

REPORT TO: AUDIT AND RISK MANAGEMENT SUB COMMITTEE 13 SEPTEMBER 2004

REPORT ON: UPDATE ON STRATEGIC RISK MANAGEMENT PLAN 2004-2007

REPORT BY: PRINCIPAL INSURANCE AND RISK MANAGEMENT OFFICER

REPORT NO: 641-2004

1 PURPOSE OF REPORT

To provide the Committee with an update on progress made with implementing the Council's recently approved Risk Management Strategic Plan, a copy of which is included as Appendix 1 to this report.

2 RECOMMENDATIONS

It is recommended the Committee:

- notes the progress made to date.
- requests the Council's Risk Manager provides bi-annual updated on the plans progress in future.

3 FINANCIAL IMPLICATIONS

There are no immediate financial implications from this report.

4 LOCAL AGENDA 21 IMPLICATIONS

None

5 EQUAL OPPORTUNITIES IMPLICATIONS

None

6 BACKGROUND

The Risk Management Strategic Plan was approved by the Audit & Risk Sub Committee on 19 January 2004 (Report No 88-2004) in part to lend a more formal approach to Risk Management activity.

An update on the Action is included within Appendix 1 to this report.

7 CONSULTATION

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

8 BACKGROUND PAPERS

None.

PRINCIPAL INSURANCE AND RISK MANAGEMENT OFFICER

7 SEPTEMBER 2004



DUNDEE CITY COUNCIL

RISK MANAGEMENT STRATEGIC PLAN

(2004-2007)

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 Principal Insurance and Risk Management Officer 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 Group

It is acknowledged there are some high level areas of risk which would benefit from a central support group - much in the same way as the Safety Co-ordinators Group operates.

It is proposed this group be chaired by the Depute Chief Executive (Finance) or his depute 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 Management Group (annual) updating Risk Register.

- b Three reports annually from the Risk Management Group to the Audit and Risk Management Sub Committee updating loss performance, identifying weaknesses and reporting on progress of Risk Management Initiatives.
- c Annual report from the Audit and Risk Management Sub Committee to the full Council 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 new Risk Management Information System is being installed in time for the beginning of the new financial year and its more powerful reporting facilities will enable targeted Risk Management activity.

4 ACTION PLAN

It is anticipated that a plan which covers several years will be viewed with a degree of flexibility. In particular this could occur were there to be a requirement to concentrate on an unforeseeable event (eg winter freeze of 1995).

Whilst there may be some deviation of timescale there should not be a significant impact on the Council's overall intent.

| Subject | Task | Responsibility | Timescale | Update |
|------------------------|---|---|----------------|---|
| Strategic | a Draw up proposals for integration of Risk Management and Risk Assessment within the following: <ul style="list-style-type: none"> • Strategic Planning • Budgeting • Community Planning • Partnership Working | Risk Manager Depute Chief Executive (Finance) Heads of Department | December 2004 | Lack of integration of risk management in some key projects undertaken by the City Council in past years highlighted to Depute Chief Executive (Finance) for further discussion/consideration of how best to address. |
| | b Revise existing processes and implement | As above | April 2005 | |
| High Level Operational | a Review Business Continuity/ Contingency Planning arrangements across Council | Risk Manager Emergency Planning Officer Departmental Managers | June 2005 | |
| | b Provide Business Continuity/ Contingency Planning training to Senior Departmental Managers | As above | September 2005 | Training programme accelerated in view of forthcoming Civil Contingencies Bill which will impose statutory business continuity obligations on Councils. Training seminar delivered Summer 2004. |
| | c Produce detailed Business Continuity and Contingency Plans | As above | April 2006 | |

| Subject | Task | Responsibility | Timescale | Update |
|---------|--|--|------------------------------|---|
| | d Conclude existing Risk Register compilation exercise | Risk Manager Departmental Management Teams | April 2004 | Stage One 90% complete. Information being collated to enable Stage Two (evaluation of risk controls) to be undertaken. |
| | e Evaluate completed Risk Registers and devise Risk Management Action Plan for risks deemed unacceptably high | As above | April 2005 | |
| | f Review Risk Register and Risk Management Action Plan for continuing accuracy | As above | April 2006 April 2007 | |
| | g Perform Critical Analysis Report on progress made with CCTV integration review. Particular emphasis on possibility (economically and practically) of establishing own monitoring station | Risk Manager CCTV Management Group | September 2005 | |
| | h Spot check of major buildings relative to ongoing compliance with Fire Precautions | Risk Management Section | December 2005 | 12 establishments identified in conjunction with Safety Section. |
| | i Report on Fire Precaution status in major buildings | Risk Manager | April 2006 | |
| | j Review Motor Risk Management Procedures identifying weaknesses in inter-alia: Accident Reporting/Investigation Selection of Repairers Driver Training Licence Vetting | Risk Management Section Fleet Holding Departments | December 2004 | Contact made with most frequently chosen repairers to make claim form completion easier for vehicle user. |

| Subject | Task | Responsibility | Timescale | Update |
|----------------------------------|--|---|----------------|--|
| | k Report on findings of Motor Risk Management Review | Risk Manager | April 2005 | |
| | l Due diligence review of PPP Project | Risk Manager | December 2006 | |
| | m Examination of Departmental Reporting on Liability claims made against the Council | Risk Management Section | September 2004 | Random sample of Public Liability claims selected to determine a average period to acknowledge b average period for relevant Departmental report c average period to issue decision on claim d % of repudiations |
| | n Report to Chief Executive highlighting liability claims reporting performance by Departments | Risk Manager | December 2004 | |
| | o Calculation of Maximum Probable Loss (using Hazard Analysis Tree System) of Top 20 Liability Exposures | Risk Manager Departmental Management Teams | December 2006 | |
| Risk Management Related Activity | a Research Alternative Risk Transfer Mechanisms to existing Insurance Programme | Risk Manager | October 2004 | Preliminary work on OJEC tendering process undertaken with help from Legal Division. |
| | b Tender Council Exposure Portfolio | Risk Manager | January 2005 | |
| | c Implement revised "Insurance" arrangements | Risk Manager | April 2005 | |
| | d Install new Risk Management Information System and rigorously test | Risk Management Section | April 2004 | Now effectively integrated into Risk Management Section's daily work. |

| Subject | Task | Responsibility | Timescale | Update |
|---------|---|--|----------------|---|
| | e Agree Risk Management Information requirements of each operational Department and provide at agreed intervals | Risk Management Section | September 2004 | Deferred to December 2004 pending further training on report outages. |
| | f Establish Cross Departmental Risk Management Group | Depute Chief Executive (Finance)/ Risk Manager | July 2004 | Inaugural meeting October 2004. |

5 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% |

GM/AK
8-Sep-04
Insurance/RM.Strat.Plan