



WARDS AFFECTED

Corporate Directors' Board
Standards and Audit Committee
Cabinet

13TH March 2007
28th March 2007
23rd April 2007

CORPORATE RISK MANAGEMENT POLICY & STRATEGY

SUPPORTING INFORMATION

1. Background

- 1.1. The Risk Management Policy Statement sets out
 - the Council's attitude to risk, and
 - its value in making all decisions
- 1.2. The Risk Management Strategy puts policy into practice. The Council approved its first Risk Management Strategy in 2001 and has conducted regular reviews of it since then. This report describes the outcome of the latest review of the Strategy, and sets out actions for the next 24 months.
- 1.3. As part of its remit to review the Council's risk management arrangements, the Standards and Audit Committee is asked to note the achievements made in implementing the Strategy and the challenges to be faced over the coming year.

2. Why have a Risk Management Policy?

- 2.1. Making good business decisions requires the proper understanding of risk and how risks affect the Council's ability to achieve its objectives.
- 2.2. Risks to the achievement of the Council's objectives can arise from many sources and the way they are addressed and managed depends on the Council's attitude to risk, including the extent to which the Council is prepared to tolerate the consequences of risks.
- 2.3. Risks can be managed in a number of ways including

- Toleration - the potential risk may be of little impact in terms of cost or service; the likelihood of risk may low; or the costs of controlling the risk might significantly outweigh the potential loss from the risk.
- Transfer - the risk can be transferred to another party through, for example, insurance, whereby the financial consequences will be met by a third party in return for payment of a fee (premium). This would be used where the likelihood of the risk materialising is low but the consequences potentially catastrophic.
- Control - the introduction of management controls to reduce the likelihood of the risk materialising and/or the impact should the risk arise. An example of this would be the introduction of CRB checks on employees in key posts to mitigate the risk of fraud.
- Reduction - actions to reduce the impact of the risk materialising. An example would be the installation of sprinklers in schools. This would not affect the risk of a school catching fire but would substantially reduce the impact.
- Cessation - this should be considered for any activity or project where there is a high probability of an incident that has substantial impact.

2.4. Many risks will be managed by one or a combination of a number of these techniques in order to reduce the risks to a level the Council is prepared to tolerate.

2.5. Encapsulated in the Policy is the Council's overall approach to risk. Here the Council is willing to accept risk in a measured way as a means to supporting the achievement of its objectives.

2.6. This acceptance is accompanied by the recognition that there is in place, a process for identifying, assessing, and controlling risks, and for monitoring the effectiveness of those controls in managing the risks.

2.7. The revised Risk Management Policy is attached as Appendix 1 for approval.

3. Key themes from previous review of the Strategy

The Risk Management Strategy was last reviewed during 2005¹ and the key objectives were defined:

- 3.1. Develop existing Departmental Risk Registers, and complete a Corporate Risk Register, identifying the key Strategic Risks, to be monitored regularly by the Corporate Directors' Board.

¹ Resources & Equal Opportunities Scrutiny Committee 27 June 2005
Cabinet 6 July 2005

- 3.2. The establishment of effective and tested Business Continuity Plans for Council services in line with the requirements of the Civil Contingencies Act 2004.
- 3.3. Introduce measures to meet the new assessment criteria for the Comprehensive Performance Assessment to be introduced for 2005.
- 3.4. Develop the role of Scrutiny Committees in relation to risk matrices and their use.
- 3.5. The further development of project management methodologies to include assessment and management of risks.
- 3.6. The exploration of alternative risk financing options.

4. What actually happened

4.1. Develop Departmental Risk Registers, identify Strategic Risks

- 4.1.1. A Corporate Risk Register has been established and Strategic Risks identified are reported quarterly to Directors' Board as part of performance monitoring process.
- 4.1.2. A web-based version of the Risk Register software is in place to facilitate multi-user access.
- 4.1.3. The Risk Register database currently contains about 2,000 risks and their supporting control measures. Of these 100 are designated as being of potentially high impact with a high likelihood of their occurring.
- 4.1.4. The need to review the content of the Register has been established and an exercise to separate the Corporate Risks (those which might have a significant adverse effect on any the Council's services) from the operational risks (which might affect individual business units) is now required.

4.2. Establishment of effective and tested Business Continuity Plans

- 4.2.1. A business continuity plan is the means by which an organisation sets out its plans to maintain its business following an incident e.g. fire, staff sickness epidemic.
- 4.2.2. Business Continuity Plans are but one means of managing risk. Many risks cannot be completely mitigated e.g. terrorist activity, and the likelihood of them occurring cannot be influenced. Business Continuity Plans are to provide a level of preparedness in the event of a catastrophic incident.

- 4.2.3. Business Continuity Plans exist for many areas of Council activity but may not conform to a common standard that would enable the Council to meet its obligations under the Civil Contingencies Act with regard to
- its own business continuity arrangements
 - its duty in relation to supporting the emergency services in the event of a major emergency and the provision of support to local businesses in relation to their needs for business continuity development
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4.3. Comprehensive Performance Assessment

- 4.3.1. The Council's arrangements for the management of risk are considered by the Audit Commission as part of its assessment of the Council's Use of Resources.
- 4.3.2. In its report to the Council for 2006², the Audit Commission made the following statement: -
- “Risk management has been evolving and improving and is becoming embedded throughout the Council. There is evidence that risks in respect of significant partnerships are being considered and these need to be reflected in the risk register.”
- 4.3.3. In its assessment of where improvements can be made, the Commission stated that the Council should
- “Ensure that risks in respect of significant partnerships are included in the risk register together with arrangements for seeking assurances about the management of those risks.”
- 4.3.4. The Standards and Audit Committee has agreed an internal control framework, which provides a clear link between risks and the controls in place to manage them.

4.4. Scrutiny Committees and Risk Assessment

- 4.4.1. If used correctly, risk assessment matrices can provide Members with sufficient information concerning the risks of the proposal, (and the risks of not agreeing the proposal), to improve the quality of decision-making.
- 4.4.2. The use of matrices became a requirement in 2004 and the form to be used is available on the intranet³. There is now

² Use of Resources Auditor Judgements 2006/7- Audit Commission November 2006

³ <http://insite/resources-department/financial-services/internal-audit--risk-management/risk-management-services/risk-management-forms>

evidence that the use of these assessments is becoming more widespread.

- 4.4.3. Members have an important role to play in ensuring the proper consideration of risk and the use of matrices. Examples of risks that often need to be addressed include
- Issues affecting the delivery of existing services
 - Failure of external funding streams to be realised
 - Damage to the reputation of the Council
 - Fraud

4.5. Project Management methodologies

4.5.1. The Council's has adopted the PRINCE 2 project management methodology, which includes provision for the logging and management of risks associated with projects.

4.5.2. As part of its annual plan for 2005/6, the Audit Commission recently completed a follow-up review of its 2003 report on Project Management⁴. The report reaches the following conclusion on the issue of risks:

“The Council has put in place an improved project management framework but has not yet followed this through in respect of strengthening the reporting and monitoring of progress at corporate and member level so that project risks, that could affect the delivery of strategic commitments, are known and addressed.”

4.6. Exploration of alternative risk financing options

4.6.1. Choices in relation to insurance for local authorities in recent years have been very limited and this has tended to have a detrimental effect on premiums for external insurance cover.

4.6.2. The Council makes a significant financial investment in managing its insurable risks. This commitment is not necessarily being adequately reflected in the level of premiums being charged by the insurance market.

4.6.3. In order to try to address this, the Council became involved with a project to research the feasibility of developing alternative means of financing insurance cover.

4.6.4. This project has now produced a feasibility report and the twenty-one authorities involved (including the Council) have to consider whether to undertake further financial investment and

⁴ Audit Commission - Project Management Review- issued December 2006

work to establish an alternative risk finance vehicle as a replacement for the use of insurance companies.

- 4.6.5. The use of alternative risk finance models by local authorities has been the subject of continuous debate for many years. Further feasibility studies will require additional financial investment although the potential for gains by way of reduced premiums have not been quantified. In turn any such gains will have to be weighed against the investment of finance and management time required to progress this matter, and the effects of a reduced risk base over which costs can be spread.
- 4.6.6. It is recommended that the Council continues to monitor these developments but does not actively participate further at this time in further investigations, particularly as a recent extension of our current arrangements has led to some immediate reduction in premium. Our insurance programme will proceed to tender in October 2008 when it is anticipated that the market for local authority insurances will be more competitive, reducing further the potential financial savings from alternative risk financing options.
- 4.6.7. A parallel study supported by the Department for Education and Skills (DfES) to identify alternative risk financing options and risk management best practice for schools has concluded that the specialist nature of the risks associated with schools, makes the use of alternative financing options not viable.

5. Assessment of the current Risk Management Strategy

- 5.1. There has been much by way of progress since this Strategy was last reviewed. It is, however, still important to ensure that compliance with Corporate Risk Management initiatives is consistent across all departments and that this extends to partnerships.
- 5.2. The conclusion to be drawn from the latest review is that the basic infrastructure for effective risk management is in place, and has been for some time. The challenge now is to embed the management of risk within the Council's culture and thereby demonstrate that risk management is integral to the way the Council runs its business.
- 5.3. The key findings of this review are that
 - 5.3.1. The process of risk management has become overly bureaucratic and has not delivered the expected benefits to business units.
 - 5.3.2. The central risk management service must refocus its efforts to challenge existing processes, to support essential changes and

to generate solutions that support the delivery of the Council's objectives.

- 5.3.3. Although Business Continuity Plans exist for some key activities (e.g. Information and Communications Technology), there are a number of "business-critical" services for which plans do not yet exist and other, less critical activities that do. For instance: some administrative services have BCPs, notwithstanding that (in an emergency), the most likely course of action would be to temporarily suspend the service.
- 5.3.4. Emergency Planning initiatives are currently based on individual disaster scenarios and are not integrated within an overall Corporate Business Continuity Plan. For instance: there are plans to handle major fires in the community, but not for the consequential impact on the Council – costs of making safe a building to be claimed against owner's insurance; roads closed, shopkeepers claim compensation. In the event of an Emergency situation also involving Council staff, property, or services – the BCP must be triggered to support those activities as well as for support in the wider community.
- 5.3.5. The way the Council manages its insurance portfolio could be improved and the extent to which cost savings can be generated by reducing the extent of reliance on external claims handling services needs to be fully explored.
- 5.3.6. The Council has a large number of systems and procedures, many of which have been locally developed (e.g. property fire inspections). These are heavily dependent on local resources for modification and updating, which are not always available. This is often attributed to a lack of resource. Not all are fit for purpose; best practice is not shared across the Council; and core procedures become ambiguous by local interpretation (personal use of internet, hire of vehicles). Review and modernisation of some procedures e.g. statutory engineering inspection, highway maintenance, has been necessary to protect the Council against injury/damage claims. There is now an opportunity to introduce simple, shorter, corporately-applied management procedures that are readily available on the intranet, which comply with a common authorship protocol. Authority to issue new procedures must be similarly restricted, and all would be subject to a formal "sign off".
- 5.3.7. A comprehensive review of the roles around risk within the Council is required, with responsibilities defined and clear protocols between a number of key operational teams and cross-department groups e.g. legal contracts/procurement, housing repairs, schools, partnership grant funding, property maintenance/security, new bids/projects, performance management, etc.; and the Risk Management Services team

reviewed in order to support the delivery of the Risk Management Strategy.

6. Strategic Objectives for the proposed Risk Management Strategy

- 6.1. To embed the proposed Risk Management Strategy into the culture and operations of the Council so that awareness of risk and their active management becomes an integral component of the way the Council manages and delivers its services, including Partnership working.
- 6.2. To identify key activities in the Council's operations which directly affect the Council's ability to deliver service and to identify necessary action to protect the Council's exposure.
- 6.3. To develop and maintain a Corporate Business Continuity Plan in accordance with the requirements of the Civil Contingencies Act 2004, covering all business-critical systems and services provided by the Council.
- 6.4. To increase investment in proactive measures to reduce the levels of the impact or likelihood of injury, loss, or damage.
- 6.5. To maintain an optimum balance between the use of external and internal insurance provision that balances costs against the levels of cover.
- 6.6. To develop the internal capacity to handle claims against the Council, thus providing a greater control over the cost of claims.
- 6.7. To develop internal capacity and greater liaison with specialist functions across the Council to conduct risk audits of the main operational processes and activities - where people, assets, and projects might be at significant risk in relation to loss, damage or legal liability claims.
- 6.8. To develop the inter-relationship between risk control and performance improvement.
- 6.9. To develop the Risk Management Service to provide a consistent approach to supporting management and providing sound advice on all basic issues relevant to risk and claims.
- 6.10. To consider the role and relevance of risk management within the Council as a leadership tool to improve effective management and the financial control.

7. Action Plan

- 7.1. As a result of the progress made since the last review and the assessment of the processes outlined above, an action plan has been prepared (see attached Appendix 2).

8. FINANCIAL IMPLICATIONS

8.1. The cost of risk falls into two categories:

- 8.1.1. The direct cost of paying premiums to insurance companies, meeting insured claims, encouraging low cost risk improvement initiatives, supporting essential risk control measures, and associated administration of the risk management function. For 2006/07 this is estimated to be about £6m.
- 8.1.2. The indirect cost of service disruption associated with incidents, which amounts to many times the direct cost.
- 8.2. Whilst our insurance arrangements protect the Council from catastrophic loss in any given year without additional charge in that year, any overall deterioration in the Council's loss experience will have an impact on premiums for future years. It is never possible to eliminate the cost of loss, however, low incident rates can be maintained, and reductions sought, by proper attention to risk control and the prevention of incidents.

9. LEGAL IMPLICATIONS

- 9.1. Risk Management is a key component of good corporate governance reflected in the Comprehensive Performance Assessment. The Council as the Accountable Body in relation to many partnership arrangements, including the Local Area Agreement must ensure risks taken are affordable and unavoidable; and that any investment in preventative measures must be cost effective.

10. CONSULTATIONS

- 10.1. Members of the Corporate Directors' Board have been consulted on the content of this report.

11. OTHER IMPLICATIONS

	YES/NO	PARAGRAPH REFERENCES WITHIN SUPPORTING INFORMATION
Equal Opportunities	N	-
Policy	N	-
Sustainable and Environmental	N	-

Crime and Disorder	N	-
Human Rights Act	N	-
Elderly/People on Low Income	N	-

12. REPORT AUTHOR/OFFICER TO CONTACT

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13. APPENDICES

Appendix I	- Corporate Risk Management Policy
Appendix II	- Action Plan to 31 March 2009

Leicester City Council Corporate Risk Management Policy

Leicester City Council acknowledges that risk is a feature of all business and is a particular attribute of the more creative of its strategic developments. Some risks will always exist and can never be eliminated: they therefore need to be admitted and appropriately managed.

The Council recognises that it has a responsibility to manage hazards and risks and supports a structured and focused approach to managing them by regular review and approval of a Risk Management Strategy.

This Strategy sets out how the Council will improve its ability to achieve its corporate objectives and enhance the value of services it provides to the community, using the effective management of risk, as a tool.

The Council's Risk Management objectives are to:

- Embed risk management into the culture and operations of the Council.
- Ensure that a systematic approach to risk management is adopted as an integral part of Service Planning and Performance Management.
- Manage risk in accordance with best practice, anticipating and responding to changing social, environmental, & legislative requirements.
- Enable managers to understand the implications of the consequences of uncontrolled risk and accept responsibility for their ownership and the ramifications of their actions/inactions.

These objectives will be achieved by:

- Challenging both existing management processes and facilitating the development of revised Corporate Policies that provide clear guidance and encompass all aspects of the Council's operational activities.
- Incorporating the assessment of risk into all the Council's decision making, Service/Business Planning, Project Management, Partnerships, Asset Management, Performance Management, and Procurement Processes and challenging new proposals, as relevant.
- Establishing clear roles, responsibilities, and reporting lines within the Council for addressing existing risks, incident & claim reporting, and for early consideration of risk in new proposals.
- Analysing causes of incidents & claims on a regular basis, and initiating discussion with appropriate Departments and business units. Handling claim applications in a robust and professional manner.
- Advising on practical and cost effective risk reduction; reinforcing the importance of effective risk management through training; and facilitating opportunities for shared learning.
- Awarding financial incentives for the implementation of cost effective loss prevention measures and the improved management of risk.

The benefits of Risk Management include:

- Cohesive leadership and improved management controls
- Improved resource management – people, time, and assets
- Improved efficiency and effectiveness in service and project delivery
- Better protection of employees, residents and others from harm
- Reduction in likelihood/impact of losses; and lower insurance premiums
- Improved reputation for the Council

Risk Management Services - Action Plan

Activity	Objective	Actions	Responsible Officer	Target Date
Embedding Risk Management Strategy into the culture and operations of the Council				
Challenge existing processes	Challenge existing management processes and facilitate the development of revised Corporate Policies that provide clear guidance and encompass all aspects of the Council's operational activities.	Instigate a central source of core procedures and systems of working which managers are required to fulfil, together with the mechanism for keeping them up to date and appropriately authorised.	Town Clerk	31 December 2007
		Institute core management procedures and working processes <ul style="list-style-type: none"> - define systems/procedures to be the subject of central control - establish definitive list of current systems/procedures - create a central source of controlled issues - devise standards for writing and authorising procedures - review existing documents - establish a single intranet location 	Town Clerk	31 December 2007
Review the effectiveness of risk assessments in key decisions	To audit the effective use of risk assessment in Cabinet and directors; board decisions, Service/Business Planning, Project Management, Partnerships, Asset Management, Performance Management, and Procurement Processes	Establish a method for reviewing the risk assessment information provided on significant projects, and the approval of all major initiatives	Corporate Risk Manager	30 th June 2007
Improve the sources and timely reporting of risk-related information	To establish clear roles, responsibilities, and reporting lines for addressing incident & claim reporting	Review all current streams of information, identify gaps and weaknesses, propose changes for an effective system of notifying incidents and claims to Risk Management Services	Principal Insurance Officer Principal Risk Officer	31 st May 2007

Risk Management Services - Action Plan

Activity	Objective	Actions	Responsible Officer	Target Date
To identify key activities in the Council's operations which directly affect the Council's ability to deliver service and to identify necessary action to protect the Council's exposure.				
Proactive management of Business-Critical Risks	To identify and document the Council's business critical systems as a contribution to the compilation of the Corporate Business Continuity Plan	Complete work to identify the business-critical activities including those imposed by partnerships	Corporate Risk Manager	Completed
		Assess the current control measures for identified business-critical activities and identify actions needed to improve those risks to a level that is acceptable.	Corporate Risk Manager	30 April 2007
		Establish Corporate Risks and obtain acceptance from DMTs & (for the more important ones) DB.	Corporate Risk Manager	30 April 2007
		Review risks contained in the Risk register, and propose solutions to management.	Corporate Risk Manager	30 th June 2007
		Determine how risk measures for key risks will be included in service plans	Principal Risk Officer	30 th December 2007
		Devise process for reporting results regularly to Standards and Audit and Scrutiny Committees and Cabinet	Principal Risk Officer	31 March 2007
		Devise process for reporting results regularly to Corporate Directors' Board	Principal Risk Officer	31 March 2007
To develop and maintain a Corporate Business Continuity Plan in accordance with the requirements of the Civil Contingencies Act 2004, covering all business-critical systems and services provided by the Council.				
Business Continuity Planning	To produce a Corporate Business Continuity Plan in line with the Civil Contingencies Act 2004	Develop and publish a revised Corporate Business Continuity Plan.	Corporate Risk Manager	31 March 2007
		Establish a Business Continuity Planning Group from nominated key service managers who will be responsible for the recovery of business-critical activities, systems, and buildings in the event of a significant event as defined by the Triggers listed in the Corporate Business Continuity Plan.	Corporate Risk Manager	31 March 2007

Risk Management Services - Action Plan

Activity	Objective	Actions	Responsible Officer	Target Date
		Introduce training and Intranet access to the BCP database to enable relevant people, suppliers, locations and resources to be recorded and maintained by Departments.	Business Continuity Officer	30 June 2007
To maintain an optimum balance between the use of external and internal insurance provision that balances costs against the levels of cover.				
Insurance Tender	To provide the Council with a portfolio of insurance cover supplemented by internal fund provision at the lowest premium and best value for services in relation to the extent of cover.	Extend Broker contract by one year (to 2009) to ensure continuity of support from an established broker for the tendering process of the insurance portfolio	Principal Insurance Officer	30 June 2007
		Revise insurer data in accordance with Council exposures in 2007, including changes to insured values and risks in good time for completion of the annual renewal in September 2007	Principal Insurance Officer	30 June 2007
		Develop a portfolio of information to provide an accurate risk profile about the Council to be used in good time for the re-tender proposals that are to be in place by September 2008.	Principal Insurance Officer	31 March 2008
		Issue OJEC Notice for re-tender of Insurance Portfolio (Tender closes 30 May 2008)	Principal Insurance Officer	1 April 2008
		Tender evaluation and decision in consultation with Brokers	Corporate Risk Manager	1 July 2008
		Award new contract effective from 1 st October 2008	Corporate Risk Manager	1 September 2008
To develop internal capacity and greater liaison with specialist functions across the Council to conduct risk audits of the main operational processes and activities - where people, assets, and projects might be at significant risk in relation to loss, damage or legal liability claims.				
To increase investment in proactive measures to reduce the levels of the impact or likelihood of injury, loss, or damage.				
Risk Improvement Initiatives	To provide financial incentives to support risk reduction through investment	Review existing fund criteria to extend the scope and coverage of available resources for risk improvement	Corporate Risk Manager	31 March 2008
		Propose other Council-wide initiatives to be considered during the next 12 months. This will be a visible strengthening of support by the Council	Corporate Risk Manager	Rolling programme

Risk Management Services - Action Plan

Activity	Objective	Actions	Responsible Officer	Target Date
		for the active loss prevention.		
Risk Audits	To support the proactive management of risks by conducting audits of key risk areas (such as property, major projects, partnerships, operational processes).	Conduct process audits where it would appear that assets and projects might be at risk to significant loss, damage, or legal liability claims.	Risk Control Officers	Rolling programme
		As each audit is completed involve relevant management to improve Corporate Policy and guidelines and undertake process re-engineering	Risk Control Officers	Rolling programme
		Integrate review of process audits within Internal Audit operational plans to provide ongoing assurance.	Audit Manager	31 March 2007
Claims handling and risk control	To provide a claims handling service through the optimum combination of external and internal resources.	Publish details of a proposal to strengthen Council claims team, within existing resources with a view to handling public liability claims in-house for 1 st October 2007 to reduce claims handling fees, whilst making the decision making process shorter, and eliminating duplication of work.	Principal Insurance Officer	March 2007
		Organisational Review of team structure required to implement proposed claims handling changes	Corporate Risk Manager	28 th February 2007
		Negotiate acceptance by insurers of the handling of all public liability claims below the deductible internally	Principal Insurance Officer	1 June 2007
		Negotiate acceptance by insurers of the handling of other selected categories of claim below the deductible internally	Principal Insurance Officer	1 October 2008
To develop the Risk Management Service to provide a consistent approach to supporting management and providing sound advice on all basic issues relevant to risk and claims.				
Risk Management Policy and Information	To adopt a consistent approach to support for the management of risk and the handling of claims.	Publish regular news items in each of the Department newsletters and FACE	Principal Risk Officer	Quarterly
-		Annual Risk Forum to focus on risk management issues and practical control measures.	Principal Risk Officer	May 2007

Risk Management Services - Action Plan

Activity	Objective	Actions	Responsible Officer	Target Date
		Comprehensively review RMS Intranet site with links to all appropriate Corporate Policies.	Principal Risk Officer	31 March 2007 Rolling programme
		Provide briefing for members of Standards and Audit Committee in their role in relation to Risk Management and to relevant Scrutiny Committees	Head of Audit & Governance	Rolling programme
		Provide ongoing training to Standards and Audit Committee as required.	Head of Audit & Governance	As required
		Deliver at least one presentation a month to specialist groups focused on the risk issues relating to their discipline.	Corporate Risk Manager	Rolling programme
To consider the role and relevance of risk management within the Council as a leadership tool to improve effective management and the financial control.				
Risk Management Services, structure, staffing and Relationships	To review and revise the organisational structure of Risk Management Services in order to support the delivery of professional risk management support in accordance with the Risk Management Strategy and Risk Management Policy as approved by the Cabinet	Review of skills required to deliver the Risk Management Strategy across the Council.	Corporate Risk Manager	30 th April 2007
		Organisational review of Risk management Services		30 th June 2007