

Report to: **Audit and Best Value Scrutiny Committee**
Date: **19 June 2008**
By: **Deputy Chief Executive and Director of Corporate Resources**
Title of report: **Risk Management Annual Report 2008**
Purpose of report: **To update the Committee of further progress in relation to the development and embedding of Risk Management procedure and practice.**

The Committee is recommended to:

- (1) Note the developments in risk management in the last 12 months;**
 - (2) Note the current Strategic Risks, update of their status, and the mitigation actions being proposed and implemented by Chief Officers; and**
 - (3) Note the proposed actions set out in Section 5.**
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1. Financial Implications

1.1 There are no direct additional financial implications resulting from this report. However, there are significant financial implications that could arise from a failure to operate a sound risk management policy.

2 Introduction

2.1 The purpose of risk management is not to remove all risk, rather it is to ensure that risks are identified, analysed and managed in order to ensure that the council can successfully achieve its objectives and fulfil its obligations, while providing an appropriate level of service and leadership to the community. The CPA regime includes a series of Key Lines of Enquiry (KLOE) under the Use of Resources element, which relate to risk management. The Council scored 4 in this section of the 2007 CPA, an increase on the 2006 score of 3, which recognises the improvements that have been made over the past 12 months.

3 Developments in Risk Management over the past 12 months

3.1 The Council's existing Risk Management Strategy document (2005-2007) was revised and an updated Strategy (2008-2010) document produced. The aim of this document is to build on the existing risk management framework and further embed risk management practice and procedure into the culture of the council. This has been achieved by closely linking risk identification with the Business Planning process. The main innovation introduced by the new Risk Management Strategy was the '4 Tier' system, allowing risk to be analysed and mitigated at the appropriate level with the Council's structure (Team, Divisional, Departmental, and Corporate). This is supported by the introduction of a risk escalation mechanism. The new Risk Management Strategy was agreed by Cabinet in December 2007.

3.2 The introduction of the new 4 Tier risk management system has required a change in the format of the Operation Risk Database, on which risks at Divisional, Departmental and Corporate levels are formerly recorded. These formatting alterations have meant that the population of the database with risk data has been delayed and therefore, no analysis is included in this report. However, this will be reported in September 2008, as an addition to the quarterly Strategic Risk Monitoring report.

3.3 In order to support the introduction of the Risk Management Strategy 2008, training sessions have been provided to Members and Officers and the Risk Manager has visited Departmental Management Teams to introduce the Strategy. Support has also been given to Departmental Risk Co-ordinators to facilitate the introduction of the new risk recording protocols in relation to the Operational Risk database.

3.4 The Strategic Risk Log, which represents the Corporate Level Risks and key Departmental level risks, has been reported to the Chief Officers Management Team (COMT), Cabinet and Audit and Best Value Scrutiny Committee on a regular basis to ensure an awareness of the changing risk profile facing the council. In addition to this a 'Risk Events' log is maintained by COMT to highlight specific issues and events as they arise.

3.5 An investigation of the third party liability claims made against the council was also undertaken. This identified the main area of claims relates to personal injury or property damaged caused in relation to use of the public highway. Therefore, a Highways claims review project was carried out by officers in conjunction with consultants from Gallagher Bassett. The aim of the project is to streamline and improve existing procedure to enhance the Council's legal defence in relation to Highways claims. Ultimately the review aims to reduce incidents, increase repudiation rates and decrease the level of compensation payments made. It is envisaged that the review proposals are agreed and introduced in 2008.

4 Strategic Risk Log

4.1 The Chief Officers Management Team have reviewed the Strategic Risks for 2008/9. This is still in draft and a work in progress, but is attached in Appendix 1. Many of the existing risks have been rolled forward, but several new risks are included, including, for example, the potential impact of the 'credit crunch' and the worsening economic conditions generally. COMT colleagues are in the process of confirming or refining the key mitigating actions.

5 Issues to be addressed and future improvements.

5.1 In support of the Risk Management Strategy 2008 – 2010, the Insurance & Risk Manager, in conjunction with the Internal Audit section, will assist the further embedding of risk management into the culture of the council. This will include giving advice to managers at all levels across the council, providing 'risk workshops', and informal training where required. It is also proposed to investigate the possibility of providing formal risk management training for managers.

5.2 Ongoing support will be provided to Departmental Risk Co-ordinators to ensure that the newly revised Operational Risk database is populated with risk data that accurately reflects the risk profile faced by the council and that facilitates the taking of appropriate mitigation actions.

5.3 Risks faced by individual schools are unlikely to impact on the council's Strategic Risk register, although they can have the potential to create a significant reputational risk for the council or for an individual school. It is therefore proposed that a 'risk survey' of, initially, all secondary schools be carried out by surveyors from the council's property insurers, Zurich Municipal to assist with the clear identification of risk issues. The cost of undertaking the survey will be met from existing Risk Management budgets.

5.4 The existing CPA regime is due to be replaced by the new CAA regime in 2009. This is likely to place even greater emphasis on risk management, particularly in relation to how risk is managed by public sector partners across a geographical area. It is therefore proposed to investigate the possibility of setting up a working party with the council's public sector partners to investigate a partnership approach to the management of risk.

SEAN NOLAN

Deputy Chief Executive and Director of Corporate Resources

Contact Officer: Rawdon Phillips, Insurance and Risk Manager Tel: 01273 481593

Local Member: All

BACKGROUND DOCUMENTS

None

DRAFT – New and Revised Strategic Risk Log for 2008/09

Appendix to item 5

	KEY THEME AREAS	INHERENT RISK (H)igh (M)edium (L)ow	IMPACT (H)igh (M)edium (L)ow	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised '*'
1.	Failure to recruit and retain key staff, and manage capacity pressures and overload generally and to respond to key staff moral or motivation issues.	M	H	Andrew Ogden	
	<u>Mitigating Actions</u> To be added				
2.	Failure to effectively implement key departmental or organisational restructuring exercises (as well as ensuring a sound response to 'single status', and equal pay issues).	M	H	Andrew Ogden(relevant department lead)	
	<u>Mitigating Actions</u> To be added				
3.	Failure to meet the ongoing challenge of Reconciling Policy and Resources in the context of rising expectations, limited resources, benchmarking, efficiency expectations (inc: shared services), customer focus, equalities and the tension between vulnerable and universal services.	H	H	Sean Nolan(Becky Shaw)	
	<u>Mitigating Actions</u> To be completed				
4.	Failure to adequately manage volatile budget areas (e.g. social care, special needs, home to school transport etc) to the extent they impact sufficiently on other priorities.	H	H	Sean Nolan	

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	<u>Mitigating Action</u> To be completed				
5.	Failure to retain or deliver expected service standards including inspection or assessment scores. <ul style="list-style-type: none"> • General • CAA • Use of Resources • Direction of Travel 	M M M M	H M M M	Cheryl Miller Becky Shaw Sean Nolan Becky Shaw	
	<u>Mitigating Action</u> To be completed				
6.	Negative impact of ‘credit crunch’ and worsening economic conditions including significant increases in relevant inflation factors.	H	H	Sean Nolan	‘*’
	<u>Mitigating Action</u> To be completed				
7.	Failure to successfully manage the quality, relationships and outcomes from the increasingly complex partnership agenda including the various aspects of locality working.	M	H	Becky Shaw	
	<u>Mitigating Action</u> To be completed				

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8.	Failure to effectively manage the general Strategic Dependency on the relationship with and performance of key commercial partners (e.g. BT, Serco, Veolia, key care providers etc).	H	H	Cheryl Miller	‘*’
	<u>Mitigating Action</u> To be completed				
9.	Failure to secure a coherent ‘Agewell’ Scheme.	M	H	Keith Hinkley	
	<u>Mitigating Action</u> To be completed				
10.	Failure to put in place a coherent medium term service plans consultant with commissioning strategies reflecting “Putting People First” whole system challenges, and demand, efficiency and resource challenges.	H	H	Keith Hinkley	‘*’
	<u>Mitigating Action</u> To be completed				
11.	Risks from changes within the local NHS model including failure to achieve expected re-balance of responsibilities – and therefore costs - in respect of continuing health care between ASC and PCTs.	H	H	Keith Hinkley	‘*’
	<u>Mitigating Action</u> To be completed				

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12.	Failure to put in place a new assessment and care management programme (also reflecting “Putting People First”).	M	H	Keith Hinkley	
	<u>Mitigating Action</u> To be completed				
13.	Failure to secure appropriate approval for the Link Road and expected external funding support and to ensure forecast cost remain within current declared estimates.	H	H	Rupert Clubb	‘*’
	<u>Mitigating Action</u> To be completed				
14.	Failure to secure satisfactory progress on the Central Rail Corridor.	H	M	Rupert Clubb	
	<u>Mitigating Action</u> To be completed				
15.	Failure in key waste delivery plan and milestones (including in relation to indemnities resting with the County Council and recycling with Districts).	H	H	Rupert Clubb	
	<u>Mitigating Actions</u> To be completed				

	KEY THEME AREAS	INHERENT RISK (H)igh (M)edium (L)ow	IMPACT (H)igh (M)edium (L)ow	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised '**'
16	Failure to deliver benefits of a joint waste authority with Districts.	H	H	Rupert Clubb	
	<u>Mitigating Actions</u> To be completed				
17	Failure to deliver major projects – on cost, to specification and to time – but including failure to deliver effective client or sponsor role.	H	H	Sean Nolan	'**'
	<u>Mitigating Actions</u> To be completed				
18	Failure to deliver economic regeneration aspirational progress in key areas, (including Bexhill, and Hastings, Newhaven and Hailsham Triangle) but also failing to respond to new Sub-Regional economic governance structures.	H	H	Cheryl Miller	*
	<u>Mitigating Actions</u> To be completed				*
19	Failure to deliver the benefits of a 'hard federation' in Hastings to improve standards at Key Stage 3 and 4.	L	H	Matt Dunkley	*
	<u>Mitigating Actions</u> To be completed				
20	Failure to respond effectively to the growing number of young people being classed as vulnerable and potentially requiring support and services.	H	H	Matt Dunkley	*

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	<u>Mitigating Actions</u> To be completed.				
21	Failure to effectively articulate and commission major school re configurations requirement over the short and long term – including BSF in Bexhill, further BSF rounds and primary capital programme.	H	H	Matt Dunkley	*
	<u>Mitigating Actions</u> To be completed.				
22	Failure to effectively influence school performance to avoid significant intervention measure from Government (inc Ofsted).	M	M	Matt Dunkley	*
	<u>Mitigating Actions</u> To be completed				