

Report to: **Audit and Best Value Scrutiny Committee**
Date: **2 June 2010**
By: **Deputy Chief Executive and Director of Corporate Resources**
Title of report: **Risk Management Annual Report 2010**
Purpose of report: **To update the Committee of the developments in Risk Management in the past 12 months and proposed actions for the next 12 months.**

RECOMMENDATIONS: The Committee is recommended to note -

- (1) the developments in risk management in the last 12 months;**
 - (2) changes to the Strategic Risk Log; and**
 - (3) the proposed actions set out in section 6 of the report.**
-

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 system of risk management.

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. In 2009 the CAA introduced a more rigorous test, focusing on outcomes as opposed to processes. The council scored 3 out of 4 for the relevant section, relating to Risk Management.

3 Developments in Risk Management over the past 12 months

3.1 The main focus of Risk Management activity has been to further embed risk management processes by enhancing the links between the Risk Management and Business Planning process. This will ensure the inclusion of risk mitigation actions into Business plans, where appropriate. An integrated mechanism for joint risk and performance monitoring has been trialled in the Corporate Resources Department in 2009 / 2010, with the aim of making this process available to other Departments in future.

3.2 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. COMT also consider risk issues when considering forward plans.

3.3 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 and financial risk for the council or for an individual school. Therefore, a risk ranking exercise of all East Sussex schools was commenced in 2009. This involved a survey of all schools being undertaken by the council's property insurer, Zurich Municipal, specifically relating to property damage, health and safety issues, security, visitor access, and information security. These surveys are intended to produce a standard dataset enabling the identification of areas of good practice and where improvement actions can be implemented. Each school survey will also receive a detailed, individual report. This process is on going, but all Secondary schools have been scheduled for survey in the first year. The cost of these surveys is met from the existing risk management budget.

3.4 A tendering exercise was undertaken in relation to the council's non liability insurance portfolio, due to the expiry of the existing Long Term Agreement with service provider, Zurich Municipal. This included property, motor and personal accident insurances. The contract was retained by Zurich

Municipal, with premium rates being maintained, despite the current unpredictable state of the insurance market.

3.5 The risk management budget supported several risk improvement initiatives across various council services, including additional security fencing and lighting at several school locations, and wheel nut check equipment for the County Transport Division.

4 Strategic Risk

4.1 The Chief Officers Management Team have reviewed the Strategic Risks for 2010 / 2011. A copy of the Strategic Risk Log is attached (appendix 1). Alterations made since the Strategic Risk Log last appeared before the Committee in March 2010 are marked with a star (*).

4.2 The Strategic Risk Log contains four new identified risks. These are risks number 1, 4, 23 and 24.

5 Examples of Risks captured at Departmental level.

5.1 Appendices 2 to 6 show some examples of risks captured at Departmental and Divisional levels. These risks are appropriately mitigated and therefore not considered appropriate to escalate to the Corporate Risk level.

5.2 These risks are just a small sample chosen to illustrate the type of risk management activity being undertaken below the Corporate level, showing risks identified and mitigation actions taken.

6 Issues to be addressed and future improvements.

6.1 Continued support will be provided to Departmental Risk Co-ordinators in relation to developing closer links between performance monitoring and risk monitoring and to ensure that risks are recorded in an appropriate manner. This is of particular relevance since the Corporate Risk database has been replaced by a system where Departments control and monitor their own risk registers in order to further embed risk management procedure and practice in relation to service delivery.

6.2 The schools risk ranking exercise commenced in 2009 (see 3.3 above) is scheduled to continue for a further year. Over 50 % of schools have been surveyed in the first year, with all secondary schools either surveyed or scheduled to be surveyed. A final report will be published to assist the reduction of risk across the schools portfolio. This survey will be funded from existing risk management budgets.

6.3 Risk management training is an essential tool to ensure that risk management practice and procedures are fully understood and embedded within the culture of the council. An e-learning package will be developed to support managers in relation to the identification and management of risks, both to reduce threat and to enhance opportunity in relation to service delivery.

6.4 The extreme weather conditions experience between December 2009 and February 2010 led to a huge increase in the number of Highways related vehicle damage claims, received by the council. This increase placed existing resources under extreme pressure. Therefore a systems review will be undertaken in relation to the full claims investigation process, including information gathering and exchange, to ensure that systems are in place that are better able to meet any similar situation in future.

6.5 The existing Risk Management Strategy will be reviewed and updated, with the new Strategy issued by the end of 2010.

SEAN NOLAN
Deputy Chief Executive and Director of Corporate Resources

Contact Officer: Rawdon Phillips 01273 481593

Local Members: All

BACKGROUND DOCUMENTS

None

New and Revised Strategic Risk Log for 2010/11

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised '*'
1.	Potential for transition to new Chief Executive, Chief Officer and senior management posts to have a negative impact on the effectiveness of the County Council	1	4	Becky Shaw and all Chief Officers	*
	<p><u>Mitigating Actions</u></p> <ul style="list-style-type: none"> • Effective handover arrangements between past and current post holders • Effective mentoring and support to post holders • Effective communication of changes between COMT, staff and partners • Appointment of Interim Director of Governance and Community Services 				
2.	Failure to recruit and retain key staff, and manage capacity pressures and staff moral and motivation effectively	2	4	Bill Murphy	
	<p><u>Mitigating Actions</u></p> <ul style="list-style-type: none"> • Consider findings of 2009/10 Staff Survey and develop action plan. • Improved corporate identity/branding • E-Recruitment underway to improve our appointment procedures • Workforce planning • Increased use of flexible approaches to contract terms and conditions to encourage retention of key employees • Use of Management Capacity Reserve • Reconciling Policy and Resources • Robust internal Communications Strategy 				

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised ‘*’
3.	Failure to implement effectively key departmental restructuring exercises (as well as ensuring a sound response to ‘single status’, and equal pay issues).	2	3	Bill Murphy(relevant department lead)	
	<u>Mitigating Actions</u> <ul style="list-style-type: none"> • Implement options to achieve completion of Single Status. Negotiations with Unions now underway. • Provide appropriate training for personnel case workers on current legal requirements • Provide briefing sessions and training programmes for managers, headteachers and governors • Mediation now successfully implemented as a first step to resolve workplace disputes 				
4.	Failure to put in place effective Medium Term financial planning linked to service priorities to deliver sustainable outcomes and deliverable savings plans – in the context of the severe funding constraints now expected allied to existing spending pressures and other risks.	3	4	Sean Nolan	*
	<u>Mitigating Actions</u> <ul style="list-style-type: none"> • Operation of Reconciling Policy and Resources • Realistic Medium Term Resource assumptions • Links to Risk Management Protocols • Operation of capital planning methodologies 				

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised ‘*’
5.	Failure to meet the ongoing challenge of improving performance in the context of rising expectations, uncertain resources, efficiency expectations and the tension between vulnerable and universal services.	3	4	Becky Shaw	*
	<u>Mitigating Actions</u> <ul style="list-style-type: none"> • Continued operation of Reconciling Policy and Resources • Active involvement of Scrutiny • Continued focus on robust data quality and performance management (especially on low performing indicators) • Establishment of future cash limits and 4 year service planning • Communications and lobbying strategy • Focus on benchmarking efficiency and comparative value for money • Strong partnership arrangements (inc the voluntary and community sector) • Consultation and strong evidence base of residents’ views and needs used to influence policy decisions 				
6.	Failure to manage adequately volatile budget areas (e.g. social care, special needs, home to school transport etc) to the extent they impact sufficiently on other priorities.	3	4	Sean Nolan	
	<u>Mitigating Actions</u> <ul style="list-style-type: none"> • Formal monthly monitoring and reporting • Enhanced budget monitoring processes • Risk management arrangements Medium Term planning				

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised ‘*’
7.	Reputational damage and lack of confidence from failure to maintain or deliver increased service standards (including inspection or assessment scores in Comprehensive Area Assessment).	2	3	Becky Shaw	*
	<u>Mitigating Actions</u> <ul style="list-style-type: none"> • Robust performance management and risk regimes in place • Continued strengthening of customer focus and equalities work • Strong partnership arrangements • Clear communications and consultation strategy and infrastructure • Actions arising from CAA feedback incorporated into business plans • Delivering effective partnership responses to CAA regime. 				
8.	Negative impact of the Recession on East Sussex residents, businesses and communities.	3	4	Becky Shaw	*
	<u>Mitigating Actions</u> <ul style="list-style-type: none"> • Implementation of agreed evidence and partnership based action plan supporting: <ul style="list-style-type: none"> ○ Businesses; ○ Residents ○ Voluntary and Community Sector and local communities. • Through RP&R monitoring and the impact of the Recession on County Council finances, services, performance and suppliers and amending plans and strategies accordingly. 				

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised '*'
9.	Failure to manage successfully the quality, relationships and outcomes from the increasingly complex partnership agenda including the various aspects of locality working.	3	3	Becky Shaw	
	<u>Mitigating Actions</u> <ul style="list-style-type: none"> • Clear partnership governance arrangements • Successful delivery of LAA2 linked to Reconciling Policy and Resources • Robust LAA / NIS monitoring arrangements in place and integrated into Reconciling Policy and Resources • Strong relationships with local partners • Integrated sustainable community strategy showing joint priorities • East Sussex in Figures providing robust evidence base. • Planned strengthening of communication with local Members. 				
10.	Failure to manage effectively the key strategic relationships with, and performance of, key commercial partners (e.g. BT, Serco, Veolia, key care providers etc).	2	4	All Chief Officers	
	<u>Mitigating Actions</u> <ul style="list-style-type: none"> • Relationship strategies in place • Review of contract management arrangements 				

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised '*'
11.	Failure to secure an effective 'Agewell' Scheme in line with business objectives.	2	4	Keith Hinkley	
	<u>Mitigating Actions</u> <ul style="list-style-type: none"> • All detailed planning consents achieved on the four acquired sites. • Full link to corporate capital planning. • Care needs linked with Commissioning Strategies. • Preparation of contingency plans. 				
12.	Failure to put in place an effective medium term service plan consistent with commissioning strategies, "Putting People First", whole system challenges, and drivers with maximum efficiencies and resources available.	2	4	Keith Hinkley	
	<u>Mitigating Actions</u> <ul style="list-style-type: none"> • Three year plan, including objectives for Putting People First agreed and integrated into the Council Plan and Adult Social Care Business Plan. Joint commissioning strategies for older people, mental health and learning disabled completed. Implementation monitored through core performance management processes within the County Council. • Implementing the change agenda through robust programme and project management arrangements. 				
13.	Risks from changes within the NHS including delivery of World Class Commissioning application of provider Trusts for Foundation status and impact of PCT achieving efficiency savings.	3	4	Keith Hinkley	
	<u>Mitigating Actions</u> <ul style="list-style-type: none"> • Robust and formal partnership working including the development of joint commissioning strategies, Risk Share Agreement, Section 31 				

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised '*'
	<p>Agreements and Service Level Agreement.</p> <ul style="list-style-type: none"> Improved engagement with the local health economy including the setting up of an Executive Group (Director of Adult Social Care and Health Chief Executive) to manage the development of social care and health services in East Sussex. Development of Implementation Plan between County Council and Primary Care Trusts, specifying priority areas for integrated working, investment decisions and performance targets. 				
14.	Failure to sustain current improved performance on our priority performance indicators within Adult Social Care	2	4	Keith Hinkley	
	<p><u>Mitigating Actions</u></p> <ul style="list-style-type: none"> Continue with the DMT led Performance Board. Develop our benchmarking for the National Indicator Set. Enhance performance through programme arrangements for Putting People First. 				
15.	Failure to deliver ASC Transformation Agenda.	2	4	Keith Hinkley	*
	<p><u>Mitigating Actions</u></p> <ul style="list-style-type: none"> Review of current commissioning strategies in a structured programme of work to ensure compliance with Putting People First. 				

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised ‘*’
16.	Transfer from NHS to ESCC of responsibility and fund for commissioning Learning Disability Services for adults.	3	3	Keith Hinkley	*
	<u>Mitigating Actions</u> <ul style="list-style-type: none"> • Joint project group with PCT’s including Legal Services and Audit, with draft agreement reached on revenue and capital transfer. • Governance arrangements requiring Cabinet agreement, including risk management arrangements. • Joint work with other local authorities to ensure consistent approach to management of risk. • Referral to arbitration for outstanding pensions issue. 				
17.	Implementation by PCT of Continuing Health Care (CHC) criteria.	2	2	Keith Hinkley	*
	<u>Mitigating Actions</u> <ul style="list-style-type: none"> • New systems introduced to manage process, with monitoring through Joint CHC Leadership Group. • Joint assessment teams to be established for CHC. 				
18.	Probable introduction of free personal care for Older People and adults receiving community services in April 2011.	4	4	Keith Hinkley	*
	<u>Mitigating Actions</u> <ul style="list-style-type: none"> • Contribute to ongoing lobbying of Government to address the additional financial pressures being placed on Local Authorities. 				

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised '*'
	<ul style="list-style-type: none"> Project to be initiated to manage implementation, with reports to Chief Officer Management Team. Impact of implementation in 2011/12 to be addressed through Reconciling Policy and Resources process. 				
19.	Failure to secure appropriate approval for the Link Road and expected external funding support and to ensure that the same remains affordable and deliverable.	4	4	Rupert Clubb	*
	<p><u>Mitigating Actions</u></p> <ul style="list-style-type: none"> Continue governance through project board Continue to influence Regional Transport Board and local development frameworks. Submit final MSBC by 28 February 2010 Maintain closer links with DfT to resolve any queries arising from MSBC submission Consider and implement recommendations from 4Ps peer review Work closely with newly appointed ECI contractor – co-locate teams Ensure target cost is within budget. Continue to use expert legal advice and lobby for ministerial decision as quickly as possible. 				
20.	Failure in key waste delivery plan and milestones (including recycling with Districts).	3	4	Rupert Clubb	
	<p><u>Mitigating Actions</u></p> <ul style="list-style-type: none"> Contract governance through Joint Project Board Work with OGC to minimise risk of infraction proceedings over 				

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised '*'
	<ul style="list-style-type: none"> extension of contract • Affordable interim arrangements secured through contract re-negotiation • Waste reserve based on modeled prudential scenarios • Continuous development and scrutiny of modeling • Develop partnership approach with BHCC and Veolia 				
21.	Failure to deliver benefits of a joint waste authority with Districts.	3	3	Rupert Clubb	*
	<u>Mitigating Actions</u> <ul style="list-style-type: none"> • Identify benefits of and options for joint working and continue to develop business case(s) • Continue officer, Chief Officer and mentor level meetings. • Align collection contracts • Completion of legal agreement with districts and gain clarity of future recycling plans • Develop the role of the East Sussex Waste Resources Strategy Group 				
22	Failure to reduce numbers of Killed and Seriously Injured on East Sussex roads.	3	3	Rupert Clubb	
	<u>Mitigating Actions</u> <ul style="list-style-type: none"> • Appoint dedicated Road Casualty Reduction Specialist • Work closely with partners through East Sussex Casualty Reduction Steering Group (ESCRSG) • Work up strategy and action plan through ESCRSG • Identify measures where there is evidence of success • Pilot these measures in East Sussex 				

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised '*'
	<ul style="list-style-type: none"> • Roll out successful pilots more widely 				
23	Failure to achieve the required improvement in highway condition after the additional investment of £8.5m	3	3	Rupert Clubb	*
	<u>Mitigating Actions</u> <ul style="list-style-type: none"> • Detailed risk log managed by AD operations in T&E • Two-year road improvement programme drawn up • Reporting & Governance Regime Established • Laser Surveys arranged for the Autumn to check progress • Consultation with Utility Companies to Co-ordinate Works 				
24.	Failure to plan effectively for the disposal of the county's waste	3	3	Rupert Clubb	*
	<u>Mitigating Actions</u> <ul style="list-style-type: none"> • Agree revised timetable for completion of Minerals and Waste LDF • Develop and implement communications plan, tying in with waste disposal activity • Review options in light of responses to consultation • Review alternatives to land disposal • Agree revised Core Strategy 				
25.	Failure to deliver major property projects – on cost, to specification and to time – but including failure to deliver effective client or sponsor role.	3	4	Sean Nolan	*
	<u>Mitigating Actions</u> <ul style="list-style-type: none"> • New model in place • Involvement of Scrutiny • Implementation of PID approach • Challenge / training for project sponsors • Partnering arrangements with specialist project management • More structured work on key client roles 				

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised ‘*’
	<ul style="list-style-type: none"> Review of forward planning skills and capabilities with key departments (eg Children’s) 				
26.	Failure to deliver economic regeneration aspirational progress in key areas, (including Hastings, Bexhill, Newhaven and Eastbourne Hailsham Triangle) and to fail to maximize benefit of any new Sub-Regional economic governance structures.	3	4	Becky Shaw	
	<u>Mitigating Actions</u> <ul style="list-style-type: none"> Analysis of indices of multiple deprivation commissioned. Robust planning processes and partnerships in place East Sussex Economic Strategy Annual economic study and business survey 				
27.	Failure to deliver improved standards at Key Stage 3 and 4 in Hastings as Filsham valley refused to agree to a ‘hard federation’.	2	4	Matt Dunkley	
	<u>Mitigating Actions</u> <ul style="list-style-type: none"> Quarterly monitoring of the implementations of Ninestiles Plus contract by the Deputy Director, L&SE. Regular contact between the Executive Headteacher and the Joint Committee. Significant investment of resources from the County Council and the Standards Fund grant to facilitate a range of strategies to improve core subjects. Joint Committee established following Filsham Valley against Hard Federation. 				
28.	Failure to respond effectively to the growing number of young people being	3	4	Matt Dunkley	*

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised ‘*’
	classed as vulnerable and potentially requiring support and services.				
	<u>Mitigating Actions</u> <ul style="list-style-type: none"> • Ensure appropriately qualified staff mix within Youth Support teams and redefine role and function of the staff. 				
29	Failure to articulate effectively and commission major school re configurations requirement over the short and long term – including Academy Programme in Hastings, BSF in Bexhill, further BSF rounds and primary capital programme.	3	4	Matt Dunkley	*
	<u>Mitigating Actions</u> <ul style="list-style-type: none"> • Children’s Services Capital Strategy Team restructured. • Additional investment in feasibility studies. • Readiness to Deliver for BSF submitted to DCSF. • Capital Strategy Board and PCP Board established. • Consultation on primary reorganisation in Bexhill and Eastbourne • Academies Board Established 				
30.	Failure to respond appropriately to the increasing number of referrals to children’s social services and to the increasing number of children with Child Protection Plans and Looked After Children.	4	4	Matt Dunkley	*
	<u>Mitigating actions</u> <ul style="list-style-type: none"> • Refreshed social worker recruitment and retention strategy, including recruitment from abroad. • Revision of record management systems to promote effective use within children’s social care. • Additional funding made available for children’s social care services. • Management capacity within the Safeguarding Unit strengthened. 				

	KEY THEME AREAS	INHERENT RISK 1 = Low 4 = High	IMPACT 1 = Low 4 = High	LEAD COORDINATING OFFICER ON BEHALF OF COMT	NEW or Revised '*'
	<ul style="list-style-type: none"> Proactive recruitment of new foster carers and support lodgings providers. 				

TRANSPORT & ENVIRONMENT

Objective

To minimise the risk of unforeseen costs for Transport Strategy and Road Safety schemes under the May Gurney contract.

To maintain the road network condition

To maintain street lighting at an acceptable level

Ensure value for money in key contracts

Risk Level Management level at which risk is monitored	Risk Description of threat and potential consequence on service delivery	Risk Control Mitigation measures	Likelihood	Impact	Final Risk Score After Control Measures Are in Place	Owner
Divisional	Final costs for Transport Strategy and Road Safety schemes under the May Gurney contract are higher than agreed estimate due to compensation events, resulting from changes on site or unforeseen conditions. Final costs exceed available budget.	Develop improved gateway process, early team involvement, risk management, contract management etc. Currently being addressed as part of pathway process.	2	2	4 = M	Carl Valentine
Divisional	Severe weather situations occur (ie flooding, extended icy conditions), causing widespread damage to the highway network. Long term impacts of climate change.	Network offices placed on emergency footing. Regular press releases issued and reviewed. Funding bid formulated for GOSE and Cabinet to consider. Use Local Climate Impact Profile (LCLIP) to help assess likely impacts as part of the ongoing adapting to climate change work.	3	3	9 = H	Dale Foden
Divisional	Life expired lighting columns cannot be replaced due to lack of Capital funding. Resulting lack of investment will increase maintenance backlog and increase risk to public safety. Political and reputational risk as well as public safety risk	Ensure that a column testing programme is in place so that any dangerous life-expired columns can be removed before they collapse.	3	3	9 = H	Roger Williams

Divisional	Extension/re-tendering of the highways maintenance contract, which if not properly managed may lead to less investment. May require more Enforcement of Contract which could mar the contract relationship.	Highlight issues to ESCC Senior Management. Project team in place to manage process.	2	3	6 = M	Dale Foden
Departmental	Failure to secure service improvements	<ul style="list-style-type: none"> • Develop clear action plans, responsibilities and timelines to deliver improvements; • Engagement with partners and stakeholders on who we will rely; • Appropriate consultation to ensure vision is shared. 	4	2	8=H	Andy Robertson, Karl Taylor and Mo Hemsley