

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

27 June 2013

RISK MANAGEMENT – PROGRESS REPORT

Report of the Corporate Director – Strategic Resources

1.0 PURPOSE OF THE REPORT

- 1.1 To receive details of the updated Corporate Risk Register.
- 1.2 To consider progress made on Risk Management matters.

2.0 BACKGROUND

- 2.1 According to the Terms of Reference of the Audit Committee, its role in risk management is:
 - (i) to assess the effectiveness of the authority's risk management arrangements and
 - (ii) to review progress on the implementation of risk management throughout the authority.
- 2.2 Following a recommendation by this Committee, the County Council formally approved a revised Corporate Risk Management Policy on 18 July 2012 with a provision that it will be reviewed and updated every two years.
- 2.3 Regular reports to this Committee therefore cover the implementation of the Policy and associated Strategy as well as other related risk management matters in order to fulfill this role.

3.0 CORPORATE RISK REGISTER

- 3.1 The Corporate Risk Register (CRR) is fully reviewed every year and updated by the Chief Executive and Management Board in August/September. A six monthly review is then carried out in February/March.
- 3.2 A 6 monthly update of the Corporate Risk Register was carried out in March – see attached at **Appendix A**. This involved reviewing the risks, risk controls and risk reductions that had been identified for each of the risks and making amendments to the Register where necessary.

3.3 The significant amendments that were made to the register are as follows:

- Health Responsibilities – this reflected the immediateness of NYCC taking over responsibility for public health. There were some outstanding issues such as establishing a Public Health team and ensuring that contracts and commissioning arrangements were in place. (See also **paragraph 6.1**).
- Waste Strategy – this risk profile has changed following the withdrawal of waste infrastructure credits for the waste management scheme. Work continues with the Waste PFI contractor to develop a final proposal for the County Council. (See also **paragraph 6.1**)
- Superfast North Yorkshire – this risk has changed from enabling the delivery, to maximising the opportunity of providing high quality broadband services to North Yorkshire businesses and residents.

The rankings of all the risks remained the same (as shown in the left hand column of **Appendix A**). However the Superfast North Yorkshire risk has been labelled as “new” because it has significantly changed. Please see the table at the bottom of **Appendix A** for an explanation of the left hand column.

3.4 To assist Members interpret **Appendix A**

- Risks are identified by Management Board during a prep meeting and workshop
- Each risk has then to be ranked based on the following:
 - existing risk controls in place
 - probability of the risk occurring (based on existing controls)
 - impact of the risk occurring (based on existing controls)
 - further risk controls which may reduce current probability or impact
- The prioritisation system follows a fairly traditional risk evaluation approach in that the **probability** and **severity** of risks is measured using High, Medium and Low categories
- However, to facilitate the assessment of the severity of each risk this is done in relation to 4 distinct **impact areas**:-
 - failure to meet key **service** objectives and standards – reflecting current service plans
 - **financial** impact
 - **service** delivery
 - loss of image or **reputation**

As each risk is ranked with reference to current controls and then future controls, the risk prioritisation system can compute a “score” in the range of 1 to 5

- 1 and 2 being a ‘red’ risk

- 3 and 4 being an 'amber' risk and
- 5 being a 'green' risk

One of the key things to look for in the Register is the movement of the score (described as Classification in **Appendix A**) as between the 'Pre' (i.e. present stage) and 'Post' (i.e. after risk mitigations are in place). For certain risks, however, this does not change as the risk mitigations cannot prevent the event (e.g. severe flood) but can address/reduce its impact. Also, if a risk has been carried over from a previous year it is interesting to note whether the risk has improved/worsened since that time (see left hand column on **Appendix A**).

3.5 As previously mentioned, the Corporate Risk Register is the culmination of the identification of key significant risks that are identified at Directorate and Service levels. Each year, an exercise is carried out to identify the links between Directorate Risk Registers and the Corporate Risk Register. Please find attached a diagram showing these links at **Appendix B** for information.

4.0 **PROGRESS OF RISK MANAGEMENT ISSUES**

4.1 The principal way of progressing risk management issues within the County Council is via the Corporate Risk Management Group (CRMG). This Group effectively:

- shares best practice and awareness of risk issues across the County Council
- identifies new areas of risk, especially those that affect more than one Directorate
- manages the work of the various task and finish groups that carry out developmental work on risk identification via their risk action plans

4.2 The CRMG meets 6 times a year, and one of these dates has been previously been reserved for the corporate risk management conference (see **paragraph 5** below for more details). The main issues recently considered were:

- updates from the Directorates:
 - Children and Young People's Service – health and safety in construction and coordination of risk management within the Directorate
 - Health and Adult Services – risks relating to the white paper entitled "Caring for our Future – Reforming Care and Support", transfer of Public Health responsibilities and fire safety work in care homes
 - Business and Environmental Services – Highways Maintenance Contract, highlights from the Directorate risk register
 - Central Services – review of the risk management group following the restructure of Finance and Central Services and Chief Execs Group; risk relating to the migration to Windows 7 from ICT's perspective; the restructure of Libraries; exposure to vibration related conditions in Grounds Maintenance; increased number of difficult customers to deal with in Customer Services.

- Other areas of development include:
 - Safer Recruitment and Employment – online mandatory safer recruitment training programme which was to be completed by all managers by 31 December 2012.
 - Personal Safety – review of the present VoiceConnect system for lone workers and agreement on the way forward. Also, development of a violent warning marker system to ensure safety of employees.
 - Driver Issues – driver safety including promotion and distribution of driver handbooks.
 - Service Continuity – completion of all service continuity plans by 31 March 2013.
 - Information Governance – short on line mandatory data management and security training programme for all employees which was to be completed by 31 May 2013. Also a data breach notification system implemented across all Directorates.
 - Health and Safety – first aider needs assessment carried out and new arrangements put in place.
 - Insurance – advice relating to changes to employer’s and public liability claims handling process with effect from 1 July 2013 resulting in shorter timescales for investigation of and decision making on claims (see **paragraphs 7.1 and 7.2** below for more detail).

4.3 The précis provided above demonstrates quite clearly the emphasis on practical problem solving, and issue resolution. The involvement of staff who deals with these matters on a day by day basis ensures that proposals are practical and do-able.

5.0 RISK MANAGEMENT CONFERENCE XIV

5.1 The fourteenth risk management conference took place at the Pavilions of Harrogate on 8 November 2012. Approximately 100 delegates attended from across the County Council. Topics presented in the morning included the Public Health transition to the County Council, and the challenges and opportunities associated with this issue; together with getting back to basics on Insurance Liability claims and looking at case studies. The afternoon included an interactive session linked to effective team working in order to deliver high quality services in a changing environment.

5.2 The annual Awards are also presented by the Chairman as part of the Conference. There was a winner and a highly commended award for the Best Risk Management Initiative this year as follows:

- Winner
Health and Adult Services and Children and Young People’s Service – Young People’s Housing Solutions @ the Hub
- Highly Commended
Central Services Directorate, Strategic Resources – Library Transformation Project

- 5.3 As part of their award the winners attend a work related conference of their choice and their submissions are considered for entry into the national ALARM (Public Risk Management Organisation) Awards competition. It is pleasing to note that the Library Transformation Project has been chosen as one of the finalists for the Operational Risk Award at the national 2013 Alarm Awards on 24 June 2013.
- 5.4 The feedback from delegate questionnaires was very positive and the key indicator “Benefit of conference to you” increased further on last year’s score thus showing that the conference continues to provide valuable risk management training.
- 5.5 It is not intended that the Conference will continue in the future given resource considerations. However, the positive aspects of the Conference are to be considered as part of the Chief Executive’s approach to staff and manager engagement which is scheduled for later in the calendar year.

6.0 **ADDITIONAL RISK PRIORITISATION EXERCISES**

- 6.1 As well as the annual update of Corporate, Directorate and Service risk registers, additional workshops are also carried out to develop risk registers for specific areas of activity in the County Council. At this time these include:
- Bedale, Aiskew and Leeming Bar Bypass (BALB) – this register was developed in early 2012 and considers such risks as overrun of costs, contract and procurement, environmental risks and DfT approval.
 - Waste Strategy – this register has been through many stages and is presently concentrating on working with the Waste PFI contractor to develop a final proposal for the County Council.
 - Public Health transition – as the transition of Public Health has now happened, this register is moving on to address the operational risks involved in delivering the Public Health responsibilities.
 - Tour de France – this event is taking place next year in North Yorkshire so this register is in its early stages of being developed and will identify and prioritise areas of risk.

7.0 **INSURANCE RELATED ISSUES**

Ministry of Justice Reforms for the Processing of Insurance Claims

- 7.1 The Lord Justice Jackson review on civil litigation costs and the Ministry of Justice (MoJ) consultation on the civil justice procedure will result in some of the most significant changes that we’ve seen in how insurance claims are handled over the last ten years. These changes will affect the way Employers’ Liability (accident and diseases) and Public Liability (accident) claims are handled across the insurance industry, and this will have an impact on the County Council.
- 7.2 One of the most significant changes involves the timescales for investigating Employers’ Liability and Public Liability claims. These will significantly reduce and the deadline to negotiate settlement of the claim, once liability has been admitted, will need to happen within 35 working days. The new protocols will be implemented on the 31 July 2013.

Insurance Claims involving Potholes

- 7.3 As a result of a further set of unprecedented weather conditions in the second half of 2012, there has been an increase in the number of claims being received from the public as a result of the formation of potholes in roads around the County. The claims mainly involve the cost of repairs to damaged tyres and wheels of vehicles although there are some personal injury incidents.
- 7.4 The number of claims received in the Insurance and Risk Management section from 1 October 2012 to date is 497 (as compared to 211 in the previous year; and 340 in 2010/11). So far, only 2% of these claims have been accepted and paid, whilst 86% of the total number of claims have been repudiated as a result of a robust defence being available to the County Council. The other 12% of claims are awaiting a decision on liability.
- 7.5 The Insurance and Risk Management section continues to work closely with BES Highways to ensure the situation is monitored and information is shared so as to continue to minimise the financial impact of these claims to the County Council.

Municipal Mutual Insurance (MMI) – Scheme of Arrangement

- 7.6 This Scheme was set up when MMI ceased underwriting operations in September 1992 and pays for insurance claims that occurred during the period of insurance cover with MMI. Presently the balance sheet is showing a deficit and therefore Scheme Creditors have been called upon to pay for a portion of liabilities as the Scheme has been triggered. North Yorkshire County Council has financial responsibility as a Scheme Creditor as it was insured by MMI for a number of years prior to 1992.
- 7.7 Following an external review of the County Council's Self-Insurance arrangements, an injection of £332,000 was initially required to cover this potential liability. A further year end injection of £318,000 has been made based on the latest estimated potential MMI liability of £650,000.

8.0 RECOMMENDATIONS

That the Committee:

- (i) notes the updated Corporate Risk Register (**Appendix A**).
- (ii) notes the position and progress on other Risk Management matters.

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June 2013

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Background papers: None

Corporate Risk Register

APPENDIX A

Identity			Person		Classification												Fallback Plan			
Change	Risk Title	Risk Description	Risk Owner	Risk Manager	Pre						RR		Post						FBPlan	Action Manager
					Prob	Obj	Fin	Serv	Rep	Cat	RRs	Next Action	Prob	Obj	Fin	Serv	Rep	Cat		
◀▶	20/1 - Funding Challenges	Inadequate funding available to the County Council to discharge its statutory responsibilities and to meet public expectation up to and including the next Comprehensive Spending Review resulting in legal challenge, unbalanced budget and public dissatisfaction	Chief Exec	CD SR	H	H	H	H	H	1	8	31/12/2012	H	H	H	M	M	1	Y	All Mgt Board
◀▶	20/47 - Health Responsibilities	Failure to be sufficiently prepared for our Health responsibilities and deliver integrated approaches with Health partners resulting in lost financial opportunities through joint provision of services, inability to protect the public adequately and not make sufficient progress in health improvement	Chief Exec	CD HAS	H	M	H	M	M	1	9	30/09/2012	H	M	M	M	M	2	Y	CD HAS
◀▶	20/331 - School Funding Reform	Inability to respond to major changes in national school funding developments, local priorities and grants resulting in inadequate response to these developments, poor advice to Members, Officers and schools, potential loss of income and significant budget turbulence at school level.	Chief Exec	CD CYPS	M	H	H	H	M	2	7	31/08/2013	M	H	H	H	L	2	Y	CD CYPS
◀▶	20/334 - Economic Development in North Yorkshire	Failure to develop the North Yorkshire economy resulting in lack of growth in employment & impact on future County Council funding caused by the reduced growth in business rates	Chief Exec	BES AD EPU	M	L	H	L	L	2	4	31/08/2013	M	L	H	L	L	2	Y	BES AD EPU
◀▶	20/45 - Waste Strategy	Failure to deliver the Waste Strategy	Chief Exec	CD BES	M	M	H	L	H	2	8	31/05/2013	L	M	H	L	M	3	Y	CD BES
- new -	20/332 - Superfast North Yorkshire	Failure to maximise the opportunity to provide high quality broadband services to North Yorkshire businesses and residents resulting in significant lost opportunities, community dissatisfaction, sub optimal procurement, criticism	CEX NYnet	CEX NYnet	M	M	M	M	H	2	7	31/08/2013	L	M	M	M	H	3	Y	CEX NYnet
◀▶	20/207 - One Council Change Programme	Failure to deliver the One Council change programme resulting in financial cost, poorer service outcomes, lost opportunities including failure to grasp cultural change, need to revisit savings on front line services	Chief Exec	CD SR	M	M	H	M	M	2	10	31/12/2012	L	L	M	L	M	5	Y	All Mgt Board

Corporate Risk Register

Identity			Person		Classification											Fallback Plan				
Change	Risk Title	Risk Description	Risk Owner	Risk Manager	Pre						RR		Post						FBPlan	Action Manager
					Prob	Obj	Fin	Serv	Rep	Cat	RRs	Next Action	Prob	Obj	Fin	Serv	Rep	Cat		
◀▶	20/8 - Major Emergencies in the Community	Failure to plan, respond and recover effectively to major emergencies in the community resulting in risk to life and limb, impact on statutory responsibilities, impact on financial stability and reputation	Chief Exec	Chief Exec	L	L	H	L	H	3	6	31/03/2013	L	L	H	L	M	3	Y	Chief Exec
◀▶	20/51 - Communication	Failure to effectively inform, consult, engage and involve the public/staff/Members, resulting in public dissatisfaction, loss of reputation, sub optimal working, criticism of Members and missed opportunities	Chief Exec	All Mgt Board	L	M	L	M	H	3	4	31/08/2013	L	M	L	M	M	5	Y	All Mgt Board
◀▶	20/49 - Organisational Performance Management	Lack of adequate focus on performance at council, service, team and individual level resulting in poorer service delivery, public dissatisfaction, criticism, suboptimal working and lost opportunities	Chief Exec	CD SR	M	M	M	M	M	4	7	31/03/2013	L	M	M	M	M	5	Y	CD SR

Key	
▲	Risk Ranking has worsened since last review.
▼	Risk Ranking has improved since last review
◀▶	Risk Ranking is same as last review
- new -	New or significantly altered risk

HAS Risk Register
<p>Service Transformation Failure to carry out service transformation to mitigate unavoidable budget pressures arising for example, out of statutory responsibilities, demographic change and increased numbers with dementia, higher levels of need through transition, increased ordinary residence</p>
<p>Finance and Resources - Failure to manage and deliver the efficiency agenda The budget is predicated on delivering a transformation agenda resulting in major financial efficiencies. Failure to achieve these efficiencies in a timely manner would result in budget overspend, the need for urgent possibly inappropriate reduction in front line services</p>
<p>Partnership Working with the Health Environment Failure to effectively transform services in order to manage collective budgets (intermediate care, continuing health care, reablement health monies) resulting in poor performance, ineffective use of resources, duplication of service &/or activity and external criticism</p>
<p>Integration Failure, in the context of the changing NHS landscape, to develop effective partnerships with the emerging NHS Commissioners and other NHS organisations to achieve the necessary changes to the North Yorkshire Health economy that will provide better outcomes for patients and local communities.</p>
<p>Public Health Failure to be sufficiently prepared for Public Health responsibilities resulting in inability to protect the public adequately and not make sufficient progress in health improvmt.</p>
<p>Cultural Change including One Council Failure to effectively monitor and rectify where necessary, the combined effect of changes such as significantly reduced arrangements for management and supervision and strategic support, self-service for managers, capacity for initiatives including One Council changes resulting in unacceptable deterioration in service</p>

CSD Risk Register
<p>Superfast North Yorkshire Failure to maximise the opportunity to provide high quality broadband services to North Yorkshire businesses and residents resulting in significant lost opportunities, community dissatisfaction, sub optimal procurement, criticism</p>
<p>One Council Change Programme Failure to lead delivery of the 'One Council' organisational change programme to enable simplifying, standardising and sharing across the council to reduce costs, whilst delivering customer focused services, resulting in financial cost, poorer service outcomes, lost opportunities, need to revisit savings on front line services</p>
<p>Change Management Failure to adequately work well with staff whilst delivering widespread organisational change and savings across CSD resulting in increased demands on managers, more complex workload, staff demotivation, employee issues and the need to identify alternative savings</p>
<p>Service Continuity Planning Failure to deliver Service Continuity Planning across the County Council resulting in the potential for NYCC being unable to deliver its critical services and / or meet the statutory requirements</p>
<p>Organisational Performance Management Lack of adequate focus on performance at council, service, team and individual level resulting in poorer service delivery, public dissatisfaction, criticism, suboptimal working and lost opportunities</p>

Corporate Risk Register	Rank
<p>Funding Challenges Inadequate funding available to the County Council to discharge its statutory responsibilities and to meet public expectation up to and including the next Comprehensive Spending Review resulting in legal challenge, unbalanced budget and public dissatisfaction</p>	1 1
<p>Health Responsibilities Failure to be sufficiently prepared for our Health responsibilities and deliver integrated approaches with Health partners resulting in lost financial opportunities through joint provision of services, inability to protect the public adequately and not make sufficient progress in health improvement</p>	1 2
<p>School funding reform Inability to respond to major changes in national school funding developments, local priorities and grants resulting in inadequate response to these developments, poor advice to Members, Officers and schools, potential loss of income and significant budget turbulence at school level.</p>	2 2
<p>Economic Development in North Yorkshire Failure to develop the North Yorkshire economy resulting in lack of growth in employment & impact on future County Council funding caused by the reduced growth in business rates</p>	2 2
<p>Waste Strategy Failure to deliver the Waste Strategy</p>	2 3
<p>Superfast North Yorkshire Failure to maximise the opportunity to provide high quality broadband services to North Yorkshire businesses and residents resulting in significant lost opportunities, community dissatisfaction, sub optimal procurement, criticism</p>	2 3
<p>One Council Change Programme Failure to deliver the One Council change programme resulting in financial cost, poorer service outcomes, lost opportunities including failure to grasp cultural change; need to revisit savings on front line services</p>	2 5
<p>Major Emergencies in the Community Failure to plan, respond and recover effectively to major emergencies in the community resulting in risk to life and limb, impact on statutory responsibilities, impact on financial stability and reputation</p>	3 3
<p>Communication Failure to effectively inform, consult, engage and involve the public/staff/Members, resulting in public dissatisfaction, loss of reputation, sub optimal working, criticism of Members and missed opportunities</p>	3 5
<p>Organisational Performance Management Lack of adequate focus on performance at council, service, team and individual level resulting in poorer service delivery, public dissatisfaction, criticism, suboptimal working and lost opportunities</p>	4 5

CYPS Risk Register
<p>National Funding Developments and Local Priorities Inability to manage major changes in national funding developments, local priorities and grants resulting in inadequate response to these developments, poor advice to Members, Officers and schools, and potential loss of income</p>
<p>Health Integration Inability, in the context of the changing NHS landscape, to develop effective partnerships with the emerging NHS Commissioners and other NHS organisations and to ensure that legislative requirements are met and the necessary health related outcomes for C&YP are achieved</p>
<p>Cultural Change including One Council Failure to secure appropriate continuity of service for front line service users arising from One Council strategies</p>
<p>Business Support Arrangements for CYPS The new One Council business support arrangements fail to provide the required levels of support to enable Service Groups to deliver their services effectively.</p>

BES Risk Register
<p>Delivery of Future Savings Failure to deliver medium and long term savings required of the Directorate including the Directorate share of One Council initiative resulting in for example cuts to services, reduced performance, internal/external criticism.</p>
<p>LEP Failure to continue to develop the LEP as a key driver for economic growth and a conduit to access future investments into North Yorkshire's economy resulting in increased unemployment.</p>
<p>Leeds City Region Leeds City Region and overlapping boundaries have adverse impact or prejudice outcome on North Yorkshire residents and results in lost funding and lost opportunities with adjacent boundaries</p>
<p>Waste Strategy Failure to deliver the Waste Strategy</p>
<p>Cultural Change including One Council Failure to effectively manage cultural change resulting in adverse impact on service delivery</p>
<p>Major Incident and Service Continuity Failure to plan and respond effectively to a major incident without major impact upon routine service performance. Such incidents may include animal health disease, flooding and other severe weather, internal infrastructure breakdown</p>
<p>Performance Failure to improve/maintain key performance areas (eg. LTP, Road Maintenance, planning application performance, KPIs) resulting in reduction in service and loss of reputation.</p>

Linking of Directorate risks to the Corporate risk register