

**Open Report on behalf of Pete Moore, Executive Director
Resources and Community Safety**

Report to:	Audit Committee
Date:	13 June 2011
Subject:	Risk Management - Annual Report 2010/11

Summary:

The Council and its Management Board has long since recognised the importance of sound risk management and how this acts as a fundamental element of its business planning, policy setting and decision making processes.

This culture and approach to risk management has never been more important than over the past 8-9 months as the business has gone, and continues to go, through such transitional times.

Throughout all of the turbulence of the past year it is reassuring to note that excepting the ICT outage which occurred in November 2010, there have been no other major surprises for the business. Whilst the ICT outage was a most unfortunate event, it has since been recognised that the likelihood of that type of incident occurring was extremely remote and shouldn't cloud the fact that it was dealt with swiftly and without any impact to life and limb. This gives a strong assurance as to the abilities of our most critical services to continue functioning during difficult times and highlights the importance of having sound disaster recovery arrangements. Further details regarding the important lessons learnt and progress made since the outage have been provided later in this report.

This report also informs the Committee of our highlights during the last year regarding the Councils wider risk management activities and provides an important insight as to how the business will need to continue evolving the way it 'Thinks about Risk' if it is to stand the best chance of succeeding in the challenging times ahead.

In summary, we believe that the Council has and continues to manage its key risks effectively.

Recommendation(s):

That the Committee:

1. Considers the report and notes the positive assurances given on how the council has managed its corporate risks over the past year.
2. Receives a summary of the internal audit report for Business Continuity once complete.

Background

Overview of our Annual Risk Management Performance 2010 - 11

Historically we have maintained and reviewed, at quarterly intervals, a detailed register of the Council's most critical risks. Since December 2010 however, in recognition of the pace of organisational change, the way in which these risks have been and continue to be managed by senior management has evolved to become more 'dynamic' rather than by strict process. Working on a basis of trust and accountability, we have adapted our approach to seeking assurances on the effectiveness of these arrangements by using our sources of business intelligence and reporting 'by exception'. Members will recall an example of this when all Executive Directors attended the committee in January 2011 to provide updates regarding the key impacts and risks facing their services as the Council started to move forward the federated core offer.

An internal audit of the systems and processes in place for Strategic Risk Management was undertaken during 2010, which provided an opinion of '*Substantial Assurance*'. The audit recognised that the direction of travel was progressing positively and that work had started in determining the risk appetite of officers and members throughout the organisation.

Moving on to consider some of the specialist risk disciplines within the council, the following key highlights are also worthy of note:

Business Continuity (BC)

- As already mentioned, in November 2010 the Council experienced an ICT outage due to multiple disc failures – a rare event. The lessons learnt have been used to help inform future planning arrangements and improve the council's level of ICT resilience.

The incident identified the need to develop a BC Internal Communications Plan. Good progress has been made in this area and a draft plan produced. The plan takes into account that in the event of a major incident not all key communication channels may be available, i.e. email, phone, etc. It's designed to sit alongside Mouchel processes in place if the incident is ICT related and is intended to complement Service Area BC Plans and the overarching Corporate BC Plan.

- Pre-planned contingency measures applied during the severe weather conditions experienced during December 2010 helped some of the council's most critical services to keep functioning despite widespread disruption to roads, suppliers and infrastructures.
- In March 2011, we participated in Exercise Watermark which put the county's multi-agency contingency plans to the test as part of a nation-wide rehearsal for a flooding emergency. This provided us with a valuable opportunity to test out the Corporate BC Plan and allowed us to exam how

this and the plans for our most critical services would play out in such an event.

- An internal audit of the Council's Business Continuity Management systems and processes is currently underway, the main focus of which is on Directorates and how individual services manage business continuity. The outcome of this audit will be of particular interest to the Committee in their role of obtaining assurances on the effectiveness of the council's risk management arrangements.

Health & Safety (H&S)

In September 2010, we appointed a new Corporate H&S Adviser. This has helped us to move forward a number of important H&S risk related initiatives, namely:

- Management of Radon risks in council owned premises;
- Premises H&S Management;
- Review of the council's systems, policies and procedures in place to protect staff from violence at work;
- Supporting the roll-out of the new 'Agile' working styles by the development of guidance for managers and staff, as well as procuring and implementing an on-line system for staff to carry out training and assessments in the use of their computer workstations.
- Review and update of the council's policy and arrangements for the Management of Terrorist Threats.
- Introduction of a new system for the issuing of H&S Alerts (for safety critical information) and H&S Bulletins (for non-safety critical information and updates). Since November 2010 the following items have been issued:
 - HSA1: Canopy Collapse – Snow & Ice
 - HSA2: Unsafe Guttering
 - HSB1: Snow & Ice Clearance
 - HSB2: Electric Gates
 - HSB3: Acid use for Graffiti
 - HSB4: Reception Safety
 - HSB5: Overhead Power Cables

All council Directorates are currently compiling their Annual H&S Reports. Once complete they will be used to write the overarching Corporate Annual H&S Report, giving more detail on the councils overall performance in this important area of risk. The Corporate Annual H&S Report will be presented to Management Board as well as the Overview and Scrutiny Management Committee in due course.

Insurance

- During the last quarter of 2010-11 we undertook a detailed review of all activity and impacts on the Insurance Fund. The review highlighted concern for the future solvency of the fund due to a number of identified pressures. A full report outlining the reasons for the projected deficit and appraisal of future options was presented to the Executive Director Resources &

Community Safety and Elected Member Portfolio Holder. The recommendation of providing a £1m injection to the fund was approved in principle and will be presented to the Executive in July.

- During the year we changed the way in which we deal with low value property damage claims by handling them on an 'indemnity' basis rather than the historical 'new for old'. This has resulted in a drop in the average value of claims settled from £182 to £154. Based on an average of 691 claims paid per year, this equates to an annual saving of approx £19k.
- Actions taken during the year to move back some of the work undertaken by Legal Services Lincolnshire into the Insurance Team has resulted in a saving in legal fees paid of approximately £70k for the year.
- The annual audit undertaken by Travelers, the Council's Liability Insurers, which measures the overall claim handling ability of Legal Services in dealing with claims on behalf of the council, assessed their performance as 'Excellent'. The report also indicated that the successful refusal rate of claims is very high at approximately 80%.

Moving Forward

Changing Times

Driven by an agenda of tough budget settlements and reductions, the way in which the council's services are commissioned, delivered and managed is changing.

Significant structural changes, increased outsourcing, the need to provide personalised services and deliver 'more for less' will all impact on the risk profile of the council. At the same time, new responsibilities such as the requirement to lead on flood prevention, as legislated in the Flood and Water Management Act 2010, will continue to expand the council's present range of risk issues.

We must be prepared to continue managing our biggest risks dynamically throughout and beyond the changing times ahead and not allow risk management to be viewed simply as a box-ticking exercise. If used correctly it will help us to make the right decisions, strengthen our strategic and operational business management and enable, not hinder, the changes necessary.

What have we done so far?

In December 2010 we met with the Chief Executive (CX) to talk about risk. This provided us with a useful insight into the '*Tone from the Top*' and gave a clear steer that staff should be supported and allowed to apply 'free thinking'. In other words, the organisation should support measured risk taking, trust but hold to account.

Conclusion

Overall, the Council continues to adequately demonstrate that it has mature systems and processes for managing risk at a strategic level. However, we recognise that the business is changing; services are being scaled back, delivered differently and in some cases stopped. Its needs and expectations are changing too. Innovation and opportunities to improve our services will require risk taking. In order to adequately support the business and enable measured risk taking, we will have to raise our game further.

We'll need to work closely with the new senior management structure and 1st line managers to see how they think about risk taking. Provide support to help them develop a similar approach and ethos to risk as the Management Board has done over these past few months. We'll also need to help operational managers understand how far down the organisation formal risk management techniques will be expected to be in place and used.

Our plan to achieving this is as follows:

- Update the Risk Management Strategy to ensure its fit for the future (September 2011)
- Risk Appetite workshop to see how senior managers think about risk taking (September 2011)
- Update our Strategic Risk Register (September 2011)
- Work with 1st line managers to see how they think about risk taking – (workshops and training from 2012 onwards)

Consultation

a) Policy Proofing Actions Required

n/a

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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