



West Lothian Council

COUNCIL EXECUTIVE

RISK MANAGEMENT

REPORT BY HEAD OF FINANCE

A. PURPOSE OF REPORT

To advise the Council Executive of action taken to implement the council's Risk Management Plan during 2009/10 and to seek approval for the Plan for 2010/11

B. RECOMMENDATION

1. To note the activities undertaken in 2009/10 in pursuit of the Risk Management Policy and Strategy.
2. To approve the Risk Management Plan for 2010/11 as contained in the report.

C. SUMMARY OF IMPLICATIONS

I Council Values	Making the best use of our resources. Working in Partnership
II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	The Risk Management Policy forms one of the policies of the council and is an integral part of the Code of Corporate Governance.
III Resources - (Financial, Staffing and Property)	The execution of the Risk Management Plan will be done within existing budgets, but will require staffing input to secure its delivery.
IV Consultations	Aon Ltd., Association of Local Authority Risk Managers, Risk Management Partners, Corporate Management Team and the Partnership & Resources Policy Development and Scrutiny Panel. The panel endorsed the plan.

D. TERMS OF REPORT

1. Background

The Council's Risk Management Policy and Strategy requires an annual report on risk management to the Corporate Management Team and the Partnership & Resources Policy Development and Scrutiny Panel prior to submission to the Council Executive. This report fulfils that obligation and provides the Executive with the opportunity to review progress in 2009/10 and to approve the plan for the coming year.

2. Activity During 2009/10

Continuation of 2008/09 objectives

a) **Sickness Absence.**

A report on the Nurse led call centre was presented to the Audit Committee on 15 December 2009. The reduction in sickness absence during the pilot period resulted in net productivity savings in excess of £93,000 for the period to November 2009 in addition to a revenue saving of £16,714 in relation to Residential Elderly Care. The project will continue for targeted services with a new supplier for a further two years and an option to extend to three years.

The Sickness Management Policy was approved by the Council Executive on 13 April 2010

b) **Review against British Standard**

The British Standard on Risk Management was issued in late 2008 and the standard has been reviewed against existing WLC practice. The council's current Risk Management Policy and Strategy meet most of the requirements of the British Standard, but there is more emphasis on assessing opportunities as well as threats. The council will need to address risk appetite and risk tolerance in more detail. A revised policy and Strategy will be considered by CMT during 2010/11 prior to being brought to the Council Executive for approval.

c) **Partnership Working**

The Corporate Governance Working Group has prepared a draft guidance which is out for consultation prior to adoption.

Progress on 2009/10 objectives

a) **Risk Register**

The objectives during the year were to:-

1. Record key business risks
2. Undertake risk reviews within timescale
3. Provide further training on risk register disciplines.

1. Key Business Risks

The Chief Executive and Directors have reviewed the key risks and identified new key risks. The current key risks in the Risk Register are: -

High Risks

- Failure to manage the adverse impact of budget restrictions on council performance and standards (New risk)
- Change of government policy regarding the Prudential Code affecting the Capital Plan for 2008-2019. (increased from Medium)
- Failure to respond to in year reduction in funding. (New risk)
- Failure to set a realistic budget for three years starting 2011/12. (New risk)
- Delay or failure of the waste disposal project. (Score reduced but still High)
- Failure to meet legislative requirements for Affordable Housing (Unchanged)
- Failure to deliver the local structure plan due to infrastructure overload. (Unchanged)

Medium High Risks

- Inadequate business continuity planning for key services (Reduced from High)

Medium Risks

- Failure to meet legislative requirements for Homeless Housing (Reduced from High)
- Failure to effect an efficient government plan (Unchanged)

Low Risks

- Partnership failure (Reduced from Medium)
- Failure of Internet Connection (Unchanged)

Control measures are either in place to combat these risks or are in the process of being developed.

2. Undertaking Risk Reviews within Timescale

The Risk Management Steering Group reviews progress with Risk reviews quarterly. At the review in January there were 2677 active risks identified in the risk register, of which 69% were accepted and 31% required further work to reduce the risks to an acceptable level. The number of identified risks has increased, partly to reflect the inclusion of Corporate Governance items in the risk register, but also includes project risks for the Waste Management projects.

The review identified that about 39% of risk reviews more than 30 days overdue remained to be addressed, including schools, of which most now have on line access and automated reminders. A problem with the on line reminder system and absence of the Risk & Insurance Manager in the early part of the year resulted in a delay in the performance of some reviews and remedial action is being taken.

3. Providing Further Training on Risk Register Disciplines

Work continued on embedding the use of the risk register as a routine management discipline for council services. Further training continued for services and Members with 10 training sessions and 16 facilitated risk reviews carried out.

b) Civic Centre

The objectives during the year were to:-

1. Manage the risks associated with the move to the new offices.
2. Place appropriate insurance covers.

Short term covers were placed at handover to enable a full tender for insurance to be let in 2010.

A physical risks survey of the building has been completed and the list of risk improvements has been passed to Property Management for action. This survey will also be used as part of the insurance tender for buildings and Property Owners Liability Insurance for the period from 2010 to 2013

Statutory Safety Inspections have commenced to ensure that any problems can be addressed by the contractor during the building defects period.

c) Business Continuity Planning.

The objectives during the year were to:-

1. Complete the full suite of service business continuity plans
2. Prepare the Council Headquarters business continuity plan
3. Undertake appropriate testing of business continuity plan

Significant improvement has been made to the council's business continuity management arrangements.

- Business continuity consultants facilitated a test of the council's tactical plan for the Headquarters on 27 March 2009
- Meetings of the high level business continuity team have taken place at the behest of the Director of Development and Environmental Services in an effort to finalise the Strategic and Tactical Plans.
- Service level plans have been completed
- The Business Continuity Management Policy and Strategy was approved by the Council Executive on 10 November 2009
- The Director of Development and Environmental Services has provided progress reports to the Audit Committees in September and December 2009
- The initial business continuity protocol for the Civic Centre has been agreed.

d) Fleet Risk Management

The objectives during the year were to:-

1. Address the recommendations contained in the Insurer's fleet management report.
2. Carry out insurance checks for the 'grey' vehicle fleet.
3. Take measures to reduce the number and value of fleet claims and losses.

Progress has been made in addressing the improvement measures in the fleet management report but more work needs to be done to reduce the number and value of fleet claims and losses.

New procedures and guidance have been brought in for the control of risks relating to the use of employees of their own vehicles on council business (the 'grey' fleet).

e) Health and Safety

The objective during the year was to:-

Strengthen Health and Safety arrangements to minimise the risks to employees by providing furthering training and extending the audit of Health and Safety procedures and documentation

A variety of improvements have been made including:-

- The completion and distribution of New Fire Safety Awareness guidance.
- Relating the support work of the Health and Safety Unit to incident statistics, risks identified in the risk register and service needs
- Undertaking audits of the management of health and safety and in particular risks associated with slips, trips and falls and Hand Arm Vibration within services and monitoring the completion of actions/recommendations.

These actions have resulted in a reduction in reportable incidents as well as the improvement in the number of employers' liability claims. However there have been three serious incidents during 2009/10, one of which has been referred to the Procurator Fiscal and further efforts will be needed to improve the position.

f) Specialist Staff

The objective during the year was to:-

To assess the risk of over reliance by the Council on certain individual specialist staff for key activities and establish what support arrangements are in place.

The risk register includes provision for identify the "key man" risk and all Heads of Service have been contacted and advised to consider this risk as part of their risk review.

3. Claims Experience

The overall trends are encouraging as far as numbers of incidents are concerned. However concerns continue regarding costs.

• **Employers Liability (Appendices 1a & 1b)**

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 (subject to possible appeal by insurers) will result in new claims being reported. These claims may be uninsured.

• **Public Liability (Appendix 2)**

There is continued improvement in the reduction of the number of claims following the introduction of control measures including capital investment, improved inspections and claims monitoring to identify and correct common causes of claims. However the cost of compensation injury claims continues to rise and the council has no control over the changes in compensation levels set by the courts. The costs for 2009/10 include a reserve for a fatality. The numbers of claims for 2009/10 may increase further as a result of the snow and frost earlier in the year.

- **Property (Appendix 3)**

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. However, against this background there has been a significant increase in the number of serious house fires during 2009/10. A working group including partners from Lothian & Borders Police and Fire services is reviewing the causes of the fires and considering what risk improvements can be put in place. The final numbers of Property claims for 2009/10 are expected to increase as a result of the snow and frost earlier in the year.

- **Motor (Appendices 4a & b)**

There has been a slight improvement in the accident frequency, but overall the position requires improvement, especially in the area of small damage claims where increasing costs are born by the service or the insurance fund. The increase is not solely due to the increased number of vehicles.

4. Insurance Arrangements for 2010/11

Renewal terms for the council's major insurance covers for 2010/11 have been received with no significant changes due to the operation of long term agreements.

The triennial actuarial review of the adequacy of the insurance fund against its liabilities will be carried out in the summer of 2010.

5. Risk Management Plan 2010/11

The three-year strategy will continue to be implemented and the objective will be to ensure that the key business risks are identified, control measures are in place, and regular review of the risks takes place. Following on from this, the key areas of risk management activity during 2010/11 will be:-

Continued Work

a) **Sickness Absence**

To improve attendance levels. This is being led by Support Services.

b) **Partnership Risks**

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

c) **Business Continuity Management**

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

d) **Motor Fleet Risks**

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

e) **Health & Safety**

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

New Work

f) **Economic Risk**

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.

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

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

h) **Property risks**

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

E. CONCLUSION

The management of risk is a continuous process. Further improvements are dependent on the commitment of elected members, the Corporate Management Team and full engagement by managers and the workforce. Measures identified in reports and studies should be incorporated in the service risk register by services.

Services should ensure that the need to identify and manage both opportunities and threats effectively is adequately reflected in management plans for 2010/11 especially where new working practices are being introduced.

The Risk Management Steering Group will keep the council's risk management strategy under review and monitor the effectiveness of the risk management process.

The Executive is therefore invited to note the activities undertaken in 2009/10 in pursuit of the Risk Management Policy and Strategy and to approve the Risk Management Plan for 2010/11 as contained in the report.

F. BACKGROUND REFERENCES

- Risk Management Policy and Strategy.
- BS 25999 - 1:2006 Business continuity management. Code of Practice.
- BS 25999 - 2:2007 Specification for business continuity management.
- BS 31100: 2008 Risk Management Code of Practice

Appendices/Attachments: 4 Contact Person: Chris Haywood Telephone 01506 281900

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