
RISK MANAGEMENT

**Responsible Cabinet Member(s) - Councillor Don Bristow,
Resource Management Portfolio**

Responsible Director(s) - Paul Wildsmith, Director of Corporate Services

Purpose of Report

1. To update Members on the approach to and outcomes from the Council's Risk Management processes.

Background

2. The Council's Risk Management Strategy recognises that the function is an essential part of effective and efficient management and planning. It is a fundamental part of the CIPFA/SOLACE framework on Corporate Governance adopted by the Council in 2002/03 through the Local Code of Corporate Governance. Risk Management is also an integral requirement of the Comprehensive Performance Assessment (CPA) and as such is an important element in demonstrating continuous improvement.

Information and Analysis

Structural Arrangements and CPA Scores

3. Historically, Risk Management within the Corporate Services Department has been a split function involving two people. The Chief Internal Auditor is responsible for strategic risk in accordance with the Risk Management Strategy and co-ordinates inclusion of strategic risks within service plans by providing appropriate advice and guidance and acting as a form of quality control. The Risk Management and Insurance Manager within the Financial Services Section, works through a cross-departmental Corporate Risk Management Group (CRMG) and task-groups to focus upon the delivery of strategies to reduce the cost of claims against the Council and to minimise the risk of financial losses and disruption to the efficient delivery of services to the community.
4. This overall approach to risk management has proved successful in previous years. The score for risk management under the CPA auditor scored judgements, based largely on the Council's approach to strategic risk, increased from an initial 2/4 in 2003/04 to 3/4 in 2004/05, as greater Member involvement in the process could be demonstrated and risk management was the subject of favourable comment in the CPA Corporate Assessment Report of April, 2005.

5. However, the CPA Use of Resources “harder test” framework for 2005 raised the bar significantly in terms of strategic risk management requirements and as a result the score for the function fell back to 2/4, although it was commented upon in the Annual Audit and Inspection Letter for 2005 that systems of risk management were well embedded.
6. An improvement action plan has been drawn up, based upon the Use of Resources current key lines of enquiry guidance, with the objective to increase the score to 3/4 in 2005/06 and to generally strengthen the position prior to the next CPA Corporate Assessment. Actions required include :-
 - (a) More robust identification of mitigating controls against risks and those responsible for them.
 - (b) Development of electronic risk registers to facilitate the effective and efficient recording, presentation and review of risk over time.
 - (c) Quarterly reports to the Member Committee with responsibility for risk management to monitor that appropriate action is taken to ensure that corporate business risks are actively managed, including a report to full Council at least annually.
 - (d) Documentation outlining risks in relation to partnerships to be refreshed and approach to obtaining assurance that those risks are managed to be established.
 - (e) Staff/Member training awareness programme to be developed, delivered and evidenced.
 - (f) Continuing the good work already achieved through operational risk management.
7. In order to have a corporate focal point for risk management, to provide greater resilience for the function and to resource the CPA use of resources improvement action plan, with the agreement of Corporate Management Team, the post of Risk Management and Insurance Manager was transferred from the Financial Services Division to report to the Chief Internal Auditor with effect from 1st January, 2006, and an additional post was created under the Risk Management and Insurance Manager funded by an additional charge included in the annual departmental insurance recharges.

Strategic Risk Outcomes

8. A key element of the service planning process is that areas of potential risk which could adversely impact on the ability to meet objectives are identified together with the officer responsible. These risks are plotted onto a standard likelihood and impact matrix with reference to management controls in place and working. The shaded part of the matrix signifies the area above the ‘risk appetite line’. Risks in this region require further specific management i.e. are priorities for improvement and appropriate Improvement Action Plans are outlined.
9. Extracts from the risk matrices included in the 2005/06 Departmental Service Plans are attached at Appendices A-F. The extracts identify all risks considered to be above risk appetite lines, show the movement of the risk during the year and detail the actions that have lead to the change.

10. Positive progress has been made in managing these key risks and outlined below is a summary of advances :-
- (a) Adult Services (Appendix A) - three risks were identified in 2005/06 namely the provision of domiciliary care, recruitment and retention of staff and data management information quality. The development of the in-house service for domiciliary care, actions taken in relation to recruitment and retention and the introduction of new systems for the production of management information have all proved successful and the risks are no longer considered to be above the appetite line.
 - (b) Children's Services (Appendix B) – key risks identified were in relation to the recruitment of Foster Carers and Social Workers. In each case actions put in place to retain and attract the calibre of staff required have proved successful and the risks are now considered to be below the appetite line.
 - (c) Community Services (Appendix C) – one risk was identified 'above the line'. This was a potential lack of funding to invest in private sector housing stock. However, following success in a government bidding process, significant resources were secured and as a result this risk has been removed from the department's risk register.
 - (d) Corporate Services (Appendix D) – three risks were identified. Action planning has proved successful to the extent that the potential loss of business from schools is now considered to be below the appetite line. However, lack of progress upon Records Management as result of the need to service a significant number of Freedom of Information requests, has meant that this risk remains above the appetite line. The other risk, Gershon Efficiencies, has been picked up as a Leading Edge project, is subject to rigorous project management at CMT level and as a result has been deleted from the departmental risk register.
 - (e) Development and Environment (Appendix E) – eight key risks were identified. Those in relation to business continuity, CPA 2005, performance management procedures and the servicing of information requests have been managed below the line. The others which relate to securing the necessary staff for service delivery and pressures on staff remain above the line for now but appropriate action plans are in place to address the issues.
 - (f) Education (Appendix F) – progress has been achieved on all three risks that were identified above the line. Firstly, secured funding that allowed the movement of the EOTAS service to Rise Carr has meant the removal of this risk from the risk register. Secondly, actions implemented have proved successful in dealing with the need to create more childcare places and this risk is now considered to be below the line. Finally, delivery of the necessary action plan to deal with Branksome School being in special measures has led to significant improvement in academic achievement in 2005/06 together with favourable comment from Her Majesty's Inspectors and as a result this risk is now considered to fall below the appetite line.

Operational Risk Outcomes

11. The main focus upon the management of operational risks within the Council is the Corporate Risk Management Group (CRMG), an established and effective forum which reports bi-annually to CMT and operates five task groups, namely :-
 - (a) Motor Transportation Risk
 - (b) Property/Security/Fire Risk
 - (c) Health and Safety Initiatives/Liabilities
 - (d) Highways
 - (e) Tree Risk Management
12. Recent risk initiatives undertaken include, driver awareness training; a successful Smartwater Initiative, a DNA type forensic solution that can be applied to valuable property that has assisted in the reduction of vandalism and theft within schools; highway tree surveys to reduce the risk of falling trees; and continuous Health and Safety initiatives related to asbestos and legionella prevention and the development of corporate arrangements.
13. The work undertaken on operational risk management has been recognised at a national level by ALARM, the National Forum for Risk Management in the Public Sector. The Council has been 'Highly Commended' for the past two years in the Annual ALARM Risk Management Awards for partnership working between the Building Control Unit and the County Durham and Darlington Fire and Rescue Service, installing sprinklers within five new schools and for developing a pro-active approach to fire prevention in schools and Council buildings through the Property Risk Management Group. The Council has also been featured within the Zurich Municipal News & Views Risk Magazine, which is published nationally, to publicise the good property risk practice that has been adopted. Similar risk features have appeared in other national publications and one is shortly to appear in the Times Educational Supplement regarding our work on the prevention of theft within schools.
14. In order to further the awareness raising of risk management in the Council the CRMG liaises with both Zurich Municipal and Crutes Solicitors to deliver risk management training seminars for staff. In the past couple of years some 200 staff from all departments and schools have attended seminars on property, security and fire risk, events management, highways, education risks and a mock trial for those staff who attend Court on behalf of the Council.
15. As a result of this pro-active approach to risk management and due to a good claims history, the Council has recently negotiated with the it's Insurer's, Zurich Municipal, a reduction of £90,000 in the annual insurance premiums for 2006/07.

Outcome of Consultation

16. No formal consultation was undertaken in production of this report.

Legal Implications

17. This report has been considered by the Borough Solicitor for legal implications in accordance with the Council's approved procedures. There are no issues which the Borough Solicitor considers need to be brought to the specific attention of Members, other than those highlighted in the report.

Section 17 of the Crime and Disorder Act 1998

18. The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect.

Council Policy Framework

19. The issues contained within this report do not represent change to Council policy or the Council's policy framework

Decision Deadline

20. For the purpose of the 'call-in' procedure this does not represent an urgent matter

Recommendation

21. It is recommended that the outcomes from the Council's Risk Management processes be noted.

Reasons

22. The recommendation is supported as it comprises part of the Council's corporate governance arrangements.

Paul Wildsmith
Director of Corporate Services

Background Papers

- (i) Council's Risk Management Strategy
- (ii) Departmental Risk Registers
- (iii) Corporate Risk Management Group Reports to CMT
- (iv) Corporate Risk Management Group minutes
- (v) Property Risk Management Group minutes

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TAB

APPENDIX A – ADULT SERVICES

LIKELIHOOD	A V. High				
	B High				
	C Signif.			1,4,6	
	D Low				
	E V. Low				
	F Almost Imposs.				
		IV Negligible	III Marginal	II Critical	I Catastrophic
		IMPACT			

Risk No.	Description	Actions leading to movement
1.	Domiciliary Care	In house service has been developed to help deliver specialist client care needs. Risk effectively managed and no longer considered to be above appetite line.
4.	Recruitment and Retention	All actions e.g. revise Workforce Development Strategy and related action plan for implementation; work with HR and Unions; planned approach to recruitment; targeted advertising; increased profile at Job Fairs; 2 ** status promotion and paycales review have been implemented. Risk effectively managed and drops below appetite line.
6.	Data/ Management Information	New systems have been introduced for the production of management information. These are now established and have led to improved performance management. Risk no longer considered to be above appetite line.

APPENDIX B – CHILDREN’S SERVICES

LIKELIHOOD	A V. High				
	B High		←	B	
	C Signif.			A	
	D Low			↓	
	E V. Low				
	F Almost Imposs.				
		IV Negligible	III Marginal	II Critical	I Catastrophic
		IMPACT			

Risk No.	Description	Actions leading to movement
A	Foster Carer Recruitment	Full staff compliment, actions e.g. ongoing review of foster carer payment scheme; corporate investment in 05/06 into fostering; ongoing recruitment drive to promote fostering and to retain staff have been successful. Risk now below the line.
B	Staff Recruitment – Child Care	N.B. Now known as Social Care staff. Actions put in place e.g. review of pay scales for existing and new staff; targeted advertising; development of website specifically for recruitment; increased starting salary; promotion of 2** status and increased profile at job fairs, have been successful (full staff compliment achieved). Risk now assessed below the line.

APPENDIX C – COMMUNITY SERVICES

LIKELIHOOD	A V. High				
	B High			3	
	C Signif.				
	D Low				
	E V. Low				
	F Almost Imposs.				
		IV Negligible	III Marginal	II Critical	I Catastrophic
		IMPACT			

Risk No.	Description	Actions leading to movement
3	Insufficient HIP allocation impacts on ability to invest in Private Sector Housing Stock	Council highly successful in obtaining £1.060m in 2006/07 and £1.085m in 2007/08 for private sector housing investment.. As a result this risk has been removed from the department's risk register

APPENDIX D – CORPORATE SERVICES

LIKELIHOOD	A V. High				
	B High				
	C Signif.			8, 13, 16	
	D Low				
	E V. Low				
	F Almost Imposs.				
		IV Negligible	III Marginal	II Critical	I Catastrophic
		IMPACT			

Risk No.	Description	Actions leading to movement
8.	Schools – loss of business to the department	Action to improve liaison have been successful to the extent that this risk in now considered below the appetite line.
13.	Records Management	Insufficient progress has been made on Records Management due to the volume of Freedom of Information requests received. Risk remains above the line.
16.	Gershon – Efficiency Review	This risk has now been picked up as a Leading Edge project and subject to rigorous project management at CMT level. As a result deleted from Departmental Risk Register.

APPENDIX E – DEVELOPMENT AND ENVIRONMENT

LIKELIHOOD	A V. High				
	B High			24,	
	C Signif.			13, 19, 21, 25, 29, 31, 32	
	D Low				
	E V. Low				
	F Almost Imposs.				
		IV Negligible	III Marginal	II Critical	I Catastrophic
		IMPACT			

Risk No.	Description	Actions leading to movement
13.	Business continuity vulnerable to IT virus or other disruptive event	Risk action plan partially implemented i.e. uninterruptible power supply; virus software upgraded; secure off-site storage of most key data; priorities established for bringing services back on-line. Context has changed, with emerging focus on corporate business continuity under the Civil Contingencies Act and to be led by Civil Contingencies Unit. Senior Managers' Workshop in November focused on Business Continuity priorities as the foundation for this new work
19.	Unable to secure staffing required for service delivery	Action Plan focuses on Workforce Planning – first plan will be developed as part of 2006/07 Department Plan, so no progress yet. However, appointment of Framework Partners from start of 2005/06 has made a major contribution to reducing this risk - still considered 'above the line'
21.	Workloads lead to more stress and reduced efficiency and staff satisfaction	Action Plan partially implemented i.e. management arrangements to include DMT, SMT, team meetings and 121s address workload planning and setting of priorities. Managers aware of stress-related issues and good staff attendance at stress management training. Sickness/absence has been reduced beyond target, and two of three relevant employee survey questions have improved. However, the one

		worse (I receive help in stressful situations), combined with the ongoing concern about managers' workload (see risk 31 below) indicates that this risk is still 'above the line'. To be carried forward and combined with risk 31 with a revised action plan.
24.	Job Evaluation outcome impacts on staff satisfaction and productivity	Actions not taken as Job Evaluation outcome delayed. The action plan to be carried forward, whilst recognising that it must follow the corporate lead on managing the impact of JE when the outcome is announced. Still 'above the line'
25.	Freedom of Information Act – delays in meeting requests and staff diverted from core work due to poor document management	Actions taken in accordance with the corporate lead. Responding to FoI requests is now routine work - now 'below the line'.
29.	CPA 2005 onwards – D&E / Environment Services do not score as well under the new regime	Risk management actions i.e. PMF embedded, the effective management of performance, have underpinned a successful outcome for the Environment services in the 2005 CPA. Significant improvement in the LTP assessment, no PIs qualified and overall PI performance improved. Continued action to manage this risk required, but now routine work and 'below the line'.
31.	Pressure of work diverts senior managers from management to hands-on work, and results in a reduced level of service to the public and Members	See risk 21 above. Risk still 'above the line'. Actions e.g. management structures that support delegation have been taken successfully under risk 21 to manage workload and stress, but this aspect (risk 31) is outstanding. Carry forward risk as 'above the line'.
32.	Inadequate performance management procedures or mistakes result in qualification of PIs and audit/CPA failures	See risk 29, above. Whilst vigilance required to ensure PMF procedures maintained at a satisfactory level, this is routine work and 'below the line'

APPENDIX F – EDUCATION

LIKELIHOOD	A V. High			2	
	B High			4, 5	
	C Signif.				
	D Low				
	E V. Low				
	F Almost Imposs.				
		IV Negligible	III Marginal	II Critical	I Catastrophic
		IMPACT			

Risk No.	Description	Actions leading to movement
2.	Review provision and access to the EOTAS Service.	Funding secured to move service to Rise Carr school – no longer considered a risk.
4.	Increased pressure to create more childcare places.	Certain actions i.e. planning of new childcare places identified in Sure Start Plan 2004/05 and general awareness raised of the opportunities presented by falling roll numbers for schools to gain greater involvement in extended services linking to the 10 Year Strategy for Childcare requirements, have been successful. Risk moved below the appetite line, though a mis-match still exists
5.	Branksome Comprehensive School – Special Measures.	Certain actions including post OFTED school and LA action plan completed. Governing Body strengthened. Recently appointed head has enhanced school leadership. There has been significant improvement in academic achievement in 2005/06 at key stages, plus favourable comment from Her Majesty’s Inspectors (HMI) at latest inspection has meant this risk is considered below the line (included in 2006/07 as Schools in Ofsted Categories).