

REPORT TO: POLICY AND RESOURCES COMMITTEE 9 FEBRUARY 2009

REPORT ON: RISK MANAGEMENT STRATEGIC PLAN AND STRATEGIC RISK REGISTER

REPORT BY: HEAD OF FINANCE

REPORT NO: 87-2009

1 PURPOSE OF REPORT

This report provides Elected Members with a copy of the Councils updated Risk Management Strategic Plan and Strategic Risk Register.

2 RECOMMENDATIONS

It is recommended the Committee:

Approves the Risk Management Strategic Plan and Strategic Risk register.

3 FINANCIAL IMPLICATIONS

There are no immediate financial implications from the content of this report as the costs of compliance are contained within Departmental budgets.

4 MAIN TEXT

4.1 During the last year Departments have been requested to incorporate their individual Risk Registers within their Service Plan. This has the benefit of aligning risks with key service objectives to provide cohesion and also enables a structured review of risks as and when Departmental Service Plans themselves are reviewed.

4.2 Once Departmental Risk Registers had been completed the Chief Officers Management Team has engaged in compiling a Strategic Risk Register which concentrates principally on considering threats to attainment of the key objectives within the Council Plan and also draws up to the strategic Risk Register some of the common risks identified within Departmental Risk Registers.

4.3 The Risk Management Strategic Plan, within which both Departmental and Strategic Risk Register processes sit, has been updated to incorporate the amended arrangements.

5 POLICY IMPLICATIONS

5.1 This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact assessment and Risk Management.

5.2 The subject matter of this report is concerned with the arrangements behind the Council's management of risk.

6 CONSULTATIONS

The Chief Executive, Depute Chief Executive (Support Services), Depute Chief Executive (Finance) and Head of Finance have been consulted on the content of this report.

7 BACKGROUND PAPERS

None

**MARJORY STEWART
HEAD OF FINANCE**

03 FEBRUARY 2009



DUNDEE CITY COUNCIL

RISK MANAGEMENT STRATEGIC PLAN

AND STRATEGIC RISK REGISTER

(2007-2011)

1 INTRODUCTION

A working definition of Risk Management would be

"A management discipline through which concerted and co-ordinated action is taken to identify, evaluate and control current and potential causes of loss which could threaten the Council's ability to deliver services."

Skilled Risk Management offers the Council the prospect of both tangible and intangible benefits, three examples of each are shown below:

Tangible

- Reduced financial loss
- Fewer injuries to staff/public
- Preserved assets (buildings/vehicles/equipment)

Intangible

- Better Public Image
- Reduced opportunity for criminal damage
- Orderly consideration of risk when planning new projects

Intelligent application of Risk Management concepts should serve to reduce the "fear of the unknown" and so enable operational activities to be expanded. In this way the discipline should be viewed as a catalyst to service delivery rather than viewed as a reason why certain Departmental activities cannot be undertaken.

To achieve this vision requires a disciplined approach to risk which percolates through all levels of the Council and its numerous operations. In turn, all tiers of management require to absorb and apply Risk Management concepts in their every day thinking and actions and in many ways this "cultural change" is the primary objective of this first Risk Management Strategy Plan.

Whilst this objective could have previously been viewed as desirable, the heightened profile of Corporate Governance in Local Government and the increasing external focus by bodies such as Audit Scotland on the issue of Organisational Risk Management increasingly demands attainment of the core objective.

2 POLICY STATEMENTS

The undernoted Policy Statements were agreed by the Finance Committee on 10 December 2001 (Report No 542-2001) and are included herein as a background reference point.

Corporate Policy Statement on Risk Management

Dundee City Council is dedicated to the management of risk in order to:

- safeguard its employees
- protect its property
- preserve and enhance service delivery
- maintain effective stewardship of public funds
- promote a favourable corporate image.

The efficient management of risk forms part of the City Council's overall business objectives.

To achieve this, standards and principles applicable to the Council as a whole, will be developed and maintained. This process will involve identification and evaluation of risks to create practical and cost effective means of loss control and avoidance.

Risk financing techniques, including insurance, will be used to fund fortuitous and catastrophe losses. Self-insurance will be used to optimise the benefits of risk retention, relative to premium economy.

The Risk and Business Continuity Manager is responsible for co-ordinating activities, enlisting available expertise, internally and externally, and directing action through the medium of the Audit and Risk Management Sub Committee.

Risk Management is recognised as a continuous process, demanding awareness and action from employees at every level, to reduce the possibility and impact of injury and loss.

Employee Risk Management Statement

The Council seeks your help in implementing its risk management policy.

In simple terms, risk management is concerned with identifying and trying to prevent events which could lead to loss, damage or injury to either Council employees, their property or members of the public or their property.

The benefits of a risk management policy are a safer environment for everyone, reduced claims payments and resources being made available to support both services and jobs.

If you notice anything which you consider to be a hazard please contact the Risk Management Section on 433301.

3 RISK MANAGEMENT STRATEGY

The strategy aims to provide a framework for building a sustainable structure that recognisably supports Risk Management across all areas of Council activity and allows for monitoring and reporting on the effectiveness of that management.

The strategy should lead to Risk Management and Risk Awareness being integral to both Service and Corporate Management with established and effective links to all related aspects of the Council's Governance, Planning and Service delivery.

Whilst acknowledging the majority of risks are relatively low-level in terms of severity there are in addition significant Strategic or Corporate risks that must also be managed.

3.1 Status

Risk Management should be as much a part of the duties of Council Managers as are the control of budgets and the deployment of staff and equipment.

It should also be an element of the consultation process prior to altering existing service delivery and/or implementing new initiatives.

If the Council is to satisfy its external scrutiny obligations it will be required to demonstrate that Risk Management is carried out in this systematic and structured manner and be subject to monitoring.

3.2 Management Arrangements

Risk Management needs to be fully integrated with normal management processes. Heads of Department are primarily responsible for the management of risk within their service - in exactly the same manner as their Health and Safety responsibilities. In summary, Heads of Department are required to produce and/or maintain:

- A Departmental Risk Register
- A Risk Management Action Plan to address unacceptable risk exposures which have been detailed in the Risk Register
- Monitoring reports as appropriate

A high level of support for these responsibilities is provided by the Council's Risk Manager - but responsibility rests with each Head of Department.

3.3 Risk Management Forums

It is acknowledged there are some high level areas of risk which would benefit from central forums.

It is proposed where such a need is identified the forum be chaired by the Head of Finance and be composed of second or third tier management representatives in each Department.

3.4 **Accountability**

Accountability for performance must be an integral part of the Risk Management process. Progress ought to be monitored at several levels and the following routine reporting pattern will operate:

- a Report from Departments to Risk and Business Continuity Manager updating Risk Register, as part of annual review of Service Plan.
- b Annual report from the Risk and Business Continuity Manager to the Audit and Risk Management Sub Committee updating loss performance, reporting on progress of Risk Management Initiatives and presenting an updated version of the Council's Strategic Risk register.
- c Annual report from the Risk and Business Continuity Manager to Policy & Resources Committee summarising Risk Management performance across Council.

3.5 **Monitoring and Review**

Full implementation of this strategy will take considerable time and effort. Similarly, adherence to its requirements on an ongoing basis will require a resource commitment which should not be under-estimated.

In mitigation it should be remembered that significant elements of the strategy are, at least, being performed in part at present.

The implementation and operation of the strategy will be kept under review to ensure both that it is operating effectively and that there are no aspects taking up disproportionate effort.

3.6 **Management Information**

Many aspects of the strategy will be driven by the quality of information available over loss profiles. A Risk Management Information System is well embedded and its powerful facilities will enable targeted Risk Management activity.

ROLES AND RESPONSIBILITIES

Elected Members

Elected Members are responsible for governing service delivery to local communities. They are responsible for understanding the strategic risks the Council has to face and be aware of how they are managed.

Elected Members main tasks are to:

- Approve the risk management Strategic Plan
- Monitor the reporting of risk management activity at the Audit and Risk Management Sub Committee
- Approve the annual report on Risk Management performance across the Council

Chief Executive

As the most senior appointed officer within the Council, the Chief Executive is ultimately responsible for ensuring risks the Council face are adequately managed through a scheme of delegation.

Head of Finance

The Head of Finance is the Chief Officer charged with the responsibility of maintaining sufficient resources (staffing and monetary) to ensure risks faced by the Council are identified, evaluated and economically controlled.

The Head of Finance's main tasks will be to:

- Chair Risk forums where necessary
- Ensure sufficient financial support to risk management projects designed to eliminate and control risk

Risk and Business Continuity Manager

The Risk and Business Continuity Manager is required to manage and implement the Council's Risk Management Strategic Plan. The Risk Manager's key tasks will be:

- Implement the risk management strategic plan.
- Provide guidance on risk matters to department.
- Lead and direct discussion on risk issues within Department's Senior Management Teams as required.
- To research, identify and disseminate best practice in the management of risk.

- Prompt Department Heads to review and update their departmental risk registers.
- Compile and submit for approval to the Audit and Risk Management Sub-Committee the Council's strategic risk register.
- Report annually to Policy and Resources Committee with a summary of risk management performance across the Council.

Departmental Risk Champions

Each department is responsible for appointing a departmental risk champion to foster and encourage risk control within their respective service areas. Departmental risk champions key tasks will be:

- Promote and encourage risk management within their departments.
- Act as a co-ordinating point in respect of the annual review of departmental risk registers.
- Disseminate risk control information with departments.
- Help to monitor the effectiveness of loss control measures.
- Ensuring major service delivery alterations are communicated to the Risk Manager to obtain confirmation such alterations comply with the Council's overall risk management strategy.

Risk Control Forums

Council Committee

The Council Committee Structure is ultimately responsible for:

- approving the Risk Management Strategic plan.
- signing off the Risk register review annually.

Audit and Risk Management Sub Committee (of the Policy and Resources Committee)

This Committee meets 3 times per annum and is the main Committee forum where Corporate risk issues are discussed. This risk forum

- approves an annual report from the Risk and Business Continuity Manager updating loss performance and reporting on progress on risk management activity across the Council.
- is where the Strategic Risk register is initially submitted for scrutiny.

Risk Registers

Risk Identification Process

A number of techniques have been used to construct the Council's strategic and operational risk registers.

Risk Identification

Each department was asked to identify strategic and significant operational risks which may prevent them from attaining their Service Plan objectives. In addition, an assessment of risk probability coupled with a risk severity analysis was returned by departments.

Sample risk classifications and severity and probability tables were provided to departments to help with this task.

The resultant risk "score" obtained through multiplication of risk probability by severity lead to the process of risk prioritisation. Risk registers are retained within each Department's Service Plan.

Risk Prioritisation

Risks identified by departments were prioritised in the following manner:

- a Risk score determined through multiplication of probability and severity scores.
- b Risks were then prioritised using the "Traffic Light System" as under:

Risk Score:	1 - 9	Green	:	Risk adequately controlled
	10 - 19	Amber	:	Risks partially controlled
	20 - 30	Red	:	Further controls required

Risk Control

The potential to control risks will be addressed continuously through the upkeep of the Risk Register. Most risks are capable of being managed - by controlling the probability or severity of the risk or both. Very few risks require to be avoided completely.

The timetable for control features to be determined and inbuilt within the Risk registers are as undernoted:

<u>Traffic Light Status</u>	<u>Timescale to review controls</u>
Red	Within 12 months
Amber	Within 24 months
Green	No specific action required. Risk adequately controlled at present.

It is anticipated that many risks will be realigned through this process. It is unrealistic to conceive that at any given time all risks Dundee City Council face will be "Green" but it will be possible to critically analyse risks with a view to improving their "score".

A copy of the Council's Strategic Risk Register which has followed the same methodology as above is contained within Appendix 1.

Monitoring Arrangements

To avoid stagnation of the Risk register process the following monitoring arrangements are in place.

- Annual review by each department of their risk register.
- Annual review by the Chief Officers Management Team of the Council's Strategic Risk Register.

The effectiveness of the management of risks will be monitored through the existing performance management reporting mechanism built into the Council's Risk Management Strategic Plan.

Review of Overall Risk Management Strategy

The Council's Risk and Business Continuity Manager will annually review the Council's risk management strategy in light of new or modified legislation, central government initiatives, best practice and/or risk management guidelines and the Council's own experience of managing its risk profile.

Integration of Risk Management within Strategic Planning and Budgeting

It is anticipated the adoption of this risk management methodology will incrementally become part of the annual planning process and in this way will impact on the Council's annual budgeting review.

In turn it is hoped that as the methodology impacts on the high level planning and budgeting processes it will in turn impact on Service Departments' budget allocations.

Appendix 1

Draft Strategic

Risk Register

Corporate Objective	Nature of Risk	Risk Controls	Probability	Severity	Overall Assessment of Risk (Probability x Severity)	Principal Risk Owner (s)	Business Continuity Implications?
1 -To create a thriving economy where prosperity, job opportunities and employability are developed across the city	Failure to promote the city to attract inward investment. Lack of retention of significant employers	Develop Waterfront. Implement Economic Development Plan. Prioritise Cultural Quarter and positive images of a vibrant/attractive city	2	3	6	Director of Economic Development	N
2 - Improve the health and fitness of the community	Dundee viewed as a city with poor health and/or care standards	Health Improvement Strategy. Renewed facilities. Care reviews. Partnership developing a new Sport and Physical Activity Strategy	2	4	8	Assistant Chief Executive	N
3 - To regenerate communities and create stable, attractive and popular neighbourhoods throughout the city	Increased deprivation/sense of deprivation. Poor quality living environment	Compliance with SHQS for Council houses. Local regeneration outcome agreement. Affordability of entry level housing.	2	4	8	Director of Housing	N
4 - To create a city where crime is reducing and where people are safe and feel safe	Poor image of city. Lack of citizen confidence with Authorities	Community Safety Strategy. Sound CCA procedures/plans. Community Engagement Strategies	2	4	8	Director of Leisure & Communities	N

Corporate Objective	Nature of Risk	Risk Controls	Probability	Severity	Overall Assessment of Risk (Probability x Severity)	Principal Risk Owner (s)	Business Continuity Implications?
5 - To develop Dundee in a way that safeguards the future of the environment in the city	Environmental impairment. Gradual diminution of natural advantages	Environment/Waste Strategies. Sustainability Policies. Seek Green flag status for strategic city parks	2	4	8	Head of Waste Management	N
6 - Improve the efficiency of how public services are delivered	Wasted resources. Duplication of effort. Slow/cumbersome/inefficient services delivery	Lean services reviews. Modernising Agenda	2	3	6	Chief Executive	N
7 - Make it easy for customers to contact the Council for services and deliver more at the first point of contact	Poor customer satisfaction. Over complicated means of access to services	One stop shop philosophy in new HQ building. Review customer strategies. Increase number of online services. Utilise network of local libraries/community centres as local citizen contact points	2	3	6	Asst Chief Executive Head of IT	N
8 - Develop the culture of active citizenship and engagement with local government to improve local services and regenerate communities	Lack of ownership, interest and belief in the effectiveness of the Community Plan	Production of the 2010-15 Community Plan in an inclusive manner. Adoption of local community plans for each multi-member ward	2	4	8	Asst Chief Executive	N
9 - Ensure equality of opportunity in Dundee and integrate the principles of equality and diversity into mainstream practice	Minority sectors of the city feel excluded/disregarded. Statutory challenge by the Equalities Commission in relation to implementation of equalities obligations	Implementation and review of equality and diversity schemes	2	3	6	Asst Chief Executive	N

Corporate Objective	Nature of Risk	Risk Controls	Probability	Severity	Overall Assessment of Risk (Probability x Severity)	Principal Risk Owner (s)	Business Continuity Implications?
10 - Employees are motivated and achieve job satisfaction and adapt to change for the future	Low staff morale. Workforce unwilling to embrace change. Difficulty in filling vacant posts	Effective implementation of Single Status /Equal Pay. Strong Human Resource Plan. IIP/HWLI initiatives. Progressive staff development and support strategies	3	3	9	Head of Personnel	N
11 - Maximise the efficient and effective utilisation of the Council's asset properties to complement the Council Plan	Wasted resources. Lack of effective use of asset base. Lack of effective asset planning	HQ replacement. Property and other Asset Management Plans	3	3	9	Director of Economic Development	N
12 - Create a culture of health and safety awareness and best practice throughout the Council	Prosecution for non compliance with statutory requirements. Lost staff working time through injury absence. Litigation claims	Strong raft of H&S policies. Trained staff. Corporate commitment to H&S	3	4	12	Head of Personnel	N
13 - Enable one stop shop integrated services through a citizen and property information strategy	Disjointed delivery of multiple services to customers. Customer disquiet	Citizen Account. Dundee Data Sharing Partnership. CERDMS commitment	2	2	4	Head of IT	N

Corporate Objective	Nature of Risk	Risk Controls	Probability	Severity	Overall Assessment of Risk (Probability x Severity)	Principal Risk Owner (s)	Business Continuity Implications?
14 - Provide an Information and Communications Technology infrastructure to meet the needs of the next phase of service improvement and innovation	Slow progress with greater integration of Service Provision. Unavailability of systems leading to Business Continuity Issues. Scrutiny criticism. National Entitlement Cards/Young Scot Cards insufficiently incentivised - not useful to young people	Second IT "suite" aids resilience. Good back up procedures. "Thin Client" approach. Internal programming ability	3	4	12	Head of IT	Y
15 - Ensure the Council can achieve its plans within a balanced budget that minimises Council Tax increases	Unplanned overspends. Audit censure. Citizen dissatisfaction.	Strong Budget Planning process and Revenue Monitoring infrastructure	3	4	12	Head of Finance	N
16 - Implementation of Single Status	Dissatisfaction with gradings. Legal challenge. Cost of implementation outwith budget allowance when all appeals determined	Scheme applied consistently and fairly across all areas of Council	2	3	6	Head of Personnel	N
17 - Maintain critical services in the face of adversity (Pandemic event, Civil Emergency)	Vulnerable sectors of city exposed by lack of services continuity	Strong emergency plans. Continuity plans for the few critical service areas of the Council	3	4	12	Depute Chief Executives (Support Services) & (Finance)	Y
18 - Manage change/strategic development plans in an effective way	Insufficient management capacity to implement change and/or develop strategy	HR training programmes. Delegation "schemes"	2	3	6	Chief Executive	N

Corporate Objective	Nature of Risk	Risk Controls	Probability	Severity	Overall Assessment of Risk (Probability x Severity)	Principal Risk Owner (s)	Business Continuity Implications?
19 - Recruit and retain key/ specialist/ professional staff	"Drain" of staff to other public sector bodies and/or to private sector	Local Government Terms and Conditions of employment. Promote positive and challenging career profiles for public service	4	2	8	Head of Personnel	N

1-9
10-19
20-30

Appendix 2

PERFORMANCE MEASUREMENT

Ultimately the success or otherwise of the Council's Risk Management strategy can be measured by its loss experience.

The undernoted PI's will continue to be used and form part of the reporting regime.

<u>Insurance and Risk Management</u>	<u>2002/03 Baseline</u>
i Cost of risk by class of insurance expressed as percentage of Council's Revenue Budget (including HRA):	
Employers liability	0.04%
Public liability	0.26%
Property	1.25%
Motor	0.07%
ii Claims ratio by class of insurance:	
a Number of employers liability claims per FTE number of employees	0.004
b Number of public liability claims per head of population	0.005
c Number of motor claims per number of vehicles	0.53
iii Total risk management budget as a percentage of Council's Revenue Budget (including HRA)	£150,000 0.035%

Appendix 3

RISK MANAGEMENT ACTION PLAN 2007-2011

Subject	Task	Responsibility	Timescale	Update
Strategic	Develop integration of Risk Management Planning process	Corporate Planning Department Risk Manager Head of Finance Heads of Department	2008-2011	a) New Service Plan Guidelines now incorporate a Risk Register Template. Risk Manager to assist Departments with future updates to templates.
	Continue to provide Business Continuity/Contingency Planning training to Senior Departmental Managers	Risk Manager	April 2007 to March 2010	b) Committee reports now contain reference to Risk Management Policy.
	Foster and encourage business continuity within local community	Risk Manager Other Category One Responders	April 2008 to March 2011	Critical suppliers of services formally identified and asked to confirm their level of resilience. Draft Seminar programme for local business community drawn up. To work collaboratively with Tayside SCG members.
	Review completed Tayside Community Risk Register as defined by Civil Contingencies Act	Risk Manager	April 2009	
	Provide support, assistance and training to enable effective Business Continuity Plans to be held by Service Departments	Risk Manager Heads of Departments	April 2008 to March 2011	Further facilitating workshop delivered in February 2007. Business Continuity Template Plan produced by Risk Manager. Provide further support, assistance and "Gap analysis" to Departments
	Further embed risk management processes within Council	Risk Manager	December 2009	Consider development of Risk Management training for Managers.

Subject	Task	Responsibility	Timescale	Update
High Level Operational	Evaluate and refine Risk Registers.	Risk Manager Heads of Department	31 May 2009	
	Review Risk Register	As above	31 May 2009	Part of Service Plan review process.
	Provide Fire Risk assessment training in compliance with new legislation.	Risk Management Section	October 2007 onwards	Training delivered.
	Refine claims reports for departments	Risk Manager Heads of Department	December 2009	
	Test business continuity plans	Risk Manager Heads of Department	April 2009 Onwards	

