

RISK MANAGEMENT UPDATE

Report of the Director of Finance, IT & Trading

Please note that the following recommendations are subject to confirmation by the Committee before taking effect.

Recommendations – it is recommended that members:

- i) note activity in the last six months across the County Council in respect of risk management arrangements;
- ii) note that the annual review of the Council's Risk Management Strategy confirms its continued relevance and appropriateness;
- iii) consider information and reports to be brought forward to future meetings to assist them in monitoring risk management arrangements.

Background

1. One of the responsibilities of the Committee is to "monitor the effective development and operation of risk management and corporate governance in the Council". It does this by receiving regular reports on activity across the Council. This report summarises actions taken since the Committee received its previous update report in September 2007.
2. Since that time, work has continued to be co-ordinated by the Corporate Risk Management Group, which includes representatives from all Directorates, specialists in the areas of Insurance, Health and Safety Work and Emergency Planning. The group, which meets every two months, is chaired by the Head of Internal Audit, and also receives support from senior audit managers. The group is also actively supported by Councillor Des Hannon, Executive Member for Corporate Performance, as the risk management "member champion".

Risk Management Strategy and Processes

3. The Council's arrangements for Risk Management are brought together in the Risk Management Strategy that was agreed by this committee in 2006 before being approved by the Executive in May 2006.
4. This incorporates all of the principles of best practice in risk management and outlines the way in which arrangements are coordinated and managed across the Council. Corporate and Directorate risk registers identify risks which may affect the achievement of the Council's strategic objectives (key priorities and supporting strategies within the Strategic Plan).
5. The registers identify mitigating controls that should help to reduce the likelihood of the risks actually materialising, arrive at an overall risk score for each risk based on the assessed likelihood and impact of the risk materialising, and management actions are put in place to address the highest risks. Guidance is available within the strategy to enable consistent scoring of the risks.

6. This strategy, which is now in its second version, should be reviewed annually and updated where appropriate. This review has taken place and it is considered that the current document remains relevant and appropriate. Some work is needed to extend and enhance the guidance and training material available to managers responsible for maintaining and updating risk registers in line with the strategy, and this work is well advanced.
7. A copy of the Council's current Risk Management Strategy is attached as a separate annexe to this report for information and consideration by members. Any comments on this document from members would be very welcome.
8. The most significant development in the last year has been the transfer of risk registers from spreadsheets to the Council's Spar.net computer system. This transfer has been completed for the Corporate Risk Register and most directorate risk registers, and this process will be complete by the end of March 2008.
9. A number of benefits have accrued from the use of the Spar.net database rather than the individual spreadsheets previously utilised. Firstly, it facilitates closer alignment of risks with strategic and business objectives and better integration of Risk Management and Performance Management frameworks. The more dynamic processes of Spar.net, which generates reminders by email to risk owners and administrative officers if any expected updates are overdue, also ensures that risk registers and associated action plans are subject to more timely review than may have taken place in the past.
10. A brief practical demonstration of some of the functions of Spar.net, illustrated from the current Corporate Risk Register, has previously been provided to members of the committee.

Other activities closely associated with Risk Management

Emergency Planning and Business Continuity

11. There has been considerable progress in the development of business continuity plans (bcp's). The first programme of bcp's for identified business critical services across all directorates was concluded during 2007. A project review led to the identification of further services for which bcp's should be developed in Phase II, and this programme is now well underway. A framework for an overarching Corporate BCP has been developed and existing property based plans (e.g. for County Hall) are being reviewed and updated.
12. This project is being managed by the County Emergency Planning Officer, with cross-directorate involvement and reporting to the Corporate Risk Management Group. Successful completion of the project is important not only to give the Council a good level of assurance on its ability to continue to provide key services in emergency situations but also to ensure compliance with the requirements of the Civil Contingencies Act 2004.
13. A Business Continuity User Group has also been formed, in order to encourage the sharing and development of best practice across directorates and to ensure as far as possible that individual bcp's are compatible with each other. The first meeting of this group in February 2008 included a very informative presentation from the Emergency Planning Officer from Gloucestershire, describing their experiences with the Summer 2007 floods, and lessons they learned from that experience for their business continuity planning.

Health and Safety

14. External regulatory changes, for example the impending new Corporate Manslaughter Act from April 2008, reflect the need for robust arrangements for managing health and safety at both an organisational and directorate level. During autumn 2007 a review of health and safety arrangements was carried out, making extensive use of the knowledge, information and views of senior managers and health and safety colleagues from each directorate across the Council. The review made a number of recommendations, including centralising the Health and Safety professionals into a single team and after a period of consultation agreement was reached to implement the recommendations.
15. The new centralised provision will come into effect from 1st April 2008, following the appointment of a County Health and Safety Manager in March 2008. There will be a transitional arrangement in place for three months, during which the central and existing directorate teams will work in parallel to ensure no interruption to provision and to allow the new service to develop a number of new initiatives that will contribute to the reduction of risk and the management of health and safety across the Council.

Insurance

16. The Council's risk management arrangements have also contributed very positively to a recent renegotiation of insurance cover. Insurance policies were renewed through a tender process, resulting in a considerable financial saving with increased cover, which owed a lot to the Council's risk management arrangements, the degree of self-insurance and the small number of claims. There has been a financial saving of £270,000 as well as reduction of excess limits from £500,000 to £250,000.

Developing the Audit Committee's role in Risk Management

17. As noted earlier, it is one of the responsibilities of this committee "to monitor the effective development and operation of risk management and corporate governance within the Council". The training and awareness session provided earlier, led by a risk management specialist from the Audit Commission, will have highlighted ways in which the committee may most effectively discharge these responsibilities.
18. Previously the committee has seen copies of risk registers on spreadsheets and reviewed their content. However, the Spar.net system and the data which it holds provide the opportunity to produce reports which are more detailed and informative, highlighting management actions taken and their outcomes, reviews which have taken place or may have fallen overdue, etc.
19. Management reports on risk registers, both the Corporate and Directorate registers could usefully be brought to future meetings of the committee for review and discussion. A copy of the current Corporate Risk Register management report is attached for information as part of the separate annexe.
20. This report shows all of the risks that have been identified and classified by the Corporate Management Board (CMB) They are shown in priority order based on the risk scores (i.e. with the highest scoring risk first). Each risk is "owned" by a member of CMB, with other officers responsible on their behalf responsible for monitoring the mitigating controls and management actions associated with the risks. The "traffic light" colour coding of items on the report highlights areas that may need attention.

21. Members of the committee are invited to consider ways in which they may best exercise in future their role in overseeing risk management arrangements across the Council, and reports that they would wish to see.
22. One action that may be considered is the selection of one or two key risks, and inviting key officers responsible for those risks to attend future committee meetings to explain actions that are being taken to mitigate and reduce both the likelihood and impact of those risks actually materialising.
23. Another approach may be for the committee to review a sample of Internal Audit reports throughout the year, to ensure that Directorates are giving due emphasis to risk management when setting up new projects, implementing new systems, etc.

Conclusion

24. Members may take assurance from current activity that is focussed on further developing and improving the Council's risk management arrangements, which represent a key element of the Council's governance framework, and are also significant within the Audit Commission's Comprehensive Performance Assessment (CPA).

John Mills

Electoral Divisions: All
Local Government Act 1972

List of Background Papers

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<u>Background Paper</u>	<u>Date</u>	<u>File Ref</u>
Nil		

There are no equality issues associated with this report.