average
	• **As a basis for risk control and risk monitoring?**	No	Yes	Below average
	• **To report details back to senior management as one of the cost of risk indicators?**	No	Yes	Below average
	• To inform Best Value reviews?	No	No	Average
	• To report back to service units/departments to engender better risk management?	Yes	Yes	Average
	• To recover monies from third parties?	Yes	Yes	Average

Other helpful information

The key features of a 'best practice' risk management strategy

1	Discussion about the need for better risk management.
2	Identification and prioritisation of areas of change, business objectives, critical success factors and risks that may be significant.
3	Identification of related significant risks that could undermine: • the quality of service provision • the reputation of the Council • the Council's ability to move forward toward achieving its objectives • the reliability of internal and external reporting • the safeguarding of assets from inappropriate use, loss and fraud • liabilities being identified and managed properly.
4	Identification of key tasks to be completed in order to: • develop risk management strategies and a risk management policy document • consult throughout the Council • develop the 'risk culture' at all levels of the Council • provide the senior management and council with early warning mechanisms • monitor and report on the system of internal control.
5	Setting out the role of members, officers and Council/committee(s).
6	Allocation of: • resources, including nominated champions • responsibility for each stage of the plan • responsibility for the management of each significant risk.
7	Timetable.

Source District Audit

Types of risk at strategic and operational levels

Strategic

Risks that need to be taken into account in judgements about the medium-to long-term goals and objectives of the council. These may be.

- *Political*: those associated with a failure to deliver either local or central government policy, or to meet the local administration's manifesto commitments.

- *Economic*: those affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance to cover external macro-level economic changes I, or the consequences of proposed investment decisions.

- *Social*: those relating to the effects of changes in demographic, residential or socio-economic trends on the council's ability to deliver its objectives.

- *Technological*: those associated with the capacity of the council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the council's ability to deliver its objectives.

- *Legislative*: those associated with current or potential changes in national or European law (for example, TUPE II regulations).

- *Environmental*: those relating to the environmental consequences of progressing the council's strategic objectives (for example, in terms of energy efficiency, pollution, recycling, landfill requirements, emissions, etc).

- *Competitive*: those affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver Best Value.

- *Customer/Citizen*: those associated with the failure to meet the current and changing needs and expectations of customers and citizens.

Managing strategic risks is a core responsibility for senior managers in close liaison with elected members. Strategic risk assessments should be undertaken as part of the community, corporate and service planning process, and as a key element of service reviews. Strategic risk assessment draws on techniques such as group assessment, brainstorming and SWOT or PESTLE analyses.

Operational

Risks that managers and staff will encounter in the daily course of their work. These may be:

- *Professional*: those associated with the particular nature of each profession (for example, social work service concerns over children at risk; housing service concerns as to the welfare of tenants)

- *Financial*: those associated with financial planning and control and the adequacy of insurance cover

- *Legal*: those related to possible breaches of legislation

- *Physical*: those related to fire, security, accident prevention and health and safety (for example, hazards/risks associated with buildings, vehicles, plant and equipment, etc)

- *Contractual*: those associated with the failure of contractors to deliver services or products to the agreed cost and specification

- *Technological*: those relating to a reliance on operational equipment (for example, IT systems or equipment and machinery)

- *Environmental*: those relating to pollution, noise or the energy efficiency of ongoing service operations.

The categories are neither prescriptive nor exhaustive. However, they should provide a framework for identifying and categorising a broad range of risks facing each service. Each category cannot be considered in isolation. For example, changes in the TUPE legislation would affect judgements about the risks associated with the competitiveness of a service. The loss of a contract as a result of a lack of in-house competitiveness may have greater political, economic and social consequences for the council if TUPE did not apply. Similarly, the physical risks associated with the security of a school can have professional consequences for teachers fulfilling their day-to-day duties and financial consequences for the council as a whole. As a result, managers must consider the risks associated with each of the sub-categories and their inter-relationships if a full risk assessment is to be carried out.

Source 'Shorten the Odds', the Accounts Commission

Example of an operational risk assessment - housing estate management

Process stage	Identification		Analysis		Control	Monitoring	
Risk category	Hazards	Risks	Likely frequency	Severity	Control action	Review frequency	Triggers for action
Professional	Crime/disorder	Fall in demand	M	M	CCTV in high risk areas	6 monthly	Increase of x%
Financial	Fall in rent payments	Increase in arrears	M	H	Strategy already in place (regular visit/ counselling for high risk tenants)	Quarterly	Decrease of x%
Legal	Breach of legislation	Litigation	L	M	Policies/proc edures manual already issued to all staff	Annually	x incidences
Physical	Staff/stress	Threat to staff health	M	M	Support service in place	Annually	x Incidences
Contractual	DLO failure	Tenant dissatis-faction	L	L	Introduce penalties for sub-standard performance	6 monthly	x incidences
Technological	Systems failures: Tenant management database Arrears database Repairs system	Threat to service manage-ment Tenant dissatis-faction	L L M	L L M	Procedures to back-up all systems from the central server	Annually	x incidences
Environmental	Deterioration in appearance of stock	Neighbour-hood image desirability of stock disincentive to locate	M	L	Cyclical repainting programme	Annually	Program-me cost of timetable by x

Source District Audit

Checklist for claims handling procedures

Claims handling arrangements

An authority can have either a centralised or decentralised arrangement for handling claims made against it. It is important to place accountability at an operational level but there are also significant dis-benefits associated with decentralised claims handling arrangements, including:

- potential for poor communication
- administrative inefficiencies
- dispersal of expertise
- loss of economies of scale.

Some authorities use external organisations to handle claims over specified levels for an annual fee.

Procedure for handling claims

Authorities should have well-understood and clearly documented procedures for handling claims. Key aspects of the procedures include:

- setting up a record on the claim and maintaining a claims review system
- establishing an objective account of the original incident, giving appropriate weight to the recollection of the staff and contractors originally involved
- identifying and tracking all records related to the incident
- establishing and maintaining contact with all staff involved in the original incident
- obtaining an in-house 'expert view' of the claim and, if appropriate, securing suitable external expert witnesses
- initial valuation of the claim
- instruction of solicitors, briefing counsel and monitoring their costs
- for personal injury cases, liaison with the insurers and their solicitors
- negotiation of out-of-court settlements and the delegated limits, which apply
- clear allocation of responsibility for carrying through any remedial action required in relation to failed procedures and controls and for disseminating any wider lessons
- arrangements for analysis of claims against the authority, in particular of trends and emerging patterns with implications for the Risk Management policies
- arrangements for regular reporting to members, both in aggregate and on individual claims; and in particular for securing member agreement to proposals for settlements outside the claims manager's delegated limits.

Authorities should set up and regularly maintain a database, which records key incident information for all claims.

Key questions to assess a Council's approach to work-related stress

Key questions	Good practice
PREVENTATIVE MEASURES	
1 Do you have a work stress policy? Including reference to: • principles, definitions and causes of stress • strategy for implementing the principles • managerial action required to implement the policy • employees' responsibilities and confidentiality?	Proactive authorities have developed comprehensive work related stress policies or strategies incorporating these elements.
2 Have you considered the Health Education Authority's recommended 10 areas for action in forming any preventative measures?	In determining the action required the HEA recommended areas for action has proved a useful source for some authorities.
3 Have you developed action plans from any work related stress policies you have, including: • raising stress awareness • monitoring sickness levels, any ill health retirements and other stress drivers • line manager training in handling stress and identifying stress indicators • staff job and support training and development programmes • regular appraisal of the employee assistance programme (if applicable)?	Some authorities have developed action plans to minimise the likelihood of work related stress. The areas listed provide a useful overview of potential core issues to be covered in an action plan.
REACTIVE MEASURES	
4 What early steps are taken by the authority to resolve sources of stress for staff?	Good practice suggests: • employee assistance/counselling scheme • early discussions with Occupational Health nurse/GP • early discussions with line manager • workload rescheduling.
5 On what basis does the authority decide to defend the claim or settle out of court?	Employee must have suffered a recognised psychiatric injury to make a serious claim.
6 What records have been used by the authority to defend claims?	Records used in an effective defence may include: • minutes of supervision and performance review meetings • old work diaries • log records of all line manager discussions.
7 If any employee has returned from sickness absence caused by work related stress what additional assistance or steps can the authority take to reduce the likelihood of repetition?	Learning from the Walker case an authority needs to introduce additional assistance in minimising or eliminating the stress factors.

Example of an Outline Risk Management Action Plan

Key areas for consideration in preparing and implementing a Risk Management Action Plan for Bassetlaw might include the following.

Aspect of RM arrangements	Short-term Nov 2001 – Mar 2002	Medium-term Mar 2002 – Mar 2004
Integrating Risk Management with corporate management arrangements	Establishing corporate and management arrangements and responsibilities. Prioritise: • roles and responsibilities, including Lead Officer and Risk Manager • establish Risk Management Group • clear terms of reference and authority • initial resource requirements • lines of reporting • reviewing the arrangements • Detailed Risk Management Action Plan • Risk Management Strategy in place by 31.3.2002. Use internal and external expertise and relationships, eg RM 'champions', active ALARM membership, audit, Trade Unions, partner agencies. Initial exploration of opportunities for integrating Risk Management into current management arrangements (eg Best Value). Introduce new arrangements only where needed.	Review effectiveness/revise management arrangements (eg some groups will be time limited). Develop and extend the partnership approach to Risk Management. Implement full integration of Risk Management arrangements.
Identifying, evaluating, controlling and monitoring risk	Mapping current Risk Management activity, noting areas of good practice and those needing improvement. Review and make initial improvements to Risk Management information, recording and reporting systems. Completion of Risk Profile: an initial analysis of business risks. Prioritise business risks requiring management action. Select 'early success'.	Develop co-ordinated and improved Risk Management activity, building on areas of good practice. Continuous improvement in Risk Management information, recording and reporting systems. Detailed Risk Analysis and strategic approach to managing risks to achieving the Council's objectives. Develop controls for prioritised business risks, eg manage reputational risk through improved media relations.

Aspect of RM arrangements	Short-term Nov 2001 – Mar 2002	Medium-term Mar 2002 – Mar 2004
Risk Financing	Consider the resourcing of the implementation of improved Risk Management arrangements, including identification of opportunities to 'invest to save'.	Establish Risk Management funding arrangements, including possible Risk Management Fund.
		Strengthen the link between the actual cost of loss sustained by departments and the allocation of insurance costs.
		Review regularly and rigorously the balance between insurance and self-insurance, including the level of excess.
Managing claims and losses	Introduce written procedures for receiving and handling claims. Review how effectively management information about claims is used.	Identify and address any inadequacies in the response to the Woolf reforms.
Exposure to employer liability claims	Develop improved recording and information about claims, including patterns, trends and projections. Select priorities for action: • review policy, procedure and practice in relation to eg work-related stress, needle-stick injury.	Review information about claims to identify areas where preventative measures can be strengthened further. Formalise the measures in the form of a policy statement and revised procedures where necessary. Ensure that the policy is communicated to all staff, and review its implementation by managers.
Exposure to public liability claims	Develop improved recording and information about claims, including patterns, trends and projections. Select Priorities for action.	Review information about claims to identify areas where preventative measures can be strengthened further.

A more detailed example action plan has been provided separately which outlines timescales, possible resource requirements, some of the available resources to complete this work, and monitoring measures.

Good practice self assessment checklist

RISK MANAGEMENT STATEMENT GOOD PRACTICE SELF-ASSESSMENT CHECKLIST	Yes	Working towards	No	N/A
1 Is there an intranet site, with comprehensive guidance and easy access for all employees?				
2 Is there a written Risk Management Strategy? Does it include:				
(a) Aims and Objectives: • preserve and enhance the Local Authorities reputation • protect the Local Authorities assets and interests • protect the interests of employees, the public • embeds risk management concepts into day to day working practices • ensures that risk management efforts are developed with consistency.				
(b) Risks applicable to the Local Authority and their Impacts. Including.				

• Areas of Risk   -   strategic
                  -   managerial
                  -   financial
                  -   legal
                  -   operational
                  -   health and safety
                  -   environmental
                  -   disaster
                  -   contractual and procurement
                  -   business change
                  -   statutory/regulatory
                  -   information
                  -   fraud and corruption
                  -   asset.
 • Impacts of Risks   -   statutory or regulatory breach
                  -   legal/liability impacts
                  -   financial losses
                  -   service delivery impacts
                  -   human resource impacts
                  -   public protection impacts
                  -   external relations impacts
                  - damage to public perception.				

	Yes	Working towards	No	N/A
(c) Approach to Managing Risk. Including:				
• a high level Strategic Risk Management Group				
• on going assessment by officers as part of day to day management				
• reviews undertaken by Internal and External Audit				
• external inspection				
• Best Value, including bench marking				
• Corporate working parties				
• risk management professionals (Insurance and Health and Safety)				
• good practice guidance from insurers, consultants, government and ALARM				
• part of the Corporate/governance arrangements				
• a corporate approach; to identify and prioritise key risks				
• a clear reporting system for managing key risks				
• embedding risk management principles in all departments				
• appropriate allocation of responsibility for risk management				
• a clear and up to date risk management policy statement				
• involvement of ALL employees AND stakeholders.				
(d) Cycle of Risk Management. Including:				
Risk Identification Are risks identified and prioritised and used as the areas for the basis of an action plan to carry out formal risk assessments?				
Risk Assessment Through:				
• identification and assessment of new risks (eg, treatment of risk, toleration of risk, termination of risk and whether to transfer the risk)				
• identification of risks following the implementation of new services or functions				
• senior management interviews				
• other staff/group meetings or workshops				
• consultancy/training.				
Risk Control Action plans reported to Management which identify requirements, responsibility, timescales and resources needed.				
Risk Monitoring By nominated officers.				

	Yes	Working towards	No	N/A
(e) Risk management throughout the Organisation. Including:				
• integral links to Human Resources (eg in job descriptions, induction, training and development etc)				
• linking Risk with Business Planning and Cascading Risk Management Practice:				
- within the Corporate Business Planning Process				
- alignment of Risk Management with the attainment of Strategic Objectives to become an integral part of service delivery				
- within departmental and other business plans.				
(f) Reporting arrangements (ie Insurance and Incidents). Including:				
• the use of Insurance information:				
- as a basis for risk identification and evaluation				
- as a basis for risk control and monitoring				
- as a cost of loss indicator for senior management				
- to report back to service departments to engender better Risk				
• management:				
- to recover monies from third parties				
• the use of Incident information:				
- number and type (and value) of incidents				
- number, type and value of insurance claims (excluding professional fees)				
- instances where liability is owed due to a breach of a statutory duty				
- instances where the Local Authority is deemed negligent.				