



RISK MANAGEMENT STRATEGY

Approved by The Cabinet on 27 October 2008.

Foreword

Stratford-on-Avon District Council (SDC) wishes to be proactive in its approach to managing risks. Risk is one of life's certainties for local authorities, and good risk management is essential for services to be delivered effectively and for the Council to fulfil its role as community leader.

This document identifies how SDC manages its strategic risks, and is supported by a Procedure Manual for managing day to day risks.

Paul Lankester
Chief Executive

Cllr L Topham
Leader

Cllr V Seaman
Chairman

Cllr P Seccombe
Chairman
Audit Committee

October 2008

1. Introduction

- 1.1 The purpose of Risk Management is to mitigate loss. Losses are often measured in money terms but they also include costs of disruption, inconvenience, lowering of morale, adverse publicity, and public dissatisfaction.
- 1.2 The Comprehensive Performance Assessment, the Civil Contingencies Act and the Corporate Governance Agenda, all placed great importance on the role of risk management within an organisation. The Comprehensive Area Assessment will place a similar emphasis on the approach to risk adopted by the Authority. This strategy sets out the Authority's approach to the management of risk. It replaces the Risk Management Strategy which was released in draft in 2007.

1.3 Why have a Strategy?

- 1.3.1 To be effective, risk management must be an integral part of the Council's management systems (quality and environmental). The purpose of this strategy is to ensure that the risk management arrangements build on previous good practice and experience, with the intended outcome of continuous improvement in our systems, processes and services.
- 1.3.2 The development of this strategy has come about due to the Council reviewing its arrangements for corporate governance. The document has been developed following risk management reviews by Zurich Municipal in 2002 and risk management consultants, Socrates, during 2005.
- 1.3.3 A key consideration in developing the risk management strategy is to ensure that all the Council's activities are legal, and that for the good of our communities we make the best use of the 'Power of Well-being' provisions in the Local Government Act 2000. The strategy ensures that the Council registers and manages strategic risks in carrying out its function.
- 1.3.4 All reports and strategies should include a section in which risk management is considered. The resultant recommendations and conclusions should reflect these risk considerations.
- 1.3.5 Heads of Service are required to record operational risks in service and operational plans, updating them when new risks become apparent or existing risks change. It is recommended that risk be discussed at team meetings in order to gain input from all levels of the organisation and raise awareness of risk issues.
- 1.3.6 Information and recommendations arising out of Internal Audit reports, Health and Safety audits, Best Value Reviews, Asset Management Planning, Local Area Agreements, and the Local Strategic Partnership, should all be fed into the service risk catalogues.

1.4 How the principles of corporate governance should be reflected

- 1.4.1 The Council needs to establish and maintain a systematic strategy, framework and processes for managing risk. Together, these arrangements should:
- include making public statements to stakeholders on the authority's risk management strategy, framework and processes to demonstrate **accountability**.
 - include mechanisms for monitoring and reviewing **effectiveness** against agreed standards and targets and the operation of controls in practice.

- demonstrate **integrity** by being based on robust systems for identifying, profiling, controlling and monitoring all significant strategic and operational risks.
- display **openness and inclusivity** by involving all those associated with planning and delivering services, including partners.
- include mechanisms to ensure that the risk management and control process is monitored for continuing compliance to ensure that changes in circumstances are accommodated and that it remains **up to date**.

1.5 Keeping the Strategy up to date

- 1.5.1 The strategy itself will be reviewed every two years to ensure that relevant guidance and best practice is incorporated into the strategy and action plan as appropriate.

1.6 Further background

- 1.6.1 The strategy outlines the governance structures within Stratford-on-Avon District Council, it describes how risks will be prioritised, identifies key risk issues facing the organisation, and sets objectives to managing these within the short to medium term, and long term (separately).
- 1.6.2 This strategy should be read in accordance with the Council's Constitution. Other documents which have strategic implications are the Council's Health and Safety Policy, Codes of Conduct and Security Policies. These are to be found on the Council's intranet (Appendix 3).

2. Principles

2.1 Statutory and Mandatory Duties

- 2.1.1 The Council's Monitoring Officer has a statutory responsibility to report on any contravention of an enactment or rule of law, or maladministration.
- 2.1.2 The Council's Head of Resources has a statutory responsibility for ensuring the proper administration of the financial affairs of the Council.
- 2.1.3 Stratford District Council has a statutory responsibility under national legislation, which derives from the EU Framework Directive 89/391/EEC to "evaluate the risks to the safety and health of workers" it employs. The Management of Health and Safety at Work Regulations 1999 requires the Council to carry out suitable and sufficient assessments of any risks to the health and safety of its employees and anyone else who may be affected by its work activities such as visitors, businesses, volunteers, residents and partners. The Council must identify measures for compliance and record the finding of these assessments. The assessments are devised by line managers and maintained on a central register by the Safety Adviser.
- 2.1.4 The Council also has various other statutory and common law duties in relation to risk management. These include the duty to secure best value, to ensure observance of the fiduciary duty, and where it owes a duty of care to third parties, to carry out its functions in a competent and responsible manner, taking such measures as are reasonably practicable to limit risk.

2.2 Quantification and Action Planning

- 2.2.1 Risks identified and defined in the risk catalogues are quantified in terms of:
- Severity of impact, and
 - Probability of occurrence.
- ... taking into account the controls already in place to offset the risk.

- 2.2.2 The resultant ratings will designate each risk a High, Medium or Low risk status. Risks emerging as medium or low are already below the Council's acceptable risk threshold and need monitoring to ensure they remain there. Risks classified as high status require actions specified to address the risk.

The ratings and acceptable risk profile of the Authority is covered in paragraph 4.2.

- 2.2.3 The risk register requires a SMART approach to action planning. Consequently, each risk action requires, wherever possible:
- A measurable output
 - A target date
 - A designated risk owner
 - A summary of the existing controls in place to mitigate the risk.
- 2.2.4 The strategic risk register is reviewed by the Risk Management Group and reported to Management Team on a quarterly basis.

3. Accountability Arrangements

3.1 The Council

The Council has accountability overall for the effective management of risks within the organisation. Specifically, the Council has delegated the following responsibility to the Audit Committee to undertake these duties:

"To fulfil the Council's responsibilities in relation to auditing the use of the Council's resources, in particular:

1. *To consider the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.*

3.2 Avoidance

The Strategic Director chairs the Risk Management Group. The Group exists to ensure that the Council implements and embeds risk management into day-to-day activity.

The Group includes the following:

- Head of Resources
- Audit Manager
- Premises Manager
- Leisure Services Manager
- Policy Officer.

3.3 Responsibility for Directly Managing Risks

Risks should be managed at service level by every individual and only when the risk is beyond the scope of the relevant Head of Service should the management of it escalate upwards through the organisation. (Appendix 2)

3.4 Contractors

Contractors are accountable for the management of risks within their own field of operation, supported by their lead supervising client officer. They are required to have arrangements in place to insure their activities and indemnify the Council against loss. The contractor will be required to offer general training and assistance to their employees or agents in the management of risk to promote best practice across their own

organisation and the Council. The contractor will adopt and conform to the Council's policies on risk management as a minimum standard.

3.5 Stakeholders and Partners

Stratford on Avon District Council recognises its responsibilities to the stakeholders and partners of the organisation and the communication links and the involvement in the management of risks are as set out in the Council's Communications Strategy.

3.6 Insurance

The Council has indemnity cover arranged through approved suppliers. These arrangements will be kept under review regularly (at least annually) to ensure they are appropriate. Independent contractors will ensure they have appropriate insurance in place to mitigate any risks for which they are responsible, as determined by the Chief Financial Officer, in consultation with the Monitoring Officer or such other solicitor or legal executive as may be designated for that purpose.

3.7 Whistle Blowing

This can apply when there is any incident, potential or actual, that could expose the Council to risk. The Council is keen to ensure that it avoids a culture of blame. By achieving this culture, staff will be encouraged, where they have genuine concerns, held in good faith, to report any incidents through the Council's Whistleblowing Procedure without fear of recrimination.

4. Prioritising Risks

4.1 The issue of prioritising risk is not easy to define as personal perceptions regarding a situation will differ. For this reason a risk matrix has been developed and can be used at all levels to prioritise risks of all types. The Council's strategic approach to a risk is determined by where it is in the risk matrix.

4.2 The risk matrix considers the likelihood of a risk and the impact on the organisation if it occurred. The areas that are **unshaded** in the table below have been identified as having a level of risk that is unacceptable to SDC and action is required:

Likelihood		Impact	
A	Very high	1	Catastrophic
B	High	2	Critical
C	Significant	3	Marginal
D	Low	4	Negligible
E	Very low		
F	Almost impossible		

L I K E L I H O O D	A		<i>Unshaded</i>	<i>- unacceptable</i>	<i>Risk</i>
	B			<i>Level</i>	<i>In</i>
	C			<i>Of</i>	<i>These</i>
	D				<i>Boxes</i>
	E				
	F				
		4	3	2	1
		IMPACT			

4.3 This methodology is taken from the work undertaken for the Council by Zurich Municipal Management Services. The shaded/unshaded areas identify where the Council's risk appetite lies. Shaded risks are deemed to be acceptable, whereas unshaded risks must be acted on with a speed dependent on the impact and likelihood of that risk e.g. a very high risk with a catastrophic impact should be addressed immediately. This 'risk appetite' will be reviewed every two years, starting one year after the introduction of this Risk Management Strategy.

4.4 It is recognised that in some service areas risks can be unpredictable and dangerous situations occur quickly. In these situations stringent measures must be taken immediately to contain a situation and minimise risk to those exposed. In some urgent situations it may be appropriate to seek the involvement of other agencies e.g. police, and the Council's insurers.

5. Approach to the Management of Strategic Risks

5.1 It is the responsibility of the Head of Resources to arrange for the production of the Strategic Risk Register to be reviewed by the Risk Management Group prior to reporting it to Management Team on a quarterly basis. The Strategic Risk Register will include the following information:

- Brief description of the risk;
- Responsible Officer;
- Impact upon Corporate Strategy;
- Vulnerability;
- Consequence;
- Current situation;
- Rating (as defined within section 4);
- Action required to mitigate the risk.

5.2 The Council's Management Team and the Leaders Meeting will consider the Strategic Risk Register. Any issue, which is deemed necessary by the Management Team, will be reported to the Cabinet along with a plan for the mitigation of the risk and the resources required. If necessary it will also be reported to the Leader of the Council and the relevant Portfolio Holder as a matter of urgency.

5.3 This approach will ensure that the risks are identified and actively managed by the authority.

6. Training and Review

- 6.1 It is essential that officers and members receive the necessary training in order to identify and mitigate against risk. It will be the responsibility of the Head of Resources to ensure that the training is arranged and undertaken.
- 6.2 It is important that the adequacy of the Council's arrangements in relation to Risk Management is considered on an annual basis. This will be undertaken by the Risk Management Group and presented to the Council's Management Team before being presented to Members for approval.

STRATFORD-ON-AVON DISTRICT COUNCIL

RISK MANAGEMENT STRATEGY

DEFINITIONS

Corporate Governance

Corporate governance could be defined as *"a framework through which local authorities are accountable for the quality of their services and safeguarding high standards of service provision by creating an environment in which excellence in provision will flourish."*

Risk Management

Audit Commission definition of risk management

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

(From 'Worth the Risk – improving risk management in local government.')

STRATFORD-ON-AVON DISTRICT COUNCIL
RESPONSIBILITIES FOR RISK MANAGEMENT

Strategic Director

- To ensure risk management funding initiatives are in accordance with the Risk Management Strategy.
- To report risk management proposals that impact upon the Risk Management Strategy and Action Plan, for approval by Management Team and the Cabinet.

Head of Resources

- Overall control of the risk management function.
- To prepare reports on risk management activities and results, and loss ratio analysis (i.e. cost of insurance claims compared to the cost of premiums).
- To manage the insurance fund and external insurance contract.
- To promote the implementation of the Council's Risk Management Strategy on a corporate basis.
- To consider the value of new risk management initiatives.
- To bring together the specialist skills needed for the promotion of successful risk management within the Authority.
- To manage, propose and co-ordinate risk management loans from the insurance fund and risk management budget.
- To consult regularly with service areas and external bodies about developing the risk management programme.
- To devise programmes of risk management activities and to monitor and report the results of the activities to the Strategic Director and Management Team.
- To co-ordinate the maintenance/update of the Strategic Risk Register.
- To liaise with external insurers to ensure that future premiums reflect all risk management activities being undertaken by Council services.
- To continually look at the feasibility of increasing self-insurance.
- To ensure premiums are appropriately recharged to services using a 'risk' basis.

Heads of Service and Service Managers

- To ensure risk management is considered within service plans.
- To maintain and update the service risk catalogues.
- To ensure the concept of risk management is communicated to all employees (and that the process is both 'bottom-up' and 'top-down').

STRATFORD-ON-AVON DISTRICT COUNCIL

CURRENT STRATEGIES

Affordable Warmth
Asset Management Plan
CCTV Strategy
Communications Strategy
Community Plan
Consultation Strategy
Contaminated Land Strategy
Corporate Strategy
Crime & Disorder Strategy
Customer Strategy 2007-2012
Medium-Term Financial Strategy
Greenspace Strategy
Human Resource Strategy
ICT & Business Development Strategy
Homelessness Strategy
Housing Strategy
Leisure Strategy
Market Town Visions
Play Strategy
Procurement Strategy (Interim)
Risk Management Strategy
Shared Services Strategy
Warwickshire Waste Management Strategy
Wellbeing Strategy