SOUTH LANARKSHIRE COUNCIL

Report

Report to:	**Risk and Audit Scrutiny Forum**
Date of Meeting:	**4 September 2012**
Report by:	**Executive Director (Finance and Corporate Resources)**

Subject:	**Risk Management Year End Report 2011/12**

1. Purpose of Report
1.1. The purpose of the report is to:-

♦ provide an update on progress with risk management activity undertaken during 2011/2012 as well as planned work for 2012/2013
♦ advise on the outcome of the review of the Risk Management Strategy

2. Recommendation(s)
2.1. The Forum is asked to note the following recommendation(s):-

(1) that the progress made in delivering the actions within the Risk Management Work Plan 2011/12 is noted
(2) that the content of the Risk Management Work Plan for 2012/13 is noted
(3) that the progress made by Resources in complying with the requirements of the Risk Management Strategy is noted
(4) that the update of the Risk Management Strategy and associated documents is noted

3. Background
3.1. For the past three years, the Council has developed an annual Risk Management Work Plan. Actions in the work plan generally arise from two main sources; suggestions from the cross Resource Risk Sponsors Group and gaps identified from assessment of risk management compliance with best practice standards. The 2011/2012 work plan also included actions identified during an Internal Audit of the Council's risk management arrangements.

3.2. Progress in delivering the actions in the work plan is reported as a performance measure and actions are tracked using the Council's risk monitoring system, Figtree.

3.3. The risk work plan for 2011/2012 was approved by the Risk Sponsors Group in September 2011, and endorsed by the Risk and Audit Scrutiny Forum (RASF) in November 2011.

3.4. One of the actions included within the Work Plan related to a review of the Risk Management Strategy. The Strategy describes the Council's approach to risk management and identifies actions which Resources are required to meet to ensure that the management of risk is embedded throughout the Council, in our partnerships and projects, and in our dealings with contractors and our communities.

3.5.   The Council has had a Risk Management Strategy in place since 1996. This was last subject to a full review in 2009. In order to reflect both internal and external influences a review of the strategy, as well as the supporting documentation was undertaken during 2012.

4.   Progress With Risk Management Work Plan 2011/2012
4.1.   The 2011/2012 Risk Management work plan is attached at Appendix One, and provides summary information on 31 actions.

4.2.   Progress has been assessed using a similar scoring mechanism as IMPROVe.

4.3.   The position at the year end is that 83 per cent (25) of actions have now been completed or are nearing completion.   This is an improvement on last year where 79 per cent of actions had been completed or were nearing completion.

4.4.   Five actions have been carried forward to the 2012/2013 work plan as other factors, such as the election of the new Council, have delayed their completion.

4.5.   One further action relating to reporting up-side risk in an insurance marketing presentation is noted as not applicable as the Council's main insurance contracts were extended for a further two years. The next full tender exercise for the Council's insurance contracts is now due to be carried out during 2013/2014.

4.6.   Significant progress made during the last year includes:
•   Risk Management home page on the intranet containing all relevant documents
•   Review of risk management arrangements in high risk partnerships
•   Roll out of Learn On Line Risk Management Module
•   Method established for evaluating risk when entering into contracts.

4.7.   The Forum is asked to note the progress made in the delivery of the actions within the 2011/2012 risk management work plan.

5.   Risk Management Work Plan 2012/2013
5.1.   The Risk Sponsors have agreed the content of the Risk Management Work Plan for 2012/2013, a copy of which is attached at Appendix Two.

5.2.   The Forum is asked to note the content of the Work Plan and that progress will be reported at 31 March 2013.

6.   Resource compliance with Risk Management Strategy
6.1.   Risk Sponsors are required on an annual basis to assess their Resource's compliance with the Risk Management Strategy and provide supporting evidence. The information for 2011/2012 is summarised in the end of year compliance statement which is attached at Appendix Three.

6.2.   There has been an overall improvement in compliance of 17 per cent since the Year End Risk Management Report for 2010/2011. Appendix Three shows that the average Resource score is now 33.2 out of 36.

6.3.   The main areas where improvement is required is in Resources evaluating risk prior to major projects and changes, use of Figtree for risk and action tracking and ensuring evidence behind major decisions shows formal identification and evaluation of risk. Work is also currently ongoing within Resources in respect of risk management in partnerships. These areas will be a priority for Resources in the

forthcoming year, and are included as actions within the 2012/2013 Risk Management Work Plan.

6.4. It is important that the current level of compliance is maintained and improved as far as possible to demonstrate effective risk management which contributes to robust service planning and improved decision making.

6.5. On a monthly basis, each Resource's performance in completing actions on their risk control plans is monitored and progress reviewed by the Corporate Improvement Advisory Board (CIAB). This includes actions required to mitigate the Council's top risks, as well as actions arising from any external risk management reviews. Progress is reported on a quarterly basis through IMPROVe. As at 31 March 2012, the percentage of actions completed on time was 71% against a target of 60%. Overall, 84% of actions were complete by the year end which compares favourably to 46% completed in the previous year.

6.6. The Forum is asked to note the improved level of compliance across all Resources in meeting the requirements of the Risk Management Strategy.

7.   Review of Risk Management Strategy and Methodology

7.1. As noted previously, the 2011/2012 Risk Management Work Plan included an action to review the Risk Management Strategy. The review was undertaken, in consultation with the Risk Control Consultant of Gallagher Bassett and the Council's Risk Sponsors, whose comments were taken into account and the existing Strategy and methodology updated.

7.2. The main changes to the strategy include:
- Current structure within Audit and Improvement Services reflected.
- Removal of the appendix on Risk Management in Partnerships. This is now a stand alone document.
- Inclusion of a glossary providing definitions for common risk management terms
- General presentation and layout improved
- Further strengthening of the role of risk in strategic planning

7.3. A copy of the updated Risk Management Strategy is attached at Appendix Four.

7.4. The consultation also included the recommendation that a separate Risk Management Policy Statement be introduced. The purpose is to provide a short, sharp statement relating to the Council's approach to risk management and to highlight the commitment from all levels within the Council to managing risk. A copy of the proposed Policy Statement is attached at Appendix Five.

7.5. A review of the Risk Management Methodology was undertaken at the same time. Few amendments were made to this document. The main changes are additional guidance on how to describe a risk and the inclusion of descriptions to assist in consistency when scoring risks. A copy of the updated Risk Management Methodology is attached at Appendix Six.

7.6. A guidance note on the upside of risk will be developed. The aim of the note is to provide Resources with practical and useful guidance regarding the application of opportunity risk management. This will be included as an action in the 2012/13 Risk Management Work Plan.

7.7. The Forum is asked to note the changes made following the review of the Risk Management Strategy and associated documents.

8.   Employee Implications
8.1.   Each Resource has a Risk Sponsor who is responsible for developing, challenging and supporting risk management activity at Resource and corporate levels. Sponsors and other officers as appropriate dedicate time to ensure risk management is embedded within their Resource.

9.   Financial Implications
9.1.   There were no financial implications associated with the delivery of the work plan, update of the Risk Management Strategy or Resources' compliance with the requirements of the Risk Management Strategy.

10.   Other Implications
10.1.   Failure to implement risk management requirements in Resources and partnerships will impact on the Council's ability to comply with best practice guidance. The work of the Resource Risk Sponsors and Risk Groups mitigates against this risk.

10.2.   There are no implications in terms of sustainability contained within this report.

11.   Equality Impact Assessment and Consultation Arrangements
11.1.   There is no requirement to equality impact assess the update to the risk management work plan.

11.2.   The original risk management strategy was subject to an Equality Impact Assessment. There are no significant changes to the Strategy which require a further assessment to be carried out.

11.3.   Risk Sponsors were consulted on all items contained within this report.

11.4.   In respect of the Risk Management Strategy, consultation also took place with the risk control consultants at Gallagher Bassett, as well as other specialist Officers within the Council.

Paul Manning
Executive Director (Finance and Corporate Resources)

26 July 2012

Link(s) to Council Improvement Theme and Objectives
Governance and Accountability

Previous References
None

List of Background Papers
None

Contact for Further Information
If you would like to inspect the background papers or want further information, please contact:-
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Risk Management Work Plan 2011/12

Type of activity	No	Action	Responsibility	Date	Score
Awareness raising and training	1	B/Fwd action but with slight change: Raise awareness of the need to manage risk in non IT projects by presenting to the CIAB	Audit and Risk Manager	31/08/2011	1
Awareness raising and training	2	Prepare and issue Members' newsletter	Risk Management Officer	30/11/2011	c/f
Awareness raising and training	3	Awareness session/update report for CMT on the risk management cycle, methodology and recommended decision process	Improvement and Risk Manager; Risk Management Officer	31/03/2012	c/f
Awareness raising and training	4	Send out link to LOL risk module and report to Sponsors on uptake	Risk Management Officer	31/10/2011	1
Awareness raising and training	5	Arrange formal risk management training for Council's lead risk manager and arrange membership of recognised institute for management of risk	Improvement and Risk Manager	31/03/2012	1
Embedding	6	B/Fwd action but with slight change: Check risk management arrangements in a selection of higher risk partnerships and formally offer support	Risk Management Adviser; Risk Sponsors	29/02/2012	1
Embedding	7	B/fwd action but with slight change: Report upside risk in insurance marketing presentation, if going for full tender	Risk Management Adviser; Risk Sponsors	31/12/2011	n/a
Embedding	8	Throughout the year, review the quality of risk information going to Resource committees and provide feedback to authors	Risk Sponsors	31/03/2012	1
Embedding	9	Include second article on Risk Management in Works magazine	Risk Management Officer; Risk Sponsors	31/03/2012	2
Monitoring	10	Prepare half yearly and full year compliance schedules and validate that evidence supports compliance score	Improvement and Risk Manager; Risk Management Officer; Risk Sponsors	30/11/2011	1
Monitoring	11	Set up process for monitoring delivery of actions from GB consultants on: Administration of medication, Asset Mgt, Insured Hotspots and footway inspections	Risk Management Officer	31/10/2011	1

Type of activity	No	Action	Responsibility	Date	Score
Monitoring	12	Include an internal audit assignment in the 2012/13 internal audit plan to assess the adequacy of a sample of the top risk controls	Internal Audit Manager	31/12/2011	1
Operational Management	13	Identify common risks across all Resources and agree common controls and actions, identifying where specific initiatives may need to be put in place	Risk Management Officer; Risk Sponsors	29/02/2012	1
Operational Management	14	Review Educational excursions procedures	Education Support Services Officer; Health and Safety Manager	31/12/2011	2
Operational Management	15	B/Fwd action with slight change: Sample of high value existing contracts to be reviewed to highlight areas of risk retained by the Council	Procurement Manager	31/03/2012	1
Operational Management	16	B/Fwd action: Establish a method for transparently evaluating risk when entering contracts. Ensure risk assessment carried out	Procurement Manager	31/03/2012	1
Operational Management	17	B/Fwd action: (i) Build into standard invitation to tender the need to formally identify shared risks and arrangements for sharing management of risks. (ii) Add the requirement for contractors/subcontractors to adhere to SLC Risk Management practices	Procurement Manager	31/03/2012	1
Operational Management	18	Prepare and contribute to updated consolidated project management checklist for use in change and improvement projects to ensure management of risk is adequately covered	Finance Adviser (Performance); and Risk Management Adviser	31/01/2012	2
Policy and procedure	19	Update the Risk Management Strategy, redefining the specific links to Connect and with input from internal and external consultees	Improvement and Risk Manager	29/02/2012	1
Policy and procedure	20	Via sponsors group, update and formalise in methodology, the ruling for linking Resource risks to the corporate planning process	Improvement and Risk Manager	31/01/2012	1
Policy and procedure	21	B/fwd action: Update Risk Management Handbook and issue Note: Replaced by inclusion within Intranet.	Risk Management Adviser	31/03/2011	1
Policy and Procedure	22	Arrange employee bulletin on new strategy and role in managing risk	Risk Management Adviser; Risk Sponsors	31/03/2012	c/f

Type of activity	No	Action	Responsibility	Date	Score
Strategic Management	23	Prepare a proposal for evaluating risk within the new Council plan	Risk and Audit Manager - and - Improvement and Risk Manager	31/10/2011	1
Strategic Management	24	Identify and evaluate the risk associated with the proposals in the 2012/13 update of the draft Council Plan	Improvement and Risk Manager; Risk Sponsors	31/03/2012	c/f
Strategic Management	25	Bfwd action: Check that Mid Term review of Connect actions have been risk assessed and that results have been recorded in registers.	Risk Sponsors	31/10/2011	1
Strategic Management	26	Re-design process for, and deliver update, of top risk register	Improvement and Risk Manager; Risk Management Officer	29/02/2012	c/f
Strategic Management	27	Secure agreement of Risk Sponsors' Group remit RASF	Improvement and Risk Manager	31/12/2011	1
Transparent reporting	28	Present Executive Committee report on control of top risks	Head of Audit and Improvement Services	31/10/2011	1
Transparent reporting	29	B/fwd action: Include top risk register in FOI publication scheme	Risk Management Officer; Administration Adviser	31/12/2011	1
Transparent reporting	30	Housekeep Figtree records. Realign key risk to risk description ensure consistent with information to Committee.	Risk Sponsors	31/12/2011	2
Transparent reporting	31	Check that risk information reported to Resource Committee is accurately reflected in Figtree	Risk Sponsors	30/11/2011	2

Score	No	%
1	20	83%
2	5	
c/f	5	17%
Total	30	

Key

1 = complete/achieved

2 = nearing completion

3 = progress but potential issues

c/f = carry forward as relevant to new year Work Plan

n/a = not applicable due to change in circumstances

Risk Management Work Plan 2012-13

No	Action	Who	Target date
1	Present an updated top risk register to the CMT. Deliver an awareness session on the risk management cycle, methodology and recommended decision process.	Improvement and Risk Manager	4 August 2012
2	Determine method and timescale for review of SLC's risk management arrangements against best practice.	Improvement and Risk Manager	30 September 2012
3	Prepare and issue Members' newsletter	Finance Officer (Risk Management)	30 September 2012
4	Complete review of education excursions policy.	Education Resources Operations Manager	30 September 2012
5	Ensure use of Figtree for recording risks and tracking actions. Ensure all relevant employees trained in the use of Figtree.	Risk Sponsors	30 September 2012
6	Create disease module within Figtree to record payments made by SLC. This will assist in forthcoming actuarial reviews and claims projections.	Finance Officer (Risk Management)	30 September 2012
7	Resources to agree hotspot areas identified by Gallagher Bassett and required mitigating actions.	Risk Sponsors/ Finance Adviser (Risk Management)	30 September 2012
8	Prepare guidance note for Resources on Opportunity Risk Management.	Finance Adviser (Risk Management)	31 October 2012
9	Prepare insurance marketing presentation if going out for full tender.	Finance Adviser (Risk Management)	31 October 2012
10	Prepare and contribute to updated consolidated project management checklist for use in change and improvement projects to ensure management of risk is adequately covered.	Improvement and Risk Manager	31 October 2012
11	Identify and evaluate the risks associated with the proposals in Connect 2012-17	Risk Sponsors	31 October 2012
12	Update Figtree to reflect Connect 2012-2017 Objectives.	Finance Officer (Risk Management)	31 October 2012
13	Update EL claims protocol, including procedure for distributing 'lessons learned' information. Resources to advise mitigating actions taken to prevent any future reoccurrences.	Improvement and Risk Manager Finance Adviser (Risk Management)	31 December 2012
14	Raise employee awareness of risk management: 1) Employee bulletin on updated strategy	Finance Adviser (Risk Management) Risk Sponsors	31 March 2013

	2) Further initiatives throughout year		
15	Undertake full review of the Council's top risk register.	Improvement and Risk Manager Risk Sponsors	31 March 2013
16	Review content of risk registers, risk control plans to ensure consistency, and that risks are described correctly across Resources.	Risk Sponsors	31 March 2013
17	Ensure risk evaluation is undertaken prior to major projects and changes and that evidence can be provided.	Risk Sponsors	31 March 2013
18	Throughout the year ensure that the formal identification and evaluation of risk is carried out prior to making major decisions and that evidence can be provided.	Risk Sponsors	31 March 2013
19	Implement actions from Partnership Risk Management Review.	Risk Sponsors	31 March 2013
20	Improve risk management compliance in respect of major projects and ensure that evidence can be provided	Risk Sponsors	31 March 2013
21	Implement the recommendations from the Gallagher Bassett review on common risks.	Risk Sponsors	31 March 2013
22	Monitor the implementation of the actions contained within the CMT paper on high risk/value contracts.	Procurement Manager	31 March 2013
23	Resources to consider options to publish, in local press, new stories reflecting effective risk management. This will promote public awareness and confidence of action taken to manage risks.	Risk Sponsors	31 March 2013
24	Assess viability for use of IMPROVe for recording the Council's risks and tracking of risk control actions. Briefing paper to be prepared for Head of Audit and Improvement Services.	Improvement and Risk Manager Finance Adviser (Risk Management)	31 March 2013

Summary of current compliance with Risk Management strategic requirements

Key
Score 3= Up to date and in line with requirement
Score 2= Work in progress
Score 1= Needs addressed

Risk management requirement from strategy	Community and Enterprise Resources	Finance and Corporate Resources	Education Resources	Housing and Technical Resources	Social Work Resources	Average across all
Up to date risk registers	3	3	3	3	3	**3.0**
Risk assessed for all Connect actions assigned to the Resource	3	3	3	3	3	**3.0**
Risk register and risk control plan reported to Resource Management Team at least once per annum	3	3	3	3	3	**3.0**
Risk register and risk control plan reported to Committee at least once per annum	3	3	3	3	3	**3.0**
Risk evaluations prior to major projects and changes	3	2.5	2	2	3	**2.5**
Formal risk sharing partnerships	2.5	2.5	3	2	2	**2.4**
Evidence behind major decisions shows formal identification and evaluation of risk	3	2.5	3	2	2	**2.5**
Risk information in Committee papers under "other implications" section	3	2.5	2	3	3	**2.7**
Pro-actively monitoring delivery of risk controls	3	3	3	3	3	**3.0**
Contractors' assurance that risk controls in place, e.g. insurance, health and safety practices, equalities, sustainable development	3	2.5	3	3	3	**2.9**
Use of Figtree for risks and action tracking	2.5	3	2	2	3	**2.5**
Regular risk group meetings	2.5	3	2	3	3	**2.7**
Overall total and average	34.5 2.88	33.5 2.79	32 2.66	32 2.66	34 2.83	33.2 2.76
Comparative total and average at end 2010/11	31.5 2.62	28.5 2.37	27 2.3	31 2.6	24 2.0	28.4 2.36
Level of improvement	9.5%	17.5%	18.5%	3.2%	41.2%	16.9%

Note: Where Resources have recently merged, the average score for the two Resources has been used to determine the scores within this table.

South Lanarkshire Council

Risk Management Strategy

2012/13

Version – RMS/2012/1

Contents

1. Introduction

1.1 The systematic identification, evaluation, management and monitoring of risks should be embedded in service planning and delivery; in the way we make decisions; in the management of major projects and in our dealings with partners and contractors.

1.2 The management of risks should be practiced at all times but is especially important during periods of major change and prior to undertaking projects, entering into partnerships, setting budgets, amending structures and following political change.

1.3 Applying a systematic process will encourage:
- Reasonable risk-taking in order to make service improvements
- The implementation of preventative control measures to avoid losses and deterioration in services
- Meeting the principles relating to good governance
- The preparation and testing of business continuity plans for responding to emergency events

2. Definition of risk

2.1 A risk is something which might prevent the Council, or its community and business partners, from achieving agreed objectives and priority actions or which might detract from the delivery of objectives or achieving outcomes.

2.2 A risk is also an opportunity which is taken in order to improve services.

2.3 Risks affect all Council services, our assets, employees, reputation, and our dealings with our community and business partners.

3. Risk management aims

3.1 Risk management in South Lanarkshire Council will:

Underpin best value and efficiency in terms of:
- Assessing the viability of options for service delivery
- Assessing costs and benefits of major initiatives
- Protecting and improving use of Council assets
- Improving performance by understanding underlying reasons why targets are not being met
- Encouraging innovation

Be recognised as a key element of good governance by:
- Informing key decisions
- Demonstrating openness and accountability
- Promoting internal control

Supports, protects and encourages employees through:
- Effective systems for training and development
- Health and safety arrangements
- Enabling and encouraging employees to take ownership of their role and the decisions they make

Improve partnership and contractual working by encouraging:
- Identification and agreement of shared risks for new projects
- Review of risks associated with existing contracts and projects
- Risk ownership by the party best placed to manage the risk
- Joint review of risk control plans

Serve corporate aims by identifying and managing risk associated with:
- Stewarding Council finances, particularly in capital investment and insurance
- Organisational changes
- Setting achievable service objectives
- Council and Resource objectives and actions

3.2 Corporate aims are also served by integrating service planning, performance management, internal audit and the management of risk.

4. Risk management objectives
4.1 The Council's risk management objectives are to:
- Ensure that risks are identified and managed for all Council and major partnerships outcomes and objectives
- Raise risk awareness throughout the Council
- Encourage the practical implementation of the risk management methodology
- Implement professional standards of competence in risk management such as those proposed by Institute of Risk Management (IRM); and the Association of Local Authority Risk Managers (ALARM)
- Comply with minimum legislative risk related requirements and avoid litigation or prosecution
- Improve transparency in governance arrangements by providing evidence of robust risk management and compliance with Risk Management Strategy
- Encourage uninterrupted and efficient service delivery by preparing robust business continuity plans
- Ensure appropriate risk financing and insurance is in place
- Minimise insurance premiums and enhance the reputation of the Council within the insurance market
- Involve Resource risk groups and sponsors in the management of risk

5. Risk management application
5.1 Risk Management is a key element of good governance. It informs decision making and builds on other efficiency and value agendas. Consideration and management of risk should be applied at all of following levels in the authority:

Strategic
- Strategic decision-making
- Formation of policy and strategy
- Involvement in partnerships and projects
- Internal and external investment decisions

Operational
- Contractual choices
- Consideration of options for service delivery
- Operational management

Assurance of governance (evidence of doing the right things, in the right way for the right people)
- Management of performance and quality
- Provision of assurance

6. **Risk management and the strategic planning process**

To successfully manage risk, Council and Resource plan objectives must inform the Council's risk management arrangements and vice versa. For this to occur, it is important that the arrangements for risk management are comprehensive enough to reflect the business of the Council as included within the Council Plan and individual Resource Plans.

At a strategic level the Council reviews its top risks each year and this contributes to the content of the annual internal audit plan. In addition, at the year end, the annual Internal Audit review identifies common risk themes which inform the following year's top risk review.

At a Resource level, Resource risk registers should be reviewed and updated following preparation of the annual Resource Plan. Risk registers must reflect the work of the Resource. To achieve this, the updated risk register must accurately reflect the content of the Resource Plan including details of risk controls and actions.

In addition, the terminology used within Resource Plans and risk registers must be consistent (golden thread) to enable easy identification between Resource objectives and risks. Responsibility for this lies with the Council's Risk Sponsors as part of their role in updating Resource risk registers.

A standard approach to the content and structure of both Resource Plans and Resource risk registers will be used.

The timescale for reporting in service planning and risk management is:
- Resource Plans   May
- Internal Audit annual review   June
- Top risks   October
- Resource risk registers   December (for noting)

7. **Roles and responsibilities**

7.1   Risk management roles and responsibilities are as follows:-

The Corporate Management Team will:
- Monitor the application of the Risk Management Strategy is across all Resources
- Monitor risk assessments relevant to Council plans and policies
- Prioritise and manage strategic risks
- Monitor top Council risks and overall risk management progress

Executive Directors will:
- Appoint a Resource Risk Sponsor and establish a Resource Risk Group
- Maintain Resource Risk Register and Risk Control Plan
- Prepare annual progress report for relevant Committee
- Evidence assurance of sound risk management as part of their annual commitment to good governance

The Executive Director of Finance and Corporate Resources, through the Head of Audit and Improvement Services, will:
- Champion risk management activity in the Council.
- Organise reports as relevant to the Risk and Audit Scrutiny Forum
- Report to the Finance and Corporate Committee and the Executive Committee on relevant risk management arrangements

Heads of Service, Resource Management Teams and Senior Managers will:
- Take actions to deliver the Risk Management Strategy in their area of responsibility particularly promoting risk awareness in decision taking
- Ensure risks are appropriately managed and that employees receive appropriate training
- Monitor operational risk management

The Improvement and Risk Manager will:
- Co-ordinate strategic risk management arrangements
- Liaise with Resources in the implementation of their risk management arrangements
- Be professionally qualified
- Through Internal Audit have access to all relevant Council information in order to analyse and present top risks
- Advise the Head of Audit and Improvement Services on bids for risk initiative funding from the Insurance Fund
- Provide periodic reports to the CMT and elected members on risk management arrangements

The corporate Risk Sponsors Group will:
- Implement the Risk Management Strategy across the Council
- Share experiences and inform changes to the Strategy
- Provide risk management advice and support within and across Resources
- Review the corporate risk register and control plans
- Identify overlapping risks and control measures
- Promote corporate risk management and insured hotspot initiatives
- Direct cross cutting risk initiatives

Resource Risk Groups will:
- Prepare and review risk registers and risk control plans
- Consider and evaluate new risks to delivery of services
- Inform targeted risk management initiatives
- Monitor delivery of control measures and report on progress against the Risk Management Strategy
- Manage insurance hotspots
- Liaise with Service Planners to ensure that risks associated with Council and Resource plans are identified and that appropriate plans are in place to manage these risks
- Provide assurance to elected members that risks associated with proposed plans have been evaluated

Operational Managers will:
- Organise training and raise awareness for employees as relevant to ensure risks are identified and control measures are put in place and monitored
- Keep operational risk registers and control plans up to date and relevant to current service objectives, Resource and Council priorities and values
- Make risk based decisions when delivering services

Lead Officers for specific priorities, projects and/or partnerships highlighted in Council and Community Plans will:
- Ensure risks are identified, recorded and managed for the projects and partnerships under their leadership (Refer to: Managing risk in partnerships; and to the Project Management Framework Guidance)
- Ensure that their Service Planner and Risk Sponsor are kept up to date with the level of risk and control

Responsible Officers will be appointed, and responsibilities outlined for specific risks covering, for example Health and Safety, Contingency Planning, Business Systems projects. These officers will:
- Identify risks for their areas of responsibility and ensure that strategies to manage these risks are developed, implemented, recorded and monitored
- Prepare reports on progress

The Central Risk Management Team will:

- Offer advice and support to service managers and other groups in the management of operational and strategic risks
- Maintain a Risk Register and risk management system (Figtree) for the Council as well as stewarding and reporting on insured risks and claims
- Specifically monitor progress in the Risk Management Work Plan, drive forward risk management training, support risk management initiatives and report on delivery of risk controls
- Keep abreast of risk management developments and share knowledge
- Prepare specific risk management guidance material
- Monitor the performance of Resources in meeting the minimum requirements of the Risk Management Strategy

The Risk and Audit Scrutiny Forum (RASF) will monitor the Council's good governance and risk management responsibilities by:
- Providing assurance to elected members that the Council's risks are being appropriately managed
- Promoting the understanding of risk among elected members and the benefits of risk management as well as monitoring the Council's internal controls
- Seeking assurance of sound risk control

7.2 **Elected Members will:**
- Oversee the effective management of risk by officers of the Council
- Be supported in this role by the RASF

7.3 **Employees will:**
- Be bound by the seven principles of public life detailed within the Council's Code of Conduct
- Implement the risk management methodology in their individual roles
- Advise their line manager of any risks that they become aware of when undertaking their duties

8. **Risk management structure**

8.1 The main responsibility for implementing the Risk Management Strategy will lie with the nominated Risk Sponsors in each Resource. The Improvement and Risk Manager has a key role in raising awareness and supporting the Resource Risk Sponsors.

8.2 Resource Risk Groups and various other task groups will undertake risk related activities at Resource and Service level, within projects, corporately and within Community groups and partnerships. Resource groups are chaired by the Risk Sponsor and should include the Service Planner. They will report progress to the central Risk Management Section, the corporate Risk Sponsors Group and to their own Resource Management Team.

8.3   The following diagram shows the structure of managing risk management activity in South Lanarkshire Council:

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┌──────────────────┐    ┌──────────────────┐    ┌──────────────────┐
│  Risk and Audit  │    │    Corporate     │    │   Finance and    │
│  Scrutiny Forum  │    │   Management     │    │ Corporate        │
│                  │    │      Team        │    │ Resources        │
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                        │  Risk Manager     │
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Risk Sponsors

Central Risk Management Team

Resource Risk Groups

Special interest groups and partnerships

Local management

Resource management Teams

Resource Committees

Employees

9.   Risk management information system

9.1   The Council uses a dedicated risk management information system, Figtree, to record all risk registers and risk control plans.

9.2   The system is centrally maintained and managed by the Central Risk Management team.

9.3   It is a web enabled system, and access is allowed to authorised employees once a secure login has been allocated to the user. Login requests can be made through the Central Risk Management team.

9.4   Risk information is to be input and maintained on Figtree by the Resources.

10.   Methodology

10.1   A methodology for managing risk in South Lanarkshire Council has been established and will be universally applied. A copy is attached at Annex one.

10.2   Techniques in using and applying the methodology will differ, depending on the project or service area and the impact it is likely to have on delivery of Council objectives. The treatment of risk will depend on ownership, availability of insurance cover, cost of mitigation and level of concern. Preventative control measures are encouraged but assessment of costs against benefits should routinely be carried out before implementation of any mitigating measure.

10.3   Risk registers and risk control plans will be used to share information, reduce duplication of effort in managing risks and to build up an overall risk profile of the Council. The risk profile will be monitored and the level of exposure reported as appropriate.

11.   Scope and appetite for risk

11.1   South Lanarkshire Council aims to be risk embracing, that is it will accept a tolerable level of risk in seeking service efficiencies and in agreeing control measures. The level of risk facing the Council is measured both before (inherent risk) and after (residual risk) consideration of controls. The Council should never carry a high residual risk exposure as this would indicate instability but a low residual risk exposure should also be avoided as this indicates lack of innovation.

11.2   South Lanarkshire Council's ideal risk exposure should be consistent with an acceptable tolerance of:
   - No more than 20 per cent of risks at a high level
   - Around 30 per cent to 40 per cent at a low level

11.3   The level of exposure to risk should be re-evaluated when major changes are undertaken by the Council, for example when revisions are made to the Council's service plans and priorities.

11.4   Only risks scored as high and that relate to the delivery of Council objectives will be tightly mitigated. This will apply to strategic risks which affect Council wide objectives and outcomes and to operational risks which affect only Resource and Service activity.

11.5   Other medium and low level risks will be mitigated only where it is cost effective to do so. The risk appetite for South Lanarkshire Council is defined as follows:

"If cost effective controls can be found, then these should be implemented for all risks inherently evaluated as "high" that is those risks with a risk score of seven, eight or nine. This does not preclude management of lower level risks, where there is value in doing so".

12.   Funding and risk financing

12.1   New initiatives or those with a Council wide application may be partially financed by the central risk management fund. As these are limited funds, a bidding process is in place and all requests will be assessed against set criteria by the Improvement and Risk Manager.

12.2   Insurance, broking and loss adjusters' contracts will be subject to regular competitive tendering to secure best value.

12.3 Legitimate insurable losses will be financed through purchased insurance covers and a self insurance fund. Professional advice will be sought on the optimum balance of bought and self insurance. The insurance fund will operate on recognised insurance principles and will be subject to regular actuarial review and approved accounting practices.

12.4 The Central Risk Management team will manage the self insurance fund and reserve the right to refuse settlements where preventative measures have not been implemented or where claims fall outwith the definitions of purchased covers.

12.5 The self insurance fund will be financed, in principle, by contributions from Resources with shares based on claims experience, attitude to risk, value of assets insured and the negotiated excess levels for each class of insurance. Resource contributions will be kept under review.

12.6 The cost of the Central Risk Management team will be charged on an annual basis to the self insurance fund.

13. Core requirements and outcomes

13.1 All Resources, major partnerships and projects will be required to meet the following minimum requirements:
- That a register of risks must be approved by the Resource Management Team and endorsed by Committee at least once per
- That a risk control plan must be approved by the Resource Management Team and assurance of delivery of actions given to Committee at least once per annum
- That documented evidence of risk evaluation prior to the commencement of major projects, partnerships and organisational changes is completed
- That formal risk sharing agreements for major partnerships and contracts are put in place
- That when major decisions are taken, they are transparent and clearly show the following key elements:
  - Full cost over life of proposal
  - Funding source
  - Savings or efficiencies
  - Other benefits to service users
  - Associated risks and how they will be managed
- That Elected Members are to be kept informed of risks by using the "Other Implications" section of the Committee report template
- That assurance is gained from contractors and sub contractors of their adoption of recommended risk management practices, particularly that adequate insurance cover, safe health and safety practices, and equalities, sustainable development, business continuity and scrutiny procedures are in place
- That the corporate risk management IT system (Figtree) is used to record and monitor risks and actions
- That a tangible link exists between internal audit, risk management and service planning
- Local management of risk is provided to the Chair of the Resource Committee and the Chief Executive as part of the Council's governance framework environment
- That an agreed risk profile and appetite is adopted
- That performance in managing risk is reported

Reports for projects and partnerships risk registers and action plans should be made to the relevant board.

13.2 Delivery of core requirements will ensure that the benefits outlined in the Strategy are recognised by insurers, auditors and members of the community with the primary outcome being a well governed and high performing Council.

14.   Monitoring and reporting

14.1   Monitoring information for insured risks includes claims history, in terms of numbers and values. This is used to inform insurers of the Council's losses and to identify hotspot areas for local or group management. Changes in the level of risk are tracked by analysing trends and by comparing with other local authorities.

14.2   Claims handling performance indicators measure the time taken to process claims intimated against the Council.

14.3   Performance information, relating to Council and Resource performance in delivering risk management actions is prepared by Finance and Corporate Resources.

14.4   Risk management initiatives will be tracked and a record maintained, which will enhance the Council's reputation within the insurance market for practical risk management.

14.5   The CMT has overall responsibility to monitor progress against the Strategy and regular reports will be prepared by the Central Risk Management team. Re-evaluation of risks will enable the risk exposure and effectiveness of initiatives to be tracked and reported.

14.6   The RASF will oversee the effective management of risk through presentation of regular reports, commissioning of annual audit tests and through discussion of issues arising.

14.7   Risk management performance will be measured by reviews against standards, use of local and national insurance performance indicators and where possible benchmarking with other authorities.

14.8   Reporting requirements and responsibilities are outlined in Table one.
        Table One – Regular reporting requirements

Report title	Purpose	Presented to	Prepared by	Frequency per annum
Insurance claims statistics	To highlight the number of insurance claims intimated and the total cost of insured losses	CMT	Central Risk Management team	Two
Hotspot activity	To identify actions and progress for selected insured risks	CMT	Central Risk Management team with input from Risk Sponsors	One
Management of insurance fund	To provide assurance that adequate reserves exist to meet outstanding claims	Finance and Corporate Resources Committee	Central Risk Management team and Head of Finance	One
Top council wide risks	To update top risk areas for the Council and to seek approval for exposure levels	CMT RASF Finance and Corporate Resources Committee	Central Risk Management team	One
Management of risks associated with delivery of the Council Plan	To identify risks associated with revisions of the council plan and to provide assurance that risks are being appropriately managed	CMT Executive Committee	Central Risk Management team with input form lead officers and corporate service planning groups	For each update of the Council plan
Management of risks associated with delivery of Resource Plans	To seek approval for Resource risk registers and risk control plans	Resource Management Teams Resource Committees	Resource Risk Sponsors	One
Risk management work plan approval	To seek approval of the risk management work plan	CMT RASF	Central Risk Management team with input from Resource Risk Sponsors	One
Risk management work plan progress	To advise progress being made in delivering the actions in the risk management work plan	CMT RASF	Central Risk Management team with input from Resource Risk Sponsors	One

Formal assessment of Council progress against standards	To provide a gap analysis against best practice guidance that determines the Council's risk management performance and highlights areas where improvement required	RASF Finance and Corporate Resources Management Team	Auditors or inspectors with cover report by Central Risk Management team	For each evaluation or inspection
Update of Risk Management Strategy	To seek approval for strategy updates	CMT RASF Finance and Corporate Resources Committee Trade Union Joint Consultative Committee	Central Risk Management team with input from Resource Risk Sponsors	For each update of the strategy (Interim review as required, with a full review every three years)

Risk management glossary

Key definitions	
Control	Any action, procedure or operation undertaken to either contain a risk to an acceptable level, or to increase the probability of a desired outcome.
Down-side risk	A risk with a negative or unfavourable impact.
Embedding risk management	Ensuring that the risk management strategy is reflected in the actions and outcomes at every level of the organisation.
Impact	The evaluated effect or result of a particular outcome actually happening.
Inherent risk score	The level of risk existing before any control measures have been put in place.
Likelihood	Used as a qualitative description of probability or frequency.
Mitigation	The limitation of any negative impact of a particular event.
Operational risk	Risks associated with the day-to-day issues that the Council is confronted with as we strive to deliver our actions and outcomes,
Residual risk	The level of risk remaining after control measures have been implemented.
Risk	The chance of something happening that will have an impact upon objectives. It is measured in terms of impact and likelihood.
Risk acceptance	The decision to accept a risk.
Risk analysis	A systematic use of available information to determine how often specified events may occur and the magnitude of their consequences.
Risk appetite	The range of exposure that is judged to be tolerable for the Council.
Risk assessment	The overall process of risk analysis and risk evaluation.
Risk avoidance	The decision not to become involved in, or action to withdraw from, a risk situation. The decision is usually taken following risk evaluation.
Risk communication	The exchange or sharing of information about risk between the decision maker and other shareholders.
Risk control	The part of risk management which involves the provision of policies, standards and procedures, initiatives and actions to eliminate risk or minimise adverse risks.
Risk control plan	A list of all the proposed actions to be undertaken to mitigate risks. The control plan should contain details of the person who is responsible for implementation and a target completion date.

Risk evaluation	The process used to determine risk management priorities by comparing the level of risk against pre-determined standards for impact and likelihood, target risk levels or other criteria.
Risk financing	The provision of funds to meet the cost of implementing risk treatment and related costs.
Risk framing	Presenting risks as three part scenarios, with root causes, triggers and impacts.
Risk identification	The process of determining what can happen, why and how.
Risk management	The culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects.
Risk reduction	A selection application of appropriate techniques and management principles to reduce either likelihood of an occurrence or its consequences, or both.
Risk register	A product used to maintain information on all the identified risks pertaining to a particular activity, project or partnership. Also known as the risk log.
Risk retention	The acceptance of the burden of loss, or benefit of gain from a particular risk.
Risk transfer	Shifting of the responsibility or burden for loss to another party through legislation, contract, insurance or other means. Risk transfer can also refer to shifting a physical risk or part thereof elsewhere.
Risk treatment	Selection and implementation of appropriate options for dealing with risk.
Stakeholders	Those individuals and organisations who may affect, be affected by, or perceive themselves to be affected by, the decision or activity.
Strategic risk	Risks concerned with where the Council wants to go, how we plan to get there and how it can ensure survival.
Up-side risk	A risk with a positive or favourable impact.

References

The following documents referred to in the risk management strategy are available from the Council's intranet:

Code of Conduct

Code of Good Governance

Risk Management Policy Statement

Risk Management Methodology

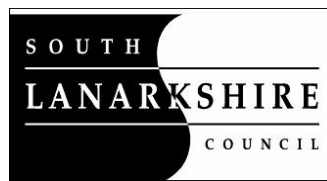Risk Management in Partnerships

Project management guide

Risk sponsors terms of reference

Risk management bid process guide

Reports to the CMT and RASF on risk management progress and arrangements; and insurance claims

Managing risk bulletins

South Lanarkshire Council
Risk Management Policy Statement

South Lanarkshire Council is committed to undertaking practical risk management to maximise the opportunities available and to minimise losses.

The Council recognises that risk management is one of the principal elements of good governance and a key contributor to ensuring a sound internal control environment.

South Lanarkshire Council aims, through a systematic framework and process, to identify, evaluate, manage and monitor all risks within its control to protect its employees, assets, service delivery, reputation, and community and business partners.

South Lanarkshire Council promotes an inclusive approach to managing risk through engaging with Resources to embed, develop, challenge and support risk management activity within the Council at Resource and Corporate levels.

The Corporate Management Team, Elected Members and the Trade Unions have approved and fully support the Council's Risk Management Strategy, policy and actions. This commitment secures sound management of risk within South Lanarkshire Council and its partnership businesses.

The overall aim of this policy is raise awareness of risk throughout the Council, to improve the services we provide to our community and operate more efficiently.
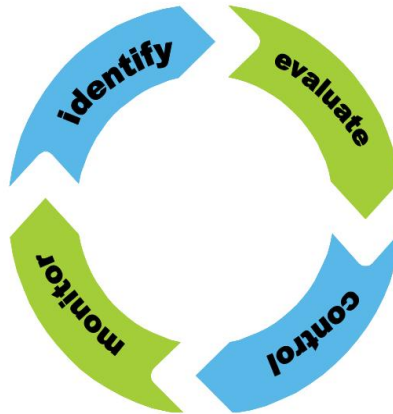
South Lanarkshire Council

Risk Management Methodology

Version – RMM/2012/1

1.   Introduction

1.1   Within South Lanarkshire Council, risk management is a four stage process:

1 – Identify
2 – Evaluate
3 – Control
4 – Monitor

2.   Risk identification

2.1   Risks can be identified through a number of channels:
- Council, Resource and Service planning processes
- Risk sponsors meetings
- Workshops
- Regular Resource risk management meetings
- Project/Partnership meetings
- In the course of normal operational business
- During periods of emergency/crisis management

2.2   Employees at every level of the organisation may identify risks by passing the details onto their line managers, who should then progress this with the Resource Risk Sponsor.

2.3   When describing a risk always attempt to present the risk in three parts:
- The root cause (weakness)
- The trigger (initiating event or action)
- And the impact (consequence)

This is known as risk framing.

2.4   All risks should be classified for the purpose of analysis. The Council's risk classifications are:
- Assets
- Reputation
- Operational continuity and performance
- Financial
- Political
- Environmental
- IT
- Regulatory and legislative
- People

2.5   Each risk should be classified as being either a strategic or an operational risk.

3.   Evaluation of risks - inherent

3.1   Risks should be evaluated, initially without regard to any mitigation or controls that are already in place

3.2   It is a two fold evaluation, which considers both the impact and likelihood of the risk.

3.3 Definitions of likelihood and impact exist at corporate level (see 3.4 and 3.5), but these may vary depending on the project or partnership, where analysis requires to be more specific.

3.4 Likelihood is scored on a scale of one-three, with one being the lowest. Descriptions of the scores are as follows:

Score	Description
1	Unlikely, but could happen
2	Likely to happen
3	Very likely, or already happening

3.5 Impact is also scored on a scale of one-three, with one being the lowest. Descriptions of the scores are as follows:

Score	Description
1	This will cause some problems but could be managed
2	This will cause significant delay or interruption to our service
3	This could cause our service to fail

3.6 The following descriptions are provided to assist in ensuring greater consistency when scoring the potential impact of specific types of risks:

	Reputation	Finance	Service delivery	Compliance	Safety
High (Score – 3)	Loss of credibility key stakeholders; Extensive adverse local and national media coverage; External intervention; Significant loss of trust.	Major financial loss or theft (greater than 10% of project budget)	Significant sustained disruption to critical services; Over seven days disruption	Intervention by regulator; Serious breach of legal or contractual obligation	Fatality; Major injuries to several people
Medium (Score – 2)	Significant complaints; Local media interest and minor affect on local communities perception of the Council	Moderate financial loss or theft (greater than 2.5% and less than 10% of project budget)	Some short term disruption to services; One to seven days disruption	Censure by regulator; Failure to meet recommended best practice	Injury or ill health resulting in lost time
Low (Score – 1)	Isolated complaints; no or routine enquiries coverage; No or impact on reputation	Minor financial loss or theft (less than 2.5% of project budget)	Minor disruption to services; Less than one day disruption	Failure to meet internal standards or service level agreements	Minor injury - no lost time

3.6 The assessments for impact and likelihood combine to provide an overall inherent risk score on the scale of one-nine, using the Council's recognised risk matrix (see 3.7)

3.7   Risk matrix

3.8   There is no arithmetical formula used in relation to risk evaluation. Draw a line up from the likelihood score and across from the impact score to get the overall risk score.

3.9   The table below shows all potential combinations of risk scores which may arise from the matrix.

Likelihood	Impact	Risk score (likelihood and impact)
Low – 1	Low -1	1
Low – 1	Medium – 2	2
Medium – 2	Low – 1	3
Low – 1	High -3	4
Medium – 2	Medium – 2	5
High -3	Low -1	6
Medium – 2	High – 3	7
High – 3	Medium – 2	8
High – 3	High - 3	9

Scores of 9,8,7 = high risk
Scores of 6,5,4 = medium risk
Scores of 1,2,3 = low risk

3.10   The information gathered at the risk identification stage should be used to compile an initial risk register. A template risk register is attached at Annex one.

4.   Risk control

4.1   For every risk, controls that reduce the impact and likelihood should be identified and noted in the risk register.

4.2   Examples of controls are:
- Policies and procedures
- Information, instruction and training
- Physical security measures
- Scrutiny measures
- Communication processes

4.3   It is the responsibility of the risk owner/identifier to initially express an opinion of the controls.

4.4   Three opinions exist - poor, adequate and good. See table below for examples:

Poor	Adequate	Good
• Unlikely to prevent the risk	• Controls incomplete	• Known to be simple and effective
• Unlikely to detect the problem	• Some known failures and successes	• Controls can be tested and proved
• No evidence of success	• Complex and time consuming controls	

4.5   If it is considered that the existing controls are adequate or poor, it is likely that further control measures will require to be implemented.

4.6   After consideration of the controls that are already in place, a decision on the treatment of the risk needs to be made. There are four options - transfer, reject, accept and mitigate. See below:

Transfer	Reject	Accept	Mitigate
• Insurable	• Cancel planned project; work; etc.	• Cannot control – maintain a watching brief	• Some action required
• Not the Council's responsibility	• Change operation	• Already adequately controlled	• Controls need tightened
• Pass to contractor		• Cost of control outweighs benefit	

4.7   Mainly for risks with treatment label mitigate, but also possible for others, a risk control plan is prepared. This should contain the following information:
        • Details of the risk
        • The action that is to be completed
        • Who is responsible for ensuring completion
        • Target date for completion of the action

4.8   After preparation of the risk control plan and consideration of the controls already in place, the risk is rescored as if all controls were in place and working. This results in the residual risk score.

4.9   This re-evaluation uses the same method as the inherent evaluation.

4.10   A risk mitigation form exists to aid completion of this stage of the process. A copy of this is attached at Annex two.

4.11   This information should also form part of the overall risk register and risk control plan. Templates are attached at Annexes three and four.

4.12   Risk registers and risk control plans should be reported to the Resource Management Team and Resource Committee once per year.

5.   Monitoring
5.1   It is essential for risk management success that monitoring and follow up of risks, controls and actions is in place.

5.2   Progress being made in delivery of actions in the risk control plan should be reported to RMT and Committee

Risk Identification Form

Description of risk	Risk Classification	Link to Council objective	Inherent Impact	Inherent Likelihood	Overall inherent risk score

Risk Mitigation

Key Risk:				Classification:	1

Link to Council objective:	

Impact:		Risk Score:		Residual Impact:		Residual Risk Score:	
Likelihood:				Residual Likelihood:			

Controls		Overall Assessment	
1		Poor	
2		Adequate	
3		Good	
4			

Type of Treatment		Notes
Transfer		
Reject		
Accept		
Mitigate		

Risk:				
Action		**Who**	**Target Completion**	**Actual Completion**

Risk Register

Description of risk	Risk Classification	Link to Council objective	Inherent risk score	Controls in place	Adequacy of controls	Treatment of risk	Residual risk score	Risk owner

Risk Control Plan

Risk	Action	Responsibility	Target date