SUBJECT:	Risk Management
REPORT OF:	Director of Resources

1.   Purpose of Report

1.1   Risk management is a key area of corporate governance and this report updates the Audit Committee on a range of issues covered by the overall heading of risk management.

2.   Links to Council Policy Objectives

2.1   Risk management is one of the main elements of corporate governance. Effective organisations have a proactive approach to risk management.

3.   Background

3.1   This report provides members with an update on risk management activity within the authority.

3.2   For the Council a risk is the threat of an event occurring that could undermine or stop this Council successfully achieving its objectives. Risk management then is being able to:

- Identify the risk cause at the earliest opportunity, measure the risk effect and apply a proportionate level of resources to controlling the risk.

- Obtain assurance that the controls on which the Council relies for mitigating the risk are effective.

3.3   The Council's approach to dealing with risk management is set down in its Risk Management Strategy (Appendix A).

4.   Risk Management

4.1   The process for Risk Management is kept under review, and in the current year a number of developments have been made partially in response to issues identified by internal audit. The key developments have been to improve the corporate feedback to managers on the risks they are identifying in their service plans, and to increase the corporate focus on operational risks as well as strategic risks. The main features of the process are shown in Appendix B

Risk Management Group

4.2   The Risk Management Group (RMG) for the authority meets quarterly and oversees a range of risk management related issues. On a regular basis it looks at insurance claims and decides if any actions need to be taken to prevent of minimise claims in the future.

4.3   The Council's internal auditors, Bentley Jennison, have been undertaking some work with staff and managers to help work towards further embedding risk management in the organisation. A workshop with senior managers was undertaken to look at the authority's strategic risks. Separately workshops have started with operational teams to look at the approach to risk in a day to day operational context. One of the issues arising from these workshops was the need to provide more feedback to operational managers on the risks

they have identified and whether their assessment of risk level is shared by senior management, and this is something that has been taken on board in the current year.

4.4   The Director of Resources meets with Heads of Service to look at the major risks affecting their areas. From these meetings particular issues emerged as being of particular significance, to warrant keeping under review from a corporate point of view. Currently these are:

- Maintaining progress with LDF
- Demonstrating progress on sustainability and carbon reduction
- Impact of shared Monitoring Officer role
- Data handling and security
- Impact of Support Services project, especially on staff morale
- Retendering of joint grass cutting contract
- Managing demand on housing and housing benefit services during the recession
- Managing member/public expectations on community safety with resources available from TVPA
- Business continuity

Fraud and Corruption

4.5   One area of financial risk that is reviewed on an annual basis is the Council's exposure to financial fraud or corruption in decision making. Fraud detection and prevention features as an item each year in the internal audit plan. The highest risk area to fraud is housing benefits and for this reason the authority has a fraud officer working primarily in this area. During 2008/09 the fraud officer carried out 120 investigations which resulted in 6 successful Prosecutions, 6 Administrative Penalties (locally applied fines) being applied and 11 formal cautions being issued. The income from fines in 2008/09 totalled £7,018. Prosecutions are publicised in the local press to act as a deterrent to housing benefit fraud.

Business Continuity

4.6   Business continuity is an important area of risk for the authority to keep under review and to improve.   The main improvements in the last year have been in securing a more resilient hosting arrangement for the Council's website and improving the power pack up for the Capswood site. In addition business continuity plans have been prepared for ICT services and for the Capswood buildings. More is still to be done, primarily in the area of ICT where the aspiration is to progress towards a configuration of virtualisation of servers and off site mirroring arrangements.

4.7   In the current year work is underway with service managers to update their service impact assessments, which help identify the key features they require to deliver their services, and to up date or establish business continuity plans for their areas using a standard template.

4.8   In the light of the recent Swine Flu situation the Management Team has monitored the situation and identified the Council's existing Pandemic Flu Business Continuity Plan as being the basis of deciding our response to the Swine Flu situation.

<u>Insurance Claims</u>

4.9   In 2008/09 there were four insurance claims, which less than the previous year. The claims are listed in the table below. The total expenditure from the insurance fund was £2,903.

Insurance Fund 2008/09

Incident	Date	Ins Fund /Zurich *
Injury to individual	20/6/08	Zurich
Injury to individual caused by recycling bin	5/6/08	Zurich
Damage to vehicle from football at Beacon Centre	10/11/08	Zurich
Break in at Lanes GC	24/9/08 & 30/9/08	Ins Fund

* Most insurance claims are subject to a £5,000 excess. Claims below this sum are charged against the Insurance Fund

<u>Strategic Risks</u>

4.10   It is an important part of the Council's approach to risk management that risks are kept under review. Operational risk are reviewed as part of the performance and financial monitoring arrangements in place using Covalent. Strategic risks are reviewed quarterly by the Management Team. The latest Strategic Risks Register is attached for information as Appendix C. Strategic risks are those ones that are identified as potentially having a major impact on the Council achieving the key aims of its Corporate Plan, and they can be of a longer term nature.

4.11   The major strategic risks of the Council can be summarised as coping with change that arises from external factors (e.g. C Govt, Pathfinder), given the Council's limited financial resources which is aggravated by the recession, and vulnerability to loss of key staff.

5.   Resource and Wider Policy Implications

5.1   The actions proposed within this report are all achievable within resources available in the current year.

5.2   Risk management is important to the effective operation of the Council, and any weaknesses will be highlighted in the annual Statement of Assurance. The last audit of the Council's risk management in January 2009, assessed the authority as risk aware and progressing towards risk maturity.

6.   Recommendation

The Audit Committee is recommended to:

1. Note the information in the report

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Background Papers:	Risk Management Group papers

CHECKLIST BOX – for draft report only		
Referred to Finance	N/A	Report written by Finance
Comments received	N/A	
Comments incorporated	N/A	
Report agreed	N/A	
Referred to Legal/Democratic Services	Yes	Date: 15 Sept 08
Comments received	Yes	
Comments incorporated	Yes	
Report agreed	Yes/No	
Referred to Personnel & Training	Yes	Date:
Comments received		
Comments incorporated		
Report agreed		

Risk Management Strategy

Version	V2009-01
Date Issued	June 2009
Frequency of Review	Bi-annually
Department Responsible	DoR

Introduction

The Risk Management Strategy for South Bucks is the statement of how the authority intends to deliver on the objectives set within its risk management policy, namely:

- 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.

The strategy describes the processes the Council will put in place to identify, assess, address, review, and report on risks. Risks, at whatever level are things that can prevent or delay the Council achieving the objectives it has set for itself within its Corporate Plan.

Principles of the Strategy

The risk management strategy is based on three main principles

1. Transparency

The authority will be open in its approach to managing risks. Information will be made available to staff, external bodies or individuals about the authority's current risks and how they are being managed.

2. Co-ordinated

The authority will have a consistent common approach to how risks are assessed, managed, and reported.

3. Effective

The Council's approach to risk management will be effective in that it will be subject to annual external scrutiny by audit, the outcomes of which will be made available to the Overview & Scrutiny Committee. The Council will be open to learn from best practise in other authorities.

Key Elements of the Strategy

The risk management strategy has four key elements.

- Identification of risks
- Assessment of risks
- Establishing what the response to the risk should be
- Reviewing and reporting of risks

The Elements of the Risk Management Strategy

Reporting and monitoring of risks

Identification of risks

Establishing the response to risks

Assessment of risks

Identification of risks

A risk is something that may have an impact on the achievement of the Council objectives. The Council will identify three categories of risks.

- Strategic risks
- Service risks
- Financial risks

Strategic risks are those identified as affecting the key corporate aims of the authority as set out in its Corporate Plan. These risks are identified by senior management as part of the process for setting the Corporate Plan.

Service risks are identified by business unit heads as part of the annual service planning processes.

Financial risks are identified as part of the budget process by the Head of Finance and the s151 officer.

Assessment of Risks

Risks will be assessed using a common format of combining scores for likelihood and impact to give an overall risk score. This is then used to assist the reporting of risks on a red, amber, green (RAG) basis.

The assessments are done by the officers identifying the risks, and who will also be charged with monitoring and reporting the risks.

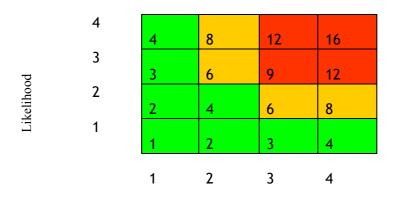Having identified a particular risk, managers will then need to assess two things.

1. How likely is the risk to occur, taking into account controls that may already exists.
2. What impact on the service the risk arising would have.

These two factors when combined will indicate the more important risks to try and prevent or manage the consequences of. The definitions of the grades of likelihood and impact are as follows.

LIKELIHOOD	IMPACT
4 - almost certain to happen	4 - catastrophic
3 - high chance it will happen in next three years	3 - severe disruption
2 - not likely, but it just might	2 - quite an inconvenience
1 - would not really expect this to ever happen	1 – could easily set up alternative arrangements

When a risk has been identified and its impact and likelihood assessed managers need to consider what the response to the risk should be, or how it should be controlled. This needs to be done in a considered way and more time allocated to consider how the more likely or significant risks will be responded to, including preventative actions, changing processes, contingency planning and any other appropriate measures.

Risk Management Scoring Matrix

Likelihood				
4	4	8	12	16
3	3	6	9	12
2	2	4	6	8
1	1	2	3	4
	1	2	3	4

Impact

The significance of the risk scoring is as follows:

> **9 – 16**   Active significant risks requiring regular monitoring and if appropriate action plans that may have resource implications
>
> **6 – 8**   Lower level risks but may have potential to significantly escalate, therefore requires monitoring and possibly preventative actions that can be resourced within budgets
>
> **1 – 4** Possible issues to be aware of and to have some early warning system

Establishing the Response to the Risk

Once the risk has been identified and assessed the response to the risk needs to be determined. This will start with considering if there is any action that can be taken to eliminate or offset the risk. If there is not then the risk still needs to be monitored.

If an action(s) can be taken it then needs to be assessed whether the cost of taking the action is worthwhile in the context of the impact on the Council is the risk arises. If it is judged to be cost effective to take the action then the action needs to be described as the means of controlling the risk. If it is not judged to be cost effective to eliminate the risk, but rather to tolerate it, then the risk still needs to be monitored. The response to the risk is described as the "control" for the risk.

Risks can be transferred to another party either by insurance or by a formal contract mechanism.

Reviewing & Reporting Risks

Risks are recorded within the Council's performance management system. This provides the means for collecting reporting information for the following:

- Director of Resources
- Risk Management Group
- Management Team
- Members

Service risks are identified annual as part of the service planning process. They are reviewed corporately by the Director of Resources and feedback given to managers. The assessment of the key risks identified will then be reviewed quarterly.

Strategic risk are identified as part of the Corporate Plan development, and are also reviewed quarterly by officers. Strategic risks are reported to members as part of reporting on risk management.

There are during the year periodic risk reviews meetings between the Director of Resources and the Heads of Service.

Risk management is an area reviewed each year by internal audit, and there is an annual report to the Audit Committee.

Communication & Training

Key documents and guidance about risk management is available on the Council's intranet. Risk management is also a topic for senior managers meeting, and for articles in the in-house staff publication. The promotion of risk management at team meetings is also an important part of the communication with staff on this subject.

Training needs are kept under review via the staff appraisal process and the work of the risk management group. The provision of any risk management training will be undertaken with the support of the Council.

SBDC RISK MANAGEMENT PROCESS

Risks identified in service plans	Strategic Risks

↓

Corporate review of service plan risks. This establishes which are key operational risks for coming year.

↰   ↳

Feedback to Managers	Overview and key points reported to Management Team	

↓   ↳ ↓

Risk review meetings with Heads of Service	Strategic risks reviewed by Management Team in light of information from service plans and other sources

↓ ↱

Actions plans where appropriate put in place, risk status monitored and recorded in Covalent	

↳

Status of key risks reported as part of monitoring reporting to Cabinet

↓

Risk review meetings with Heads of Service

↓ ↱   ↳

Actions plans where appropriate put in place, risk status monitored and recorded in Covalent	Overview and key points reported to Management Team

↳   ↳

↳	Identify key risks for new service plans	←

Strategic risks reviewed by Management Team in light of information from service plans and other sources

SBDC STRATEGIC RISKS

	RISK	COUNCIL AIM AFFECTED	L	I	T	CONTROL	RESP	MEM RESP
1	Managing change to deliver Corporate Plan and preserving services, in the context of need to reduce expenditure over period to 2012, and probably longer.	ALL	4	4	16	Service plans aligned to budget strategy. Member involvement in setting priorities and relating financial decisions to impact on council aims. Value for money assessments introduced as part of service & financial planning process. Project management used for key change projects. Opportunities from partnership or collaboration maximised	M/T	CAB
2	The effect Pathfinder activity has on the authority. This could range from diverting resources from council priorities to loss of staff due to uncertainties over future job prospects. Pathfinder Programme does also offer opportunities to achieve efficiencies for the Council	ALL	4	4	16	Put in place good internal communication and co-ordination processes across services affected. Ensure clear political steer on direction of Pathfinder. Keep resource impact under review at senior level in the authority	M/T	CAB
3	Impact of Government development including infrastructure, proposals on South Bucks	Plan for a thriving and sustainable District, which protects the Green Belt and promotes appropriate development consistent with keeping the character and space for everyone to enjoy	2	3	6	Review any proposals put forward. Latest housing proposals are manageable but any changes will need to be assessed, and responded to appropriately	BS	PH
4	Local Development Framework does not adequately support the Council's aims	Plan for a thriving and sustainable District, which protects the Green Belt and promotes appropriate development consistent with keeping the character and space for everyone to enjoy	2	4	8	Continue to properly resource LDF process and work to achieve project plan. Map linkage between LDF and Council aims.	BS	PH

	RISK	COUNCIL AIM AFFECTED	L	I	T	CONTROL	RESP	MEM RESP
5	Failure to meet LAA targets set for SBDC leading to reputational damage and increased inspection.	ALL	2	2	4	Monitor progress of LAA in achieving targets. Funding made available to deliver current targets. Use influence with partners to deliver on targets	M/T	CAB
6	Police resources directed to other parts of TV area	Reduce the level and fear of crime and make our community a safer place to live, work and visit	3	3	9	Maintain communications with police and lobby as appropriate	CF	ST
7	Developing pockets of deprivation due to access to affordable housing, employment etc increases crime and disorder, which may be made more likely by the economic recession.	Reduce the level and fear of crime and make our community a safer place to live, work and visit	3	3	9	Monitoring by community safety unit, housing and benefits services of trends. Respond appropriately, including via contracts/partners.	M/T	CAB
8	Lack of resources and capacity to support and develop partnerships	Work with partners to improve the provision of high quality services, suitable housing and other amenities	2	3	6	Establish clear corporate policy and guidance for the management and evaluation of partnerships. Clear identification of key partnerships. Corporate co-ordination and overview of partnership activity.	M/T	CAB
9	Lack of sites and funding for affordable housing schemes	Work with partners to improve the provision of high quality services, suitable housing and other amenities	2	2	4	Keep property holding under review to identify potential sites and maintain proactive partnership with RSL partners	BS	JW
10	Impact of future of changes to waste services, both collection and disposal could have reputational and financial implications for SBDC	Endeavor to make our environment measurably cleaner, healthier and managed in a way to preserve it for future generations.	3	3	9	Maintain involvement at officer and member level with Waste Committee for Bucks/ Pathfinder project for Waste. Ensure sound contract management arrangements are in place. Proactively resisting unfavourable waste disposal options	BS	BL
11	Major infrastructure projects, i.e. R3, 2012 Olympic developments on local environment	Endeavour to make our environment measurably cleaner, healthier and managed in a way to preserve it for future generations.	3	3	9	Undertake impact studies on these major developments	BS	PH

	RISK	COUNCIL AIM AFFECTED	L	I	T	CONTROL	RESP	MEM RESP
12	Funding availability for cleaner, healthier environment	Endeavour to make our environment measurably cleaner, healthier and managed in a way to preserve it for future generations.	2	2	4	Address through budget and service planning process for Council is clear what it wishes to achieve in this area. Funding agreed for EMAS and Carbon Footprint work Sustainability group established to co-ordinate Council plans and actions in this area	BS	RR
13	Impact of ageing population	Endeavour to make our environment measurably cleaner, healthier and managed in a way to preserve it for future generations.	3	2	6	Key services to take into account in their service planning. Communication of demographic information to service heads, by implementation of "Knowledge source" on intranet.	M/T	CAB
14	Customer and community needs may not be properly identified and the affordability judged	Deliver cost-effective services that are driven by customer and community needs	2	3	6	Develop customer service policy and manage via service planning process. Monitor performance against customer service standards Have in place clear consultation strategy and programme. Seek to work collaboratively with other authorities on community engagement	M/T	CAB
15	Business continuity due to loss of key facilities, systems or key staff.	Deliver cost-effective services that are driven by customer and community needs	3	4	12	Develop business continuity plans. Personnel strategy to address issues such as recruitment & retentions and succession planning	M/T	CAB