

AUDIT COMMITTEE

Risk Management Progress and Proposed Work Plan 26 April 2006

Report of Head of Financial Services

PURPOSE OF REPORT

To inform Audit Committee of the progress made to date with the risk management programme and to seek Members' endorsement of the amended work plan for the forthcoming year.

This report is public.

RECOMMENDATIONS

- 1 That the progress made to date with the risk management programme be noted.**
- 2 That the amended work plan be supported.**

1.0 INTRODUCTION

- 1.1 Through the adoption of a Code of Corporate Governance, the Council has committed to ensuring that risk management plays an integral part in the sound governance of the Council.
- 1.2 The intention of a risk management policy is to promote the achievement of the Council's aims through the implementation of its risk management strategy. Audit Committee approved a revised risk management policy and strategy on 27 July 2005. This report informs the Committee of the progress made since the last meeting on 25 January 2006, and outlines the key specific tasks for the next financial year.
- 1.3 Members may well find it useful to read this report in conjunction with the Annual Audit Letter/ Use of Resources Assessment included elsewhere on the agenda.

2.0 PROGRESS

OPERATIONAL RISK REGISTERS

- 2.1 It is the intention that individual operational risk registers will be drawn up for each service. These registers will identify key risks within each department, the mitigating controls, responsibilities and the monitoring process. Each service has risks that could threaten its ability to deliver the objectives in the service's business plan. Put simply, this means that they could well under perform unless circumstances are right. This is how risk management, performance management and business planning link together. It is clear that, in identifying the risks that could affect delivery of objectives and in managing those risks, performance should improve. (Or, at the very least, performance targets should be met.)
- 2.2 To date, preliminary training sessions have been held with Planning, Leisure and Information Services. Having considered objectives in the service's business plan, risks were identified and scored. This data has been recorded on the risk management system and reports have been produced. The next stage of the process, for these services, is to have a second training session, involving the service's senior managers. At this point, each risk and its associated mitigating controls can be considered, along with the delivery of that control. Once this has been done, the service will then be able to use the completed register to link risk to service objectives in a tangible way which provides readily accessible information on service objectives, associated risks, actions required to manage the risks, and responsibility for those actions.
- 2.3 In order that this Committee can understand the nature of the information contained in these operational risk registers, Leisure Service's risks will be outlined, as an example.
- 2.4 At this stage, the objectives on Leisure's risk register are "Ensuring the efficient delivery of Leisure Management" and "Ensuring the efficient operational delivery of Salt Ayre Leisure Centre". In all, 19 risks were identified as being potential threats to achievement of these objectives. As the report shows, the risks vary in category from strategic, financial, reputational, people and information issues. These include risks such as –
- Inability to maximise funding opportunities.
 - An uncoordinated approach to partnering.
 - Inefficient staff screening processes.
 - Inadequate customer care.
 - Lack of investment.
 - Inadequate consultation on customer needs.
 - Inefficient use of resources.

Each risk has been given an inherent risk score, and once the mitigating controls are identified, residual and target scores will be listed. At this stage, there is also a further opportunity for challenge of the identified risks, and a chance to bring in advice from other internal sources, such as accountancy, procurement, and health and safety, etc. Reference should also be made to the Use of Resources Assessment.

The Head of Leisure services can then manage the risks that threaten achievement of the service objectives and, through recognition of the risk scores, can prioritise mitigation controls more efficiently and thereby improve performance.

INSURABLE RISKS

- 2.5 Risk Management is clearly integral to the attainment of corporate priorities, continuous improvement, good performance management and corporate governance within authorities.
- 2.6 Originally risk management procedures tended to focus simply on managing those risks that were insurable. This focus has changed more recently, with the emphasis now tending to be on the management of business risks. In spite of this, however, the management of insurable risks is still an essential process.
- 2.7 Although the management of these risks has been an ongoing process for several years, the progress and success of this vital procedure has, so far, not been reported to Audit Committee. However, as it does still fall within the remit of this committee, this report and future reports will outline developments in the management of insurable risks.

- Trips and slips

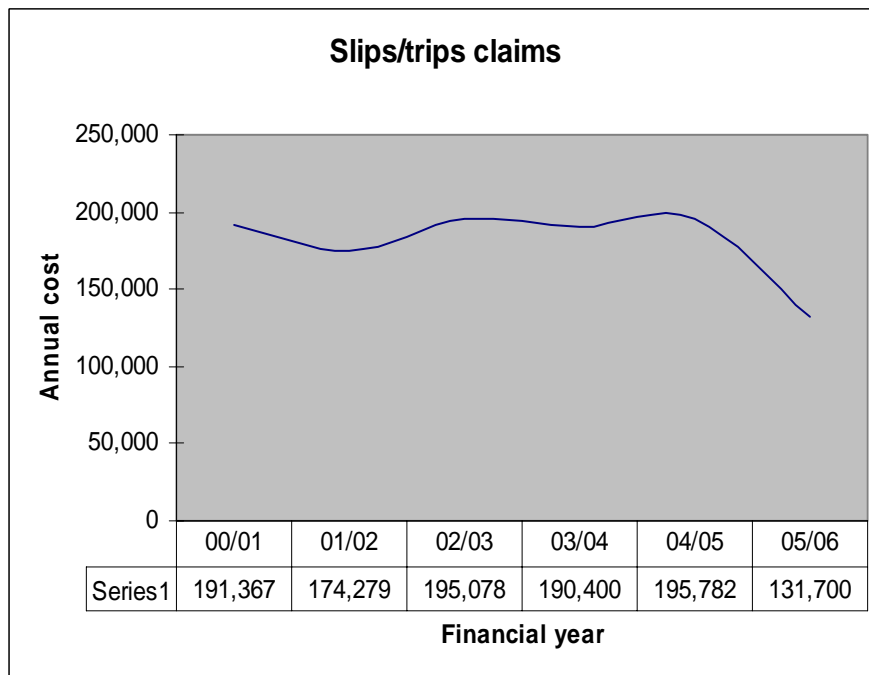
The Council's Public Liability insurance policy has a £10,000 excess for each and every claim. That means, for every successful liability claim made, the Council has to pay the first £10,000 of the compensation payment that is made. Obviously, it makes sense both financially and in reputation/community terms, to reduce the incidence of these claims wherever possible.

It was identified two years ago that a major financial burden to the authority was in the payment of slips/trips claims, where the accident occurred on Council owned land (as opposed to on the highway, which is County Council responsibility). The cost of these claims, at the time, was regularly averaging £190,000 per year.

A thorough risk assessment was carried out and it became apparent that, whilst it was not easy to prevent the slipping/tripping accident occurring, many claims were succeeding purely due to the fact that the Council had insufficient documentation to defend itself. A valid defence in these types of liability claims is that the area in question is regularly inspected and that documentary evidence is available support this.

A working group was set up at the time to identify the areas of land in Council ownership, to decipher which services had responsibility for them, how often they need to be inspected and how the inspections should be recorded.

Most services have now adopted regular systems of inspection and produce suitable records. Claims are now regularly defended successfully and this has resulted in substantially reduced claims costs. This last financial year has seen a 30% reduction in claims payments compared to previous years. To date claims costs have been just £131,700, as opposed to the £190,000 average in previous years. This is shown on the graph overleaf. This is one measurable example of the benefits of risk management that have been gained so far.



3 FUTURE WORK PLAN

3.1 Good progress has been made with the work plans approved by Audit Committee on 27 July 2005, 19 October 2005 and 26 January 2006. This has meant there has been significant headway made with the Council's risk management arrangements and internal control environment.

- Partnership working

Partnerships are increasingly becoming the preferred option for many public sector organisations, as the complexity of service delivery and pressure on funding sources increases. Partnership working is a potentially powerful tool for tackling policy and operational problems but poses equal challenges and complexities that need proactive management. Nowadays there is an increasing amount of guidance from the Audit Commission, National Audit Office, Office of the Deputy Prime Minister and others on how to respond to such challenges. In accordance with this guidance, risk management principles need to be applied throughout the partnership process; that process being scoping for a new partnership, setting the partnership up and then running the partnership successfully.

- Operational risk registers

As stated earlier, all Services needed to be trained and have their risks identified, assessed and mitigated in the form of the operational risk register, to support service performance.

- Strategic risk register

At the time of writing this report, the draft Corporate Pan and associated KPIs were being finalised for consideration by Council on 12 April. Once this has been done, the risks can be reassessed where necessary and updated accordingly.

- Project Initiation documents

Work needs to be done to improve project initiation documents and ensure that risks are adequately assessed from the outset of a project. This aspect will be incorporated into other work ongoing to establish a corporate, consistent approach to project management.

- 3.2 The work plan for the forthcoming year is thus as follows. Members are asked to support the programme and/or indicate any other aspects that may wish to be considered.

Task	PROVISIONAL Target Date
Develop robust risk management procedures for partnership working.	1 August 06
Complete operational risk registers for each service.	31 December 06
Reassess the risks associated with 2006/07 Corporate Plan.	30 June 06
Ensure that project initiation documents include an adequate risk assessment.	TBC
Develop and deliver further appropriate training.	31 March 07

CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

FINANCIAL IMPLICATIONS

No other financial implications arising directly other than as outlined in the report.

DEPUTY SECTION 151 OFFICER'S COMMENTS

The Deputy Section 151 Officer has been consulted and has no comments to add.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no comments to add.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no comments to add.

BACKGROUND PAPERS
Risk Management Strategy & Policy

Risk Management Policy and Strategy
Audit Committee Terms of Reference (The Constitution)

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