

AUDIT COMMITTEE

Risk Management Progress and Proposed Work Plan 28 June 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 approved.**

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 26 April 2006, and outlines the key specific tasks for the next financial year.

2.0 PROGRESS

OPERATIONAL RISK REGISTERS

- 2.1 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.

- 2.2 Corporate Strategy are currently developing the Escendency performance management system and are holding similar workshops with Services. In order that a co-ordinated approach can be taken, and so that the risk management and performance management links can be enforced, it is the intention that these workshops should be combined.

INSURANCE & RISK: THE VIABILITY OF A SELF FUNDING OPTION

- 2.4 The Council has always purchased traditional insurance cover as a way of transferring its insurable risks. There is, however, another method of financing these risks, namely a total self funding option. At present, the Council has a £10,000 excess on liability claims, a £2,500 excess on material damage claims and a £500 excess on motor claims. As such, the Excess Provision Fund was created 14 years ago to finance the cost of the claims within this excess.
- 2.5 In order to consider the viability of a total self funding option, it is necessary to consider the cost/benefit of total self funding against the cost/ benefit of the current insurance arrangements.
- 2.6 Such an outline exercise was undertaken recently and the findings reported to Finance Star Chamber on 3 May 2006. The options were considered and it seemed apparent that maintaining the existing insurance arrangements was probably the most cost effective option. However, a major factor that needs to be taken into account is the cost of appropriate reinsurance. The brokers have been asked to undertake a full broking exercise to provide a more accurate quotation for the Aggregate Stop Loss and Excess of Loss policies. Only once these figures are known more accurately, could a well informed decision be made. Also, the uncertainty posed by the employment of external claims handlers must be taken into account when deciding which option provides best value. The vested interest that the insurers' claims handlers have, adds some weight to the option of maintaining existing arrangements.
- 2.7 In addition to considering the viability of the total self funding option, the Risk and Insurance Manager regularly considers other "alternative risk transfer" options. For instance, at renewal, quotations are regularly sought for increasing the levels of excesses on each policy. The resultant possible premium saving is then compared to the claims history and the expected average cost of claims. To date, none of the options offered have been economically viable, but this exercise will continue to be taken as part of each renewal exercise.
- 2.8 Also, over the past two years, several large Public Sector services in the South have "pooled" their insurable risks and created a mutual insurance company. Whilst this is not considered a viable option for an authority the size of Lancaster, the Risk and Insurance Manager will continue to monitor the progress of this developing area of the insurance market.

BENCHMARKING

- 2.9 The Risk and Insurance manager is currently working with the North West Insurance Officer Group (NWIOG) to set up its own benchmarking service for insurance and risk management. This will be similar to the service offered by CIPFA but, hopefully, as it is being designed by local authority risk managers, it should be more relevant. This should then assist the Council towards developing sound governance procedures and ensuring Value for Money in these areas.

3 FUTURE WORK PLAN

3.1 Good progress has been made with the work plans approved by Audit Committee at previous meetings. This has meant there has been significant headway made with the Council's risk management arrangements and internal control environment.

- Partnership working

The Risk and Insurance Manager is to work with Internal Audit to ensure that sound risk management principles are 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. A co-ordinated approach will be taken with Corporate Strategy as they roll out of the Escendency performance management system.

- Strategic risk register

The Corporate Plan and associated KPIs were finalised by Council on 23 May 2006. The risks now need to 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)

None directly arising.

FINANCIAL IMPLICATIONS

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

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has been consulted and has no comments to add.

LEGAL IMPLICATIONS

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

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

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

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