REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	4TH MAY 2006	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/risk mgt/ monitoring report may 06
SUBJECT:	RISK MANAGEMENT – REVIEW AND MONITORING UPDATE	REF:
WARD(S) AFFECTED:		TERMS OF REFERENCE: FM 14

1.0 Recommendations

1.1 That the updated risk register is noted.

1.2 That the relevant Policy Committees be requested to consider in more detail the 5 red (high) risks currently identified to ensure that appropriate safeguards and actions are in place.

2.0 Purpose of Report

2.1 To provide a quarterly update of risk management and to assist the Council in its day-to-day business by identifying and minimising key risks. This is in accordance with the Council's Risk Management Policy Statement.

3.0 Detail

Background

3.1 Risk management is a key component of the Councils corporate governance arrangements. The arrangements for it are subject to regular review and indeed assessment (through Use of Resources) by the Audit Commission.

3.2 The Council's framework including the process of embedding risk management into day-to-day service delivery, were independently reviewed by the Council's insurers, Zurich Municipal, during 2005.

3.3 They also undertook training and awareness sessions for Members and Officers and their report was tabled at the Committee's meeting in October 2005. This also included an updated risk register for the Council that was summarised as shown in the following matrix.

Risk Map for the Council (as at October 05)
Number of risks identified in each category

Probability	IV	III	II	I
A		5	7	1
B	1	9	11	2
C	2	10	16	
D	1	12	22	
E	1	7	10	1
F				

Severity

Key
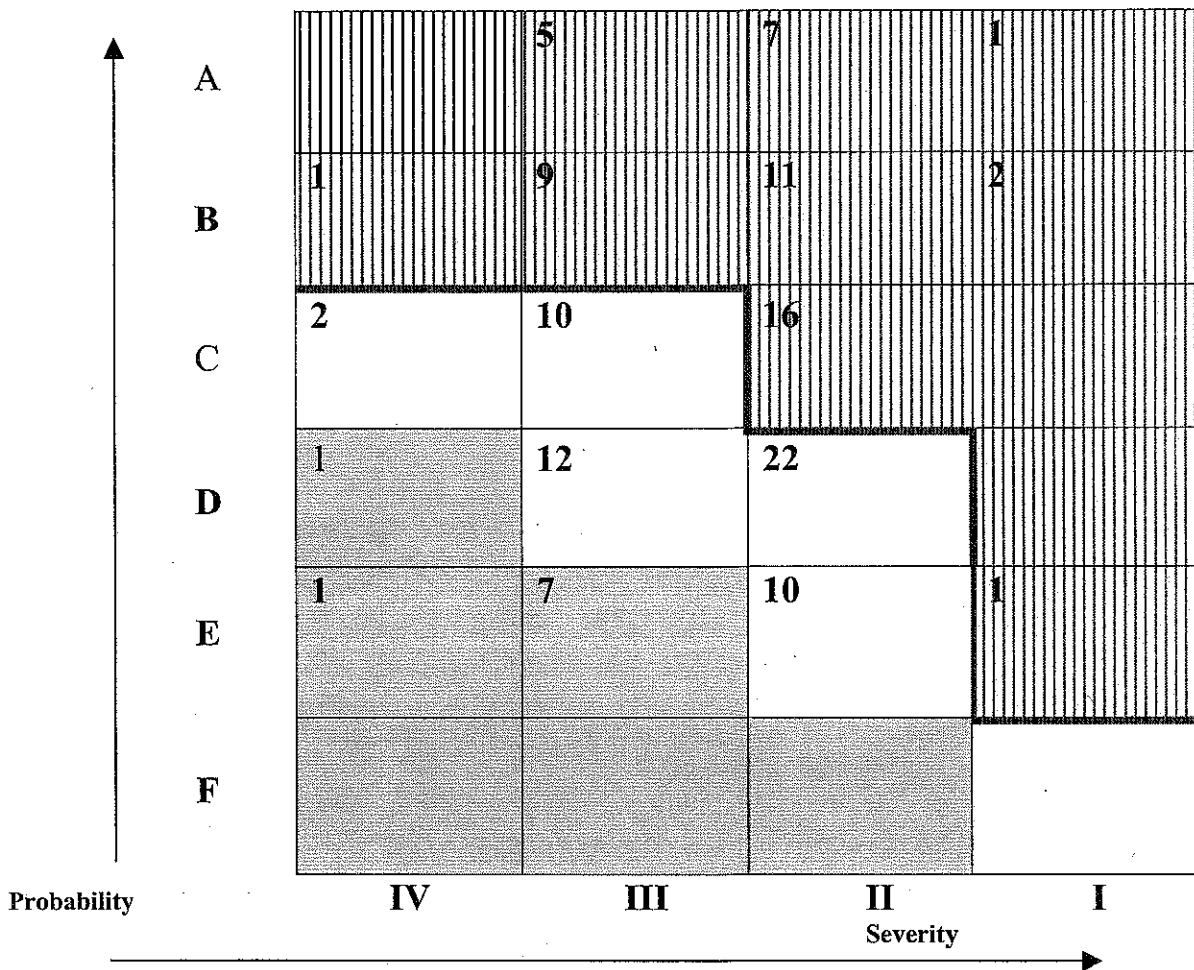
Horizontal line = high risk
Clear = medium risk
Shaded = low risk

3.4 In total, 118 separate risks were identified in the risk register covering all services and those identified by the Corporate Management Team (CMT).

3.5 A review of the risks identified in the risk register at that time revealed the following analysis:

- 44% of risks identified were considered 'high'
- 48% of risks were considered 'medium', and
- 8% of risks identified were considered 'low'

3.6 It is clear, that the Council potentially, faces many risks of a varying nature. The "challenge" process identified over 50 risks considered to be high. However, through the service planning process, these risks should be monitored, managed and being kept under review.

3.7 The most critical risks facing the Council at that time as identified by services and CMT, were those in the top right hand corner of the matrix and were:

- Lack of adequate business continuity planning
- Running major events
- Implementation of the new revenues and benefits system
- External funding of posts, especially in Leisure and Community Services
- Key person dependency in I.T.
- Covering absence for staff in Legal Services
- Reliance on partnerships/contracts to provide Planning Services
- Long-term viability of the Housing Revenue Account
- Amount of affordable housing in the District does not meet Government targets

3.8 In addition, throughout all services, some common issues emerged to varying degrees. These centred around:

- Covering staff absences/shortages
- Capacity to deliver new challenges and Government iniatives, etc.
- Dependency on key staff
- Reliance on partnership funding that is not guaranteed
- Implementing new systems and the increasing reliance on I.T.

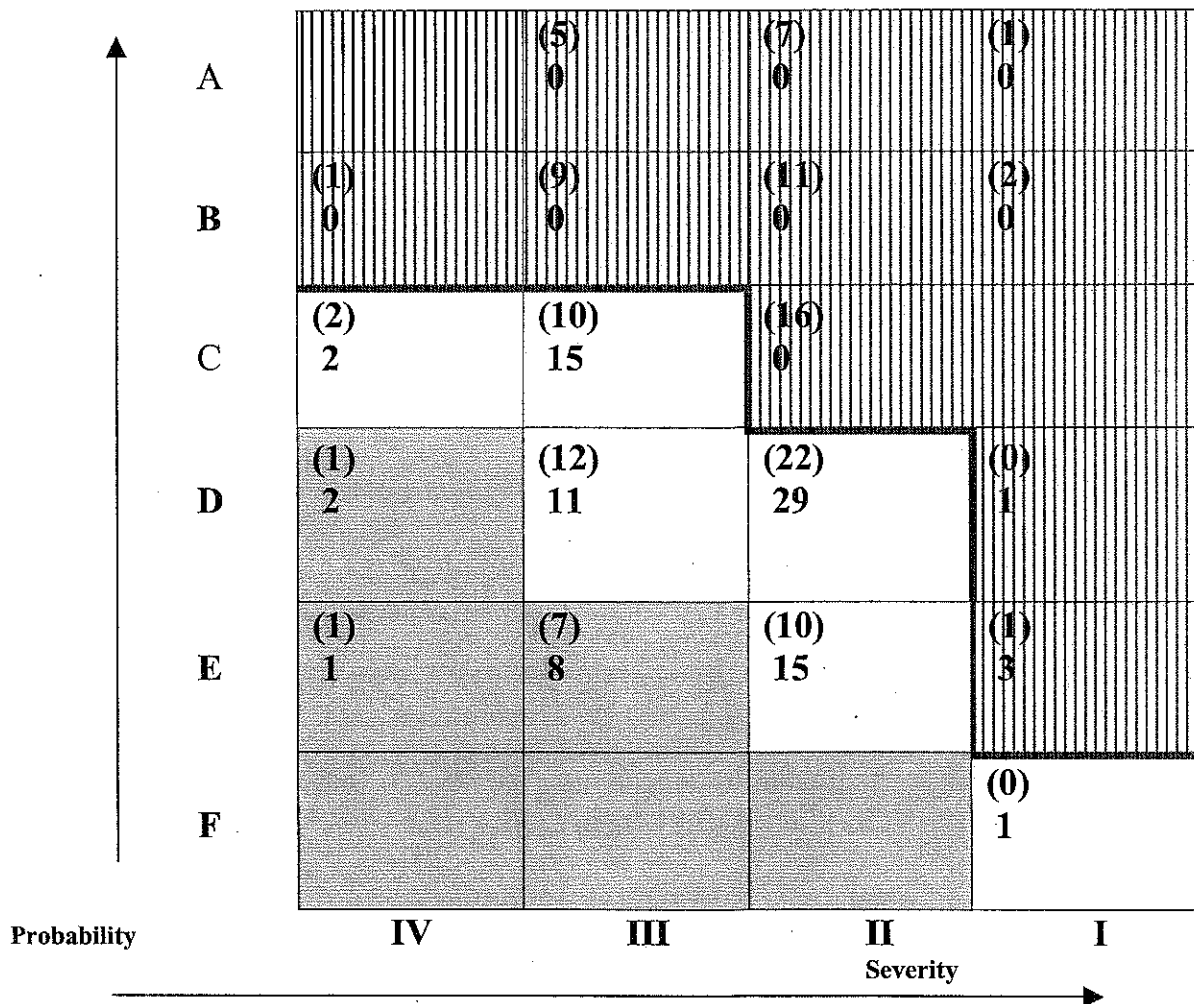3.9 Some of these common issues were also identified by CMT.

3.10 Following on from this review, the Corporate Risk Management Group (RMG) scrutinised these risks identified as critical. The main conclusion was to question just how many of these risks should be rated as critical in the overall scheme of things.

3.11 Therefore, services were again asked to review the likelihood of a risk occurring and its potential impact and in doing so to have in mind controls, actions already in place, etc. to mitigate the risk, i.e. to what extent were these risks being managed. Services were asked to concentrate on their high risks.

3.12 In addition, they were requested to consider carefully the realistic impact on the Council's day-to-day business and corporate objectives. Further guidance was provided to help this process.

3.13 Subsequently, the RMG reviewed responses and also moderated risks further where appropriate. Based on this, the revised risk map of the Council is summarised in the matrix below.

Risk Map for the Council (as at April 06)
Number of risks identified in each category
(October 05 numbers in brackets)

	IV	III	II	I
A		(5) 0	(7) 0	(1) 0
B	(1) 0	(9) 0	(11) 0	(2) 0
C	(2) 2	(10) 15	(16) 0	
D	(1) 2	(12) 11	(22) 29	(0) 1
E	(1) 1	(7) 8	(10) 15	(1) 3
F				(0) 1

Probability (vertical axis)

Severity (horizontal axis) →

Key

Horizontal line = high risk
Clear = medium risk
Shaded = low risk

3.14 In total, 88 separate risks (previously 118) are now identified in the risk register covering all services and those identified by CMT. A review of the risks identified in the updated risk register now reveals the following analysis:

- **5%** of risks identified are considered 'high' (previously 44%)
- **82%** of risks are considered 'medium', (previously 48%) and
- **13%** of risks identified are considered 'low' (previously 8%)

The main changes over the last 6 Months

3.15 As previously highlighted, the main task over this period for the RMG was to scrutinise the high risks. The above figures show that these have substantially reduced and in some cases, no longer exist in any case.

3.16 In addition, there are no risks that could be classed as critical, i.e. in the top right hand corner of the matrix. Referring back to those risks highlighted under **paragraph**

3.6, it is worth analysing the current status of those issues following scrutiny. This is shown in the following table.

Lack of adequate business continuity planning	An authority wide plan is now in place. The plan itself is not the issue, but factors within could be, in particular around I.T. This is discussed in more detail later.
Running major events (risk of accident, health and safety, etc)	Although considered to be a low probability due to procedures and processes in place, it is still a high risk due to the potential impact. Therefore, management arrangements need to be kept under constant review and again, this is discussed in detail later.
Implementation of the new revenues and benefits system	This is being managed and existing systems are now being maintained to meet new requirements. This is now considered to me a much more moderate risk.
External funding of posts, especially in Leisure and Community Services	This could be exacerbated by the new Local Area Agreement squeezing funding. However, posts are being reviewed as part of the Medium Term Financial Plan and some may ultimately attract mainstream funding if they fit Council priorities. In addition, it is possible to plan for the end of funding arrangements and most contracts are temporary. This is now considered to be a more moderate risk.
Key person dependency in I.T.	Given arrangements in place to guard against this, this is now also considered to be a more moderate risk.
Covering absence for staff in Legal Services	Problems with staffing and capacity in various guises are reflected in most service risk registers. Although this may cause issues for individual services, there is no evidence to suggest that this causes any big concerns corporately. It is considered that these issues are not in themselves a risk, but more a management issue as part of service planning.
Reliance on partnerships/contracts to provide Planning Services	In particular that of the Aboriculturalist contact. Although clearly important for Planning, it is questionable how far this has an impact corporately. This is now considered to be a lower risk.
Long-term viability of the Housing Revenue Account	This is monitored and risk assessed as part of the Medium Term Financial Plan.
Amount of affordable housing in the District does not meet Government targets	It is considered that actions/options to address this issue are in place and that the authority is fulfilling its role as the statutory housing authority as best as possible. It is considered that this is now a much more moderate risk.

The Remaining High Risks

3.17 Effectively, these now number 4 and are at the lower end of the "high" scale. They are ranked "high" due more to the potential impact that could ensue if the risk materialised, rather than its probability of occurrence. These risks are analysed in the following table.

Increased litigation/claims for use of leisure facilities, in particular play areas.	Historically, the Council has been subject to insurance claims (about 3 to 4 per year), but nothing as yet critical. Play areas and other facilities are being improved and additional resources have been invested over the last 2 to 3 years and hopefully this will help reduce claims. Clearly the impact that may arise could be extremely high. Therefore, it is imperative that existing management and assessment arrangements are constantly reviewed and where necessary, improved.
Injuries/accidents at big public events (mainly Festival of Leisure and Switch on of Christmas Lights).	Again, clearly there is always a risk and the impact could be extremely high. Health and safety, licensing, etc do generally govern these events. However, as above, it is imperative that existing management and assessment arrangements are constantly reviewed and where necessary, improved.
Maintaining health and safety standards – training and awareness, etc.	Very similar comments to the other risks above. Processes and frameworks are in place but it is imperative that existing arrangements are constantly reviewed and where necessary, improved.
Business Continuity – especially I.T. disaster recovery.	Under the Civil Contingencies Act, the Council now has a Business Continuity Plan in place. However, 1 or 2 issues, including I.T. recovery in the event of a major disaster such as fire or flood have still to be resolved. However, this could be difficult unless alternative accommodation can be found to host an adequate facility. Longer-term, it is planned that this facility will be housed at a new depot location. In the meantime some safeguards and alternative arrangements are in place, although these would only be useful where only the I.T. accommodation is affected.

To What Extent is Security now a Risk

3.18 In addition, the RMG identified a further risk not currently appearing in the Council's risk register, namely **security.** This could be in the form of personal or financial security or indeed to the infrastructure of the main public buildings.

3.19 The RMG cited the increased threat of terrorism and the new arrangements for Customer Services, which although a low possibility, could potentially have a big impact for the Council.

3.20 It is proposed that the relevant Policy Committee be requested to review present arrangements in more detail and to identify any action areas that may be required to mitigate these remaining high 4 risks (including security) as far as possible.

Future Tasks

3.21 It is proposed that the RMG will now review other risks as it is considered that some included in the risk register no longer exist or are more concerned with service delivery/management issues and not business risks. This should provide a more realistic overall corporate risk register.

3.22 In addition, a more refined and simpler risk matrix will be considered for future use as will the Council's "risk appetite," i.e. what is the Council prepared to accept before a risk is classed as "high."

3.23 Clearly, the RMG will also continue to scrutinise individual risk registers included in future service and corporate plans and ensure that consideration of risk continues to be embedded throughout the Council, including consistent application.

4.0 Financial Implications

4.1 None associated directly with this report.

5.0 Corporate Implications

5.1 None associated directly with this report.

6.0 Community Implications

6.1 None associated directly with this report.

7.0 Background Papers

7.1 None