

## **CORPORATE RISK MANAGEMENT REPORT FOR THE PERIOD April to June 2011**

**Submitted by:** Head of Business Improvement and Partnerships

**Portfolio:** Customer Services and Transformation

**Ward(s) affected:** All

### **Purpose of the Report**

To provide an update to Members of the progress made by the Council in enhancing and embedding risk management for the period April to June 2011, including progress made in managing the identified corporate risks.

### **Recommendations**

**The Committee is asked to:-**

- (a) Note the situation regarding the LEP as provided by your Officer.**
- (b) Scrutinise the progress that has been made in managing the risks identified within the Strategic, Operational, Project and Partnership Risk Registers where applicable.**
- (c) Note the new risks that have been identified between April to June 2011.**
- (d) Identify, as appropriate, risk profiles to be scrutinised in more detail as part of your responsibility at the next meeting.**
- (e) Note the horizon scanning risks listed to bear in mind when making decisions on reports submitted to committees and the effect it may have on the future of the council.**

### **Reasons**

The risk management process previously adopted by the council has been reviewed to incorporate changes in the way the council works and to provide continuity and streamlined reporting of risks to the necessary stages so that it becomes further embedded at each level of the authority. This will further develop the identification of key risks that potentially threaten the delivery of the corporate priorities. The new strategy will provide a formal and proportionate framework to manage these identified risks and thus reduce the council's exposure.

To assist the council in its corporate ambition of being an excellent council by helping deliver effective corporate governance, this proactive approach also helps demonstrate good risk management in terms of evidencing that effective risk management is further embedded with the corporate business processes.

### **1. Background**

- 1.1 The council monitors and manages all its risks through the various risk profiles contained within GRACE (Governance Risk and Control Environment) – the Council's software for recording and managing risk.**
- 1.2 The council currently reviews its extreme risks at least monthly and its high risks at least quarterly.**

- 1.3 The last review of these risks was reported to your Committee in April 2011.
- 1.4 Risk owners are challenged by the Risk Champions in respect of controls, further actions, ratings and emerging risks and challenge reasons for inclusion or non-inclusion and amendment of these.
- 1.5 Projects are managed to a high level in relation to risk and are reviewed in accordance with the risk management strategy – monthly.

## 2. **Issues**

### 2.1 **Risk Management Scores**

As Members may remember at the last meeting the new risk management strategy was approved subject to minor changes. Since that date the new risk scoring was introduced on 1 July 2011.

The scores that you currently see on **Appendix A** relate to the old 5x5 matrix, as these risks were updated to the end of June 2011. The next report that you see will show these risks as they are scored under the new 3x3 matrix.

### 2.2 **Strategic, Operational, Project and Partnership Risk Registers (Appendices)**

The Council regularly reviews and refreshes its risk registers in accordance with the risk management strategy. This is co-ordinated by the Strategic Risk Champion who works closely with the Directors, Operational Risk Champions and the Risk Owners.

Appendix A highlights the Council's most significant risks and the newly identified risks.

Further progress has been made towards mitigating these risks during the first quarter in a variety of areas, which has resulted in some risks moving closer to being reclassified (or down-graded). For instance

- A risk relating to the Ryecroft development has reduced in rating as the purchase of the site has taken place with an indentified partner and steps are being taken to identify a development partner
- A risk relating to managing critical information has been reduced in rating due to the last few services being identified as needing electronic document and records maintenance installing
- A risk relating to new business processes not taking information risk into account has been closed as all actions have been completed and due to Prince2 aspects being undertaken throughout projects and business processes (incorporating version control, FOI requests etc)

### 2.3 **Horizon Scanning**

As identified from the last meetings minutes, horizon scanning was to be included as part of the report to members. Below is a list of "risks on the horizon" that will need to be considered by both officers and members, but will not necessarily need to be added onto profiles.

- Jackson Reforms – risks associated with the outcome of the Jackson review in respect of insurance claims, one-way costs shifting etc – the potential for more claims to be made against the council and the chances of more being run to court

due to the third party not losing out on any costs, and the therefore the costs implications against the council rise. This also takes into account the Legal Aid, Sentencing and Punishment of Offenders Bill, where the council will be liable for uplifts of more costs; the increase in Conditional Fee Arrangements and success fees; the portal scheme for liability claims to be introduced leading to shorter timescales to comply with protocol (currently 90 days to accept/deny liability) which most authorities struggle to do now

- Property and business interruption insurance – are officers involving the risk & insurance officer at the right time to advise of any changes to services that may affect the insurance portfolio – finding that data is incorrect when a claim arises – only notifying of changes upon renewal process, then still not clear of what they really want
- UK fraud – costing in excess of €2.6 billion (although mainly in the private sector) it is increasing in the public sector – absence management, staff, time etc.
- Financial crisis (again) – it seems following recent meetings attended that the financial crisis is here to stay – for at least another 10 years – the USA seems to be going through the recession again; the UK aimed to assist companies
- Professional & official indemnity claims are on the increase both at this council and neighbouring authorities – schemes undertaken where officers follow legal practices & procedures but are now being challenged by Third Parties, and in some cases winning.
- Civil unrest – Syria, Israel, Spain, Chile are all still ongoing disputes, and the impact could be potential financial implications to the council – the UK government bailing out these countries, leading to implications on our own economy, employment and immigration.
- The pension problem – in Europe the pension's crisis has been in the news recently - the sovereign debt being blamed – the Pension Insurance Corporation London warns that defined pension funds could be hit hard of the European sovereign debt crisis creates a re-run of the credit crunch. In the USA the US Congress is proposing a federal approach that could enable states to declare bankruptcy as a way to duck their promises to pensioners and bondholders – could this follow in the UK?
- Changes to the default retirement age - the UK default retirement age is being abolished later this year and there will be potential challenges from an ageing workforce – physical demands for some jobs could produce an increased risk of accidents and health impairment (although the UK Health & Safety Executive reported this year that overall there is no evidence that older workers are more at risk of workplace accidents or injury than their younger counterparts)
- Terrorism – there is an increase in attacks from all sectors, not just the Middle East – there is a tendency to think “it won't happen to us” – there has been an increase in activity/attacks in Northern Ireland; in Norway which had the smallest percentage of terrorism has just seen the worst attack in its history. There is a chance that it comes from “within” society (internal) rather than external attacks.
- Cyber risks – although this has been headline news previously, in recent months “hacktivists” have been working globally to enter companies databases and steal information, whether it be personal data, revenge attacks or just to attack the reputation of these host companies, albeit Google, Sony, PayPal or even the FBI. Although this is global, there is still the potential for this kind of revenge attack to take place at the council due to a disgruntled customer, employee or external company – “they probably aren't interested in me” isn't an excuse – making sure good security for your customers' data is a legal requirement under the Data Protection Act. The above companies will have the same, if not better protection, but they still got in!

In a report by Detica, commissioned by the UK government, cyber crime is costing the UK alone £27bn a year (the lions share of £21bn is from the private sector).

These risks will potentially affect the council and its practices in the coming months/years, however some are beyond the control of the council – it is normally the knock-on effect through insurance premium increase and fall out of other businesses responses to these risks that can change how we manage our own.

3. **Outcomes Linked to Corporate and Sustainable Community Priorities**

- 3.1 Good risk management is key to the overall delivery of Council and local improvement priorities.

4. **Legal and Statutory Implications**

- 4.1 The Accounts and Audit Regulations 2003 as amended 2006, state that:

*“The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control, which facilitates the effective exercise of that body’s functions and which includes arrangement for the management of risk”*

5. **Equality Impact Assessment**

- 5.1 There are no differential equality impact issues in relation to this report.

6. **Financial and Resource Implications**

- 6.1 None where actions are to be taken in order to mitigate the risks as these will be met from within existing budgets. Where this is not possible, further reports will be submitted to Members.

7. **List of Appendices**

Appendix A – Extreme Risks and Action Plan 2011/12.

8. **Background Papers**

None.