



**COUNCIL EXECUTIVE**

**RISK MANAGEMENT**

**REPORT BY HEAD OF FINANCE & ESTATES**

**A. PURPOSE OF REPORT**

To advise the Council Executive of action taken to implement the Council's Risk Management Plan during 2010/11 and to consider the Plan for 2011/12.

**B. RECOMMENDATION**

1. To note the activities undertaken in 2010/11 in pursuit of the Risk Management Policy and Strategy.
2. To approve the Risk Management Plan for 2011/12.

**C. SUMMARY OF IMPLICATIONS**

- |   |  |
|---|--|
| <b>I Council Values</b>   | Making the best use of our resources.<br><br>Working in Partnership.   |
| <b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b> | The Risk Management Policy forms one of the policies of the council and is an integral part of the Code of Corporate Governance.   |
| <b>III Resources - (Financial, Staffing and Property)</b>   | The execution of the Risk Management Plan will be done within existing budgets, but will require staffing input to secure its delivery.  |
| <b>IV Consultations</b>   | Aon Ltd., Association of Local Authority Risk Managers, Risk Management Partners, Gallagher Bassett. The P&R PDSP considered the report on 13 May and was supportive of the report going to the Council Executive in June. |

**D. TERMS OF REPORT**

**1. Background.**

The Council's Risk Management Policy and Strategy requires an annual report to the Council Executive on risk management. This report fulfils that obligation and provides the Council Executive with the opportunity to review progress in 2010/11 and to consider the plan for the coming year.

## **2. Activity During 2010/11**

### **Continued Work**

#### **a) Sickness Absence**

Objective:

To Improve attendance levels.

There has been a big improvement in sickness absence levels following the introduction of the revised Policy and Procedure on Managing Sickness Absence on 1 May 2010 together with the introduction of a dedicated sickness absence management team within HR Services. The improvement in absence rates within the council is shown in Appendix 1.

As at 31 March 2011 the sickness absence SPI for the full council was 4.30%. This shows a significant reduction from the same period in 2010 where the rate was 5.02%.

The council is able to benchmark performance in relation to sickness absence with other Local Authorities via SPI figures published by Audit Scotland. Unfortunately figures for 2010/11 will not be available until later in the year so it is not possible to compare performance for the year. The figures available for 2009/10 showed West Lothian Council as being ranked 30<sup>th</sup> out of the 32 local authorities in Scotland for non-teaching staff and 12<sup>th</sup> for teaching staff.

However it is important to note that these figures relate to 2009/10, predating the introduction of the revised Policy and Procedure on Managing Sickness Absence, and therefore do not reflect the improvements noted above. It is therefore anticipated that an improvement will be seen in the council's ranking when the 2010/11 figures are published.

#### **b) Partnership Risks**

Objective:

To ensure that partnerships are properly managed and supported by effective guidance.

The Corporate governance group guidance was completed and issued to all services. Representatives from service areas received specialist training on risk management in relation to the risks of partnership and collaborative working.

#### **c) Business Continuity Management**

Objective:

To complete the Strategic and Tactical plans and agree the plan for the Civic Centre with the council's partners.

The Tactical plan has been completed and the Civic Centre plan was tested by a live incident on 19 July 2010. All those affected were consulted on the improvements needed for the future and plans will be accordingly amended.

The Depute Chief Executive Corporate, Operational and Housing Services is responsible for business continuity arrangements.

The restructure of the council and reduction in the number of senior managers impacted on the ability of the council to manage business continuity in line with the current strategy. A revised strategy combining the duties of the Strategic and Tactical Teams has been prepared. Once approved, the new Civic Centre plan protocol will be agreed with the council's partners.

#### **d) Motor Fleet Risks**

Objective:

To work with Operational Services and Housing, Construction and Building Services on the causes of accidents and losses and agree measures to reduce the cost and number of accidents.

Despite the efforts being taken the claims frequency has not improved. The severe weather has had less of an impact than expected against previous years. Claims frequency remains stubbornly high at one for every two vehicles. Controls have been developed to manage the risks associated with the green fleet but there is a need for improvement to reduce the cost of motor policy excesses. An improvement plan is in place that includes various measures including vehicle spot checks, error identifications and driver retraining. This will be remitted to the Transport users group.

#### **e) Health & Safety**

Objectives:

To work with Health & Safety Services to reduce the number of reportable incidents and claims and minimise the risk of prosecution.

To avoid Prosecution.

The council's Health & Safety Policy has been updated and was approved by the Council Executive in March 2011.

In addition, a wide ranging programme of work has been carried out to improve Health and Safety Risks. This includes audits to ensure that arrangements and evidence are in place for the management of Health and Safety, to identify areas of good practice and to highlight areas where improvement is required.

No prohibition notices or improvement notices were served by the Health & Safety executive, but the council was prosecuted for an accident that occurred in July 2009.

The three year trend shows a decrease in the number of incidents and a significant reduction in the number of serious accidents, which have been reduced from 16 in 2008/9 to 3 in 2010/11.

### **New Work 2010/11**

## **f) Economic Risk**

Objectives:

To identify significant risks arising from the national economic position and develop risk mitigation.

To ensure that appropriate risk assessments and risk controls are in place in respect of new working practices.

Economic Risks have been assessed and risk mitigation strategies developed. Key Economic risks are included in Appendix 2.

## **g) New Risk Management Policy and Strategy**

Objective:

To comply with the British Standard, 'Risk Management Code of Practice'

The plan to update the current Risk Management Policy and strategy in line with the British Standard has been reviewed. The council has access to free training with accreditation by the Institute of Risk Management as part of its insurance programme. This training is based on the International Organisation for Standardisation standard ISO 3100 so it will be more appropriate to revise the policy and strategy in line with this international standard and to reflect the recent and planned changes in the council's structure and staffing. The international standard encompasses the standards in the British Standard and also incorporates Business Continuity Planning.

Two training courses were successfully completed by service risk champions and internal auditors during the year, Essentials of Enterprise Risk Management and Managing the Risks of Partnership and Collaborative Working.

## **h) Property Risks**

Objective:

To work with officers to identify causes of loss and agree actions to reduce the number and cost of property losses.

A working group in Housing and Housing, Construction and Building Services with partners from the Police and Fire Service is addressing the problems of increasing numbers of fires in council housing especially those arising from wilful fire-raising. The number of fires has reduced from 32 in 2009/10 to 27 reported at 31 March 2011. The severity of the fires has reduced significantly with costs of £550,000 in 2009/10 reducing to an £197,000 for 2010/11.

A high level review of property risk control measures has commenced with the Estates Manager.

## **Key Business Risks**

The Executive Management Team has reviewed the Key Risks and identified new key risks. The Key risks and changes since the 2010 review are shown in Appendix 2.

### 3. Claims Experience

The triennial actuarial review of the adequacy of the insurance fund against its liabilities since 1996 at 31 March 2010 was completed satisfactorily. Further work has been carried out to ensure that the reserves for historical risks are reasonable. These risks include risks inherited from predecessor authorities where no insurance is in place or where the insurance policies cannot be traced. There is considerable uncertainty about some areas of historical risk largely relating to diseases related to contaminants, e.g., Asbestos.

The administration of claims on the fund was also subject to an internal audit and the August 2010 report concluded that the level of control was effective.

- **Employers Liability (Appendices 3a & 3b)**

The trend of the incidence of accident claims, which relate to failure in current controls, is reducing. The work carried out by Health and Safety has facilitated this downward trend.

The incidence of industrial disease claims being reported is gradually reducing. Disease claims arise from errors made in the past and procedures have been put in place to reduce the probability of more such claims arising in the future. However recent changes in legislation regarding asbestos related conditions may result in new claims being reported. Many of these claims may be uninsured.

- **Public Liability (Appendix 4)**

There is continued improvement in the reduction of the number of claims. The cost of injury claims continues to rise and the council has no control over these changes. Claim numbers for 2010/11 will increase further as there is always a delay in reporting liability claims. The number of claims directly relating to the snow and frost earlier in the year is currently much lower than expected compared to the last two years. (2008/9 31 claims, 2009/10 48 claims, 2010/11 received to 31 March, 17 claims).

- **Property (Appendix 5)**

Year on year Property claims are subject to volatility in both number and cost as the figures can be affected by one or two serious incidents or a weather event affecting many properties. The cost peak in 2005 includes the damage at St Mary's Primary School and that in 2007 includes the loss of Longridge Hall. The claims in the last two years have been affected by adverse winter weather. This in conjunction with the increased number of housing fires in 2009 has triggered the stop loss in the insurance programme for both years. The stop loss is a mechanism to ensure that a high number of claims below the policy excess do not amount to an unacceptable sum, thus protecting the insurance fund and council budgets. It also means that the insurers will closely check all claims made below the excess to ensure that they are valid and properly supported by paperwork.

- **Motor (Appendix 6)**

Claims frequency continues to be an issue and average claims costs for losses funded by the council are also increasing. The graph shows the number of vehicles and the related number of accidents.

#### **4. Insurance Arrangements for 2011/12**

Renewal terms for the council's major insurance covers have been received within the terms of the long term agreements.

The engineering inspection contract has been retendered. Service will continue to be provided by Royal Sun Alliance with more detailed electrical reports to save subcontracting work and reduce the carbon footprint associated with the follow through of identified faults.

#### **5. Risk Management Plan 2011/12**

Risk Management arrangements within the council have been reorganised in view of the significant changes to the structure and staffing of the council. Instead of the Steering Group, there will be two groups, a high level board covering Risk Management and Business Continuity Planning led by the Depute Chief Executive Corporate, Housing and Operations and a practitioners group comprising Service Risk and Business Continuity Champions chaired by the Internal Audit Manager. Once constituted the groups will consider the work required. Key items will include:

- a) Approval of the revised Risk Management Policy and Strategy
- b) Risk Register transfer to Covalent for all services
- c) Approval of the revised Business Continuity Management Strategy.
- d) Review of the Corporate Business Continuity Plan
- e) Ensuring that all services have an up to date Business Continuity Plan in Place.

#### **E. CONCLUSION**

There has been encouraging progress in areas such as sickness absence management, business continuity management, housing fires, the reduction in the numbers of accidents and of legal liability claims. Action plans will be implemented to reduce motor fleet risks and other property related risks. Economic Risks will be monitored and action taken as required. Challenges for the future will be in maintaining the improvements with reduced staffing and financial resources and dealing with staff related risks arising from the extent of change over the next few years. Further work will be undertaken to ensure that business continuity management arrangements are effective and kept up to date.

#### **F. BACKGROUND REFERENCES**

- Risk Management Policy and Strategy
- BS2599 - 1:2006 Business Continuity Management. Code of Practice
- BS2599 – 2:2007 Specification for Business Continuity Management
- BS31100:2008 Risk Management Code of Practice
- ISO 31000:2009 Risk management - Principles and guidelines

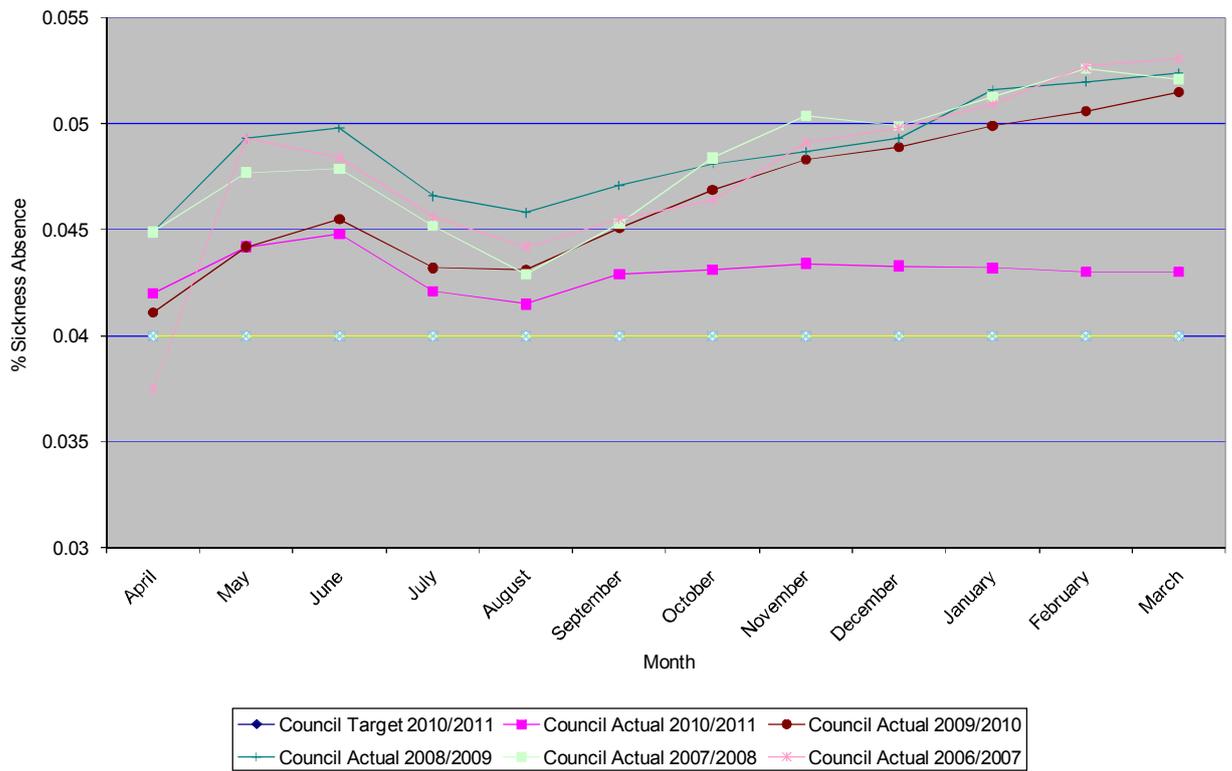
Appendices/Attachments: 6

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**Donald Forrest, Head of Finance and Estates**

**Date: 20 June 2011**

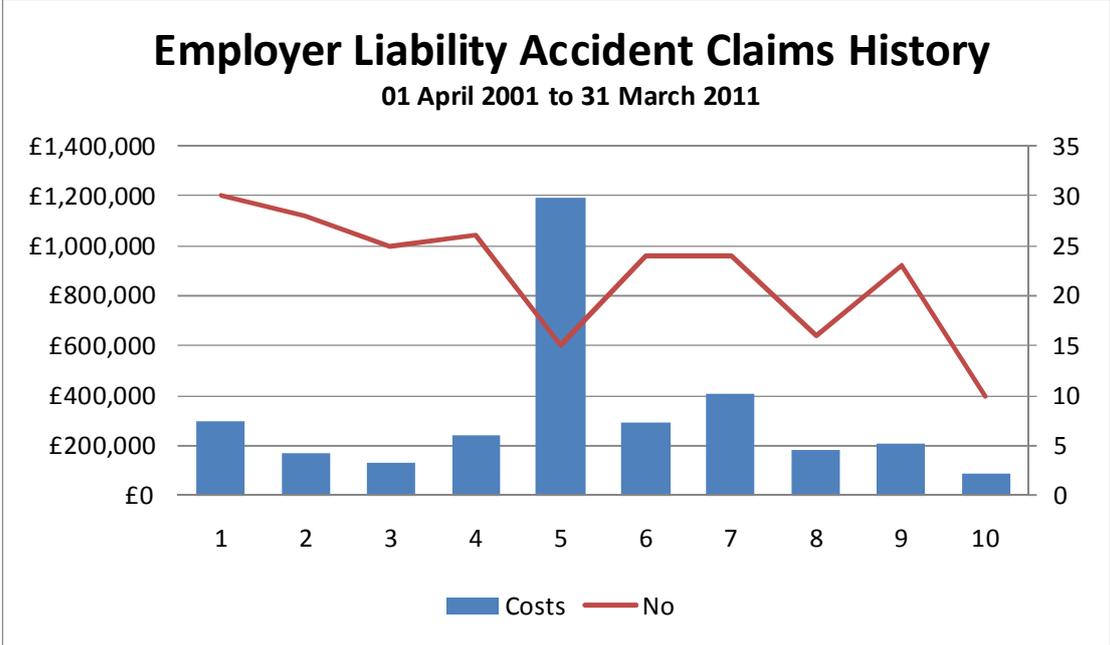
Sickness Absence SPI% History Full Council



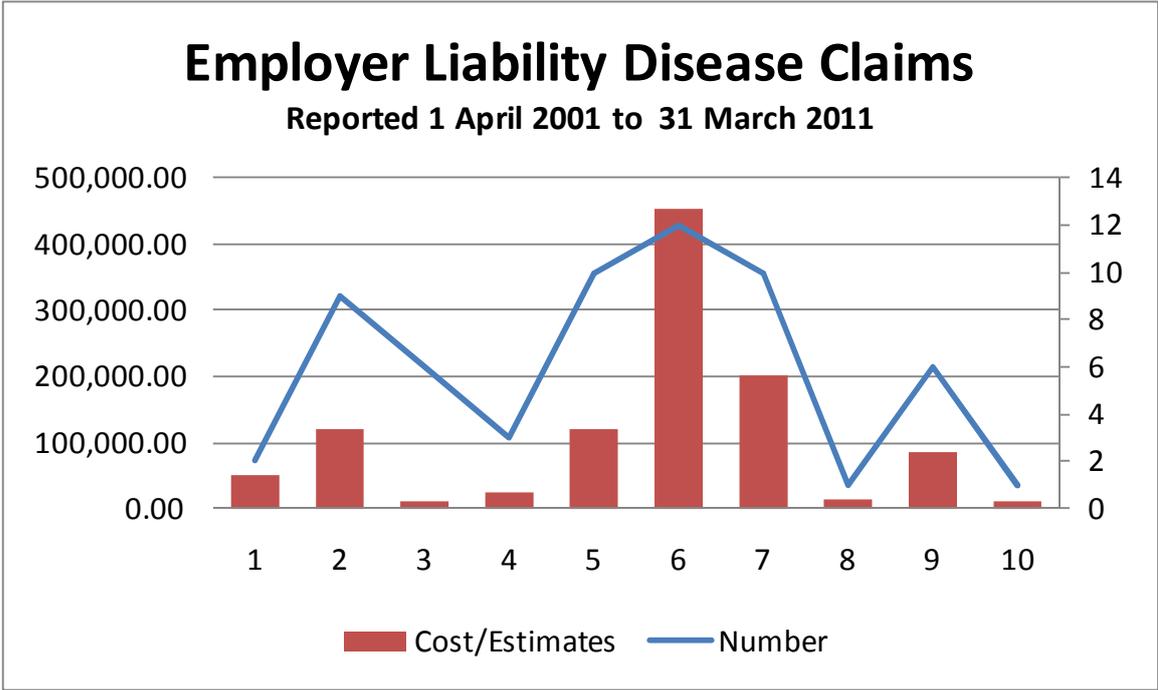
## Key Risks

## Appendix 2

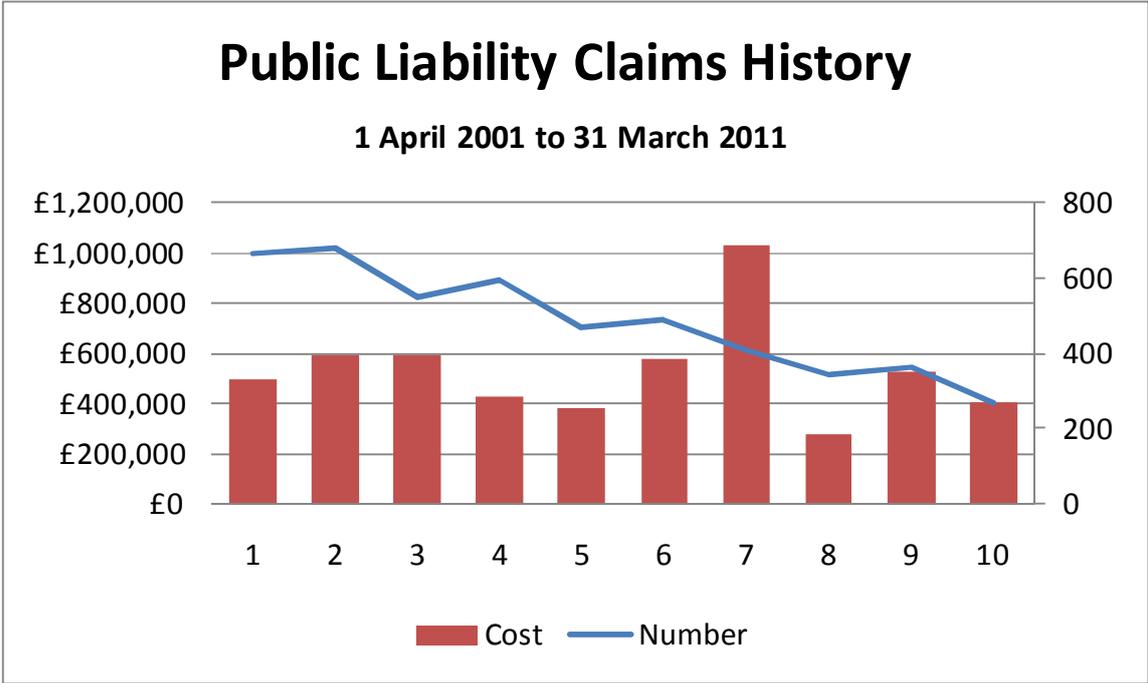
Objective	Detail	Current Risk	Movement on last review
Delivery of the Corporate Plan	Adverse impact of the economic climate on council services and the community		NEW
To comply with Statutory Obligations	Failure to meet the legislative requirements of the Scottish Housing Quality Standard by 2015	Medium	Reduced
Implementation of the Lothian Structures Plan	Failure to deliver the local structure plan because of infrastructure overload	High	Unaltered
To comply with Statutory Obligations	Delay or failure of the waste disposal project resulting in failure to meet EH Landfill Directive targets and Scottish Govt targets	High	Unaltered
Delivery of the Corporate Plan	Impact of national policy changes on the council's ability to meet its objectives	High	NEW
To ensure continuity of Critical Services	Inadequate Business Continuity Plans for Key Services	Medium High	Unaltered
Delivery of the Outcome Agreement	Failure to manage the adverse impact of budget restrictions on council performance and standards	Medium High	Reduced
Delivery of the Outcome Agreement	Failure to respond to in year reduction in funding for 2010 deferred to 2011	Medium High	Withdrawn
Delivery of the Outcome Agreement	Failure to adhere to new budget for service delivery for 2011-12	Medium High	Unaltered
Delivery of the Outcome Agreement	Failure to receive anticipated level of grant	Medium High	Withdrawn
Delivery of the Corporate Plan	Failure to manage the increased speed of modernisation and change necessitated by the economical and political climate	Medium High	NEW
To comply with Statutory Obligations	Failure to meet legislative requirement for Homeless Housing by 2012	Medium	Unaltered
Delivery of the Corporate Plan	Change of government Policy regarding the Prudential Code affecting the Capital Plan 2008-1019	Medium	Reduced
The Availability Integrity and confidentiality of council information	Failure of the Internet connection	Medium	Unaltered
Working in partnership to meet the needs of the community	Partnership failure	Medium	Unaltered



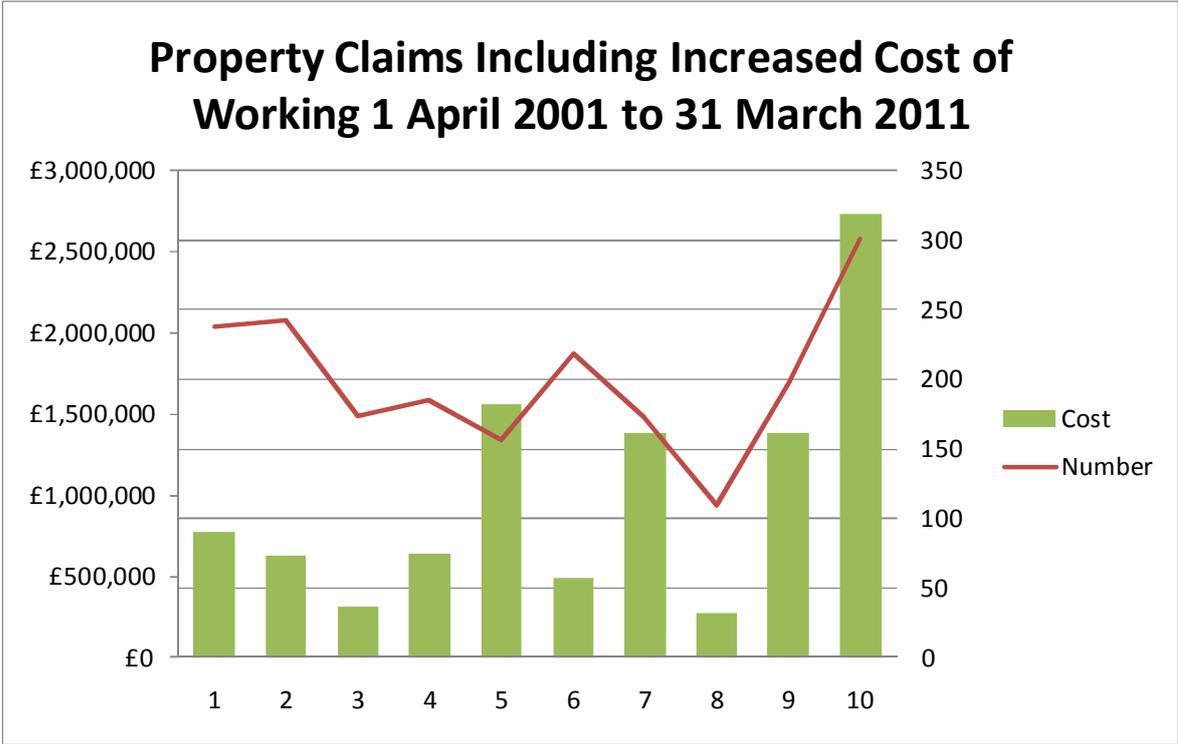
The numbers reflect the number of claims reported between 01/04/2001 and 31/03/2011. Costs Include reserves for outstanding claims. As claimants mainly have three years from the date of the accident to bring a claim, the numbers for recent years may increase.



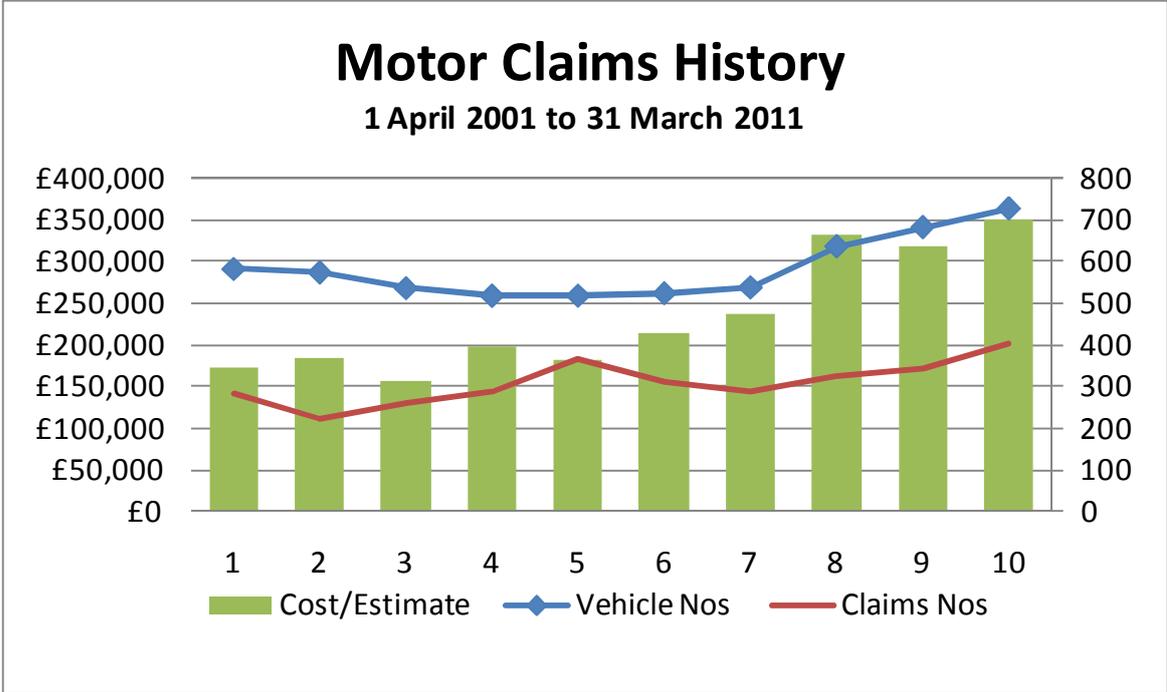
Costs include reserves for outstanding claims. These claims relate to historic issues such as deafness, hand arm vibration and asbestos related diseases.



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Costs Include reserves for outstanding claims.



Costs include reserves for outstanding claims. Claims are shown against the number of vehicles to give a truer position in relation to any increase or decrease in claims numbers.