

# RISK MANAGEMENT REPORT YEAR END 2004/05

## PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

14TH APRIL, 2005

---

### Wards affected

County-wide.

### Purpose

To receive a summary of the key risks faced by the Council and the mitigating actions being applied to control them.

### Key decision

This is not a key decision.

### Recommendation

- That (a) **Cabinet considers both the corporate and significant service risks outlined in the report and assures itself that sufficient mitigating actions are being undertaken to safeguard the Council's business and reputation; and**
- (b) **Cabinet approves the advice that no changes will be made to the existing risk management strategy for 2005/6 and agrees to a further annual review of the strategy in March 2006.**

### Reasons

Consideration of risk management issues is required to safeguard the Council's business reputation.

### Considerations

1. The Corporate Risk Strategy was adopted by Cabinet in April 2004. An important element of this strategy was the monitoring role set out as follows:
  - The Performance Leads Group will, on a quarterly basis, consider and review those risks reported and submit their findings to the Chief Executive's Management Team via the County Treasurer and Head of Performance Management.
  - A formal review and report will be generated annually. This will form the basis of an annual review of strategic risks to be reported to Cabinet.

2. This is the first full year that the Council has worked with the agreed risk management strategy. A great deal of effort has been put into educating and supporting managers in working with the strategy and improving the Council's overall approach to managing its risks. The Council has also been developing a comprehensive risk register, in addition to those held for individual Directorates and services, as well as a high level register of corporate risks. These are attached as appendices.
3. The risk management strategy is now becoming embedded as part of the Corporate, Annual Operating and Service Planning processes. It is important that managers increasingly see risk as part of the wider performance management agenda and the evidence is that they are. The strategy has, on the whole, worked well and it is not proposed to make any amendments to it for 2005/6. There will be a further review in March 2006.
4. Detailed consideration has been given to how risks can be monitored most effectively by Cabinet as a body. This report aims, therefore, to not only highlight the Council's key risks but also set out the principles for this type of corporate reporting.
5. The key principles for corporate reporting of risks were set out in the November 2004 report and split risks into three broad categories:
  - Service risks: risks which only affect a single service (but could have a wide reputational impact on the Council), a typical example being a high profile child abuse case.
  - Cross-departmental risks: typical examples of cross departmental risks are recruitment and retention issues which impact on all departments and the potential impact of service reductions on staff.
  - Corporate Risks: there is a slightly blurred distinction here between corporate and cross-departmental risks. A major corporate risk, for example, is a downgrading in the Council's CPA assessment, although this could have a direct impact on, or be driven by, service considerations.
6. A further useful categorisation was also identified in the last report being those risks which are considered new or emerging and those which are largely inherent. In terms of direct action, the former category will generally be more evident or highlighted in corporate reports. The remainder of this report details the main cross cutting and corporate issues emanating from the current risk logs. A more comprehensive list, including a hierarchy of risks is included in Appendices 1 and 2.

### **Cross Cutting and Corporate Risks – position at February 2005**

7. The risks identified in November 2004 were recognised as the first attempt at collating a corporate and cross cutting list. This was deemed to be relatively comprehensive, although there were some key service risks conspicuous by their absence. The risks listed below are those reported in the second quarter, together with new risks identified.

## **Inherent Risks**

### **Comprehensive Performance Assessment**

8. In December 2004 the Council learnt it was to be in the first tranche of the revised Comprehensive Performance Assessment and subsequently a detailed timetable has been received. As anticipated, this will be undertaken in parallel with a Joint Area Review of Children and Young People's services. It should be noted that the latter is an assessment of all publicly funded services for that age group and that the CPA will also have a strong focus on partnership and the value for money derived from our work with others. Both processes are new, still in consultative form and have challenging timescales for delivery of their individual, but linked self-assessments. The Audit Commission, in particular, has been explicit that the new approach will "raise the bar" and that a "good" outcome would represent a considerable improvement on that under the old regime. It is the Council's intention, therefore, to seek to maintain its good status, though it is recognised there is a risk to the Council's reputation should this not be achieved.

The CPA/JAR preparation has been set up as a joint project led by the Director of Policy and Community, as overall Executive with the Director of Children's Services as Corporate Sponsor and is managed within a PRINCE2 environment, with a supporting group of Senior Suppliers. A Project Initiation Document has been approved by the Chief Executive's Management Team subject to further scoping work on the JAR. Arrangements are in hand to incorporate external challenge into the CPA self-assessment and this will need to be in place for the JAR too. A number of areas of ongoing activity have been identified which will need to be completed in a shorter timeframe. One of the key areas is diversity and a more formalised approach to this has now been agreed by the Chief Executive's Management Team. Early work has also begun on a communications strategy, to ensure full engagement of employees and members and inform the public.

### **Business Continuity Management**

9. Failure to recognise and plan for disruption to any Council service or function.
10. Areas particularly identified are within ICT where detailed analysis and subsequent investment has been carried out. Further work is currently taking place to develop a wider corporate approach to business continuity which will take account of other issues, in addition to ICT failure, such as property and human resources. The Council is currently also considering its response to the Civil Contingencies Bill.
11. Additionally, Herefordshire Jarvis Services partnering arrangements continue to present a risk to the Council both in regard to the financial health of the holding company and current service provision.

In terms of the technical platform, the Council has invested capital for 2004/05 onwards and the restructure of ICT Services allows this to happen. A report on development of the Council's network is considered elsewhere on the Cabinet agenda. Business Impact Assessments have been carried out to identify key authority services.

The Emergency Planning Manager and Head of Performance Management have recently agreed an approach to Business Continuity Management with the Chief Executive, to be developed over the next few months.

There is ongoing dialogue within the HJS Partnership Board on current service arrangements and the national situation is being closely monitored. A Contingency Plan has been drawn up in the event of Jarvis' liquidation, although the restructuring of holding company debt for the next year should prevent these from having to be put into practice.

### **Project Management**

12. Improving the Council's approach to project management was a key recommendation from the 2002 CPA.

The Chief Executive's Management Team agreed an approach to project management in 2004. The Council now has a comprehensive centralised list of all projects and a process for deciding which are the key strategic ones. Specialist project management skills must be applied to projects and the Council has increased its capacity in this area. IPG has the responsibility for overseeing the policy and agreeing key projects.

### **Corporate Budget Position**

13. The budget position previously reported has significantly improved following the additional one-off funding in the Finance Settlement. This, however, could potentially leave the Council with a significant level of savings to find next year and this is forecasted to be £2m. Additionally, the Council is required to set a balanced budget for 2005/06 and concerns have been raised both in the last report in terms of the older people agenda and more recently within the learning disabilities area. The Council needs to ensure that both adequate budget provision and an action plan are in place before the year-end to meet the policy commitments within Social Care.
14. The ability for the Council to balance its budget in future in line with its policy commitments is very much dependent therefore, on the approach taken to the Gershon Review and its success in not only identifying savings through the Annual Efficiency Statement but being able to deliver them. This is a key line of enquiry in the Use of Resources assessment and subsequently the overall CPA. The three key areas within the efficiency agenda are operational efficiencies, procurement and service improvement. Each of these areas will require a consistent and concerted approach across the whole Council.

The Council is responding to the Gershon Review requirements which initially include the production of an Annual Efficiency Statement (AES) by 15th April. This, together with the service reductions identified through the budget scrutiny exercises carried out in the Autumn, are anticipated to meet the budget gap in 2005/06.

The Corporate Finance Group, consisting of senior finance managers, is leading on producing the AES together with nominated service leads within Directorates. A procurement consultant has been employed to set out the improvements required in corporate procurement and redraft the procurement strategy.

£1m has been set aside in the budget recently approved by Cabinet for further investment in older people's services and business critical ICT. There is also a review taking place on the specific overspend in learning disabilities. A statement will be submitted to Council later in this month setting out how both the additional budget allocation and the action plan for minimising future overspends will lead to the setting of a balanced budget. The budget has been set at a level to incorporate invest-to-save initiatives which will help maintain a balanced budget position into the medium term.

### **Job Evaluation**

15. Impact of job evaluation results on staff recruitment and retention will continue to be assessed by services.

The Moving Forward Group provides regular bulletins on how the Council is managing the outcomes of Job Evaluation, including the imposition of market factors and general support arrangements for staff adversely affected by it.

### **LPSA 1 and 2**

16. The main risk from LPSA1 is not achieving the stretched targets to maximise the Performance Reward Grant (PRG), which in turn will be funding a significant part of the second LPSA. Ideally LPSA2 would be negotiated by the end of this financial year, which sets a very tight timescale. Failure to negotiate a successful LPSA will adversely affect the Council's reputation for partnership working and being clear about the outcomes it would like to achieve over the medium term and translating these into a meaningful agreement with the government.

Quarterly monitoring takes place against LPSA1 targets and the current estimate of PRG is slightly over that reported towards the end of 2004.

Compared to other local authorities, the Council is acknowledged by ODPM as making good progress on agreeing LPSA2 but is still encountering a reluctance on the government's behalf to accept local performance measurements. This is likely to prolong negotiations into April.

## **New or Emerging Risks**

### **Freedom of Information and Data Protection Acts**

17. These are key pieces of recent legislation with implications of reputational risk.

A distance learning package on Data Protection was developed for key managers which has been well received. The Council set up a network of liaison officers in Directorates/Departments of people with a good understanding of the legislation to advise managers. This is working well and the Council is satisfying its statutory requirements.

The Council prepared for the 1st January implementation date by providing information and training to key personnel, both employees and managers. Training continues to be delivered for those who have not yet participated. There is a standard template for recording requests and figures are being collated for the Authority as a whole as well as in Directorates. A key risk is missing the statutory deadline for responding to a request. This has happened in two out of the 40+ requests received to date. A dedicated post has been created to support and coordinate Freedom of Information issues.

### **Children Act**

18. The implications of the Children Act are wide-ranging although not all of the requirements need to be met immediately. The Council sees this as a positive opportunity to develop a holistic approach to the needs of children and young people. An appointment has been made to the post of Director of Children's Services and a Children's Change Team has been set up to drive the necessary activities required by the Every Child Matters agenda. The announcement of the timing of the Joint Area Review will increase the demands placed on the Change Team.

The new Children's Services Directorate has been operational since January 2005, ahead of some councils and the Director has moved swiftly to set up a Change Team. The preparation for JAR will be supported by the inclusion of this into the joint CPA/JAR joint project which is being "PRINCE2" managed.

### **Adult Care Services**

19. The Green Paper on the future of Adult Care Services is due for publication later this month. The implications are unknown at this stage but will inevitably demand some attention to process and possibly structure comparable with that for Children's Services. There is a risk that with this running alongside the Children's agenda managerial and strategic capacity will be stretched.

It will be important to ensure that the implications of the Green Paper are given sufficient attention and any changes incorporated into the strategic development of the Council and its services. The Council is already progressing improvement plans arising from any Adult Care inspections which will assist in this process.

## Inspection Scores

20. The outcomes of any recent inspections and/or assessments will be considered as important evidence in the forthcoming CPA/JAR. There will need to be clear post-assessment improvement plans in all relevant areas. In this context, it will be important to address the actions required to reverse the CSCI reduction in the star assessment from November 2004.

More emphasis has been placed on monitoring those most vulnerable performance indicators which feed into the star rating. There has also been a closer alignment of the service plans currently being developed with national priorities and an agreement that all improvement plans be incorporated into the service plans, rather than standing alone.

Educational attainment targets for looked after children have been included in the draft LPSA as a response to the CSCI Inspection and it being a key corporate priority.

## Conclusion

21. The Council will continue to develop its approach to Risk Management and this second corporate report is accordingly more comprehensive than the first one last year. The Council will also need to be aware of new or emerging issues such as any implications on Local Government from a General Election and any internal strategic issues, e.g. the accommodation review. Areas which have already improved are:

- Identification and management of risk incorporated into Corporate and Annual Operating Plans provides direct link to management of performance
- Incorporation of assessment of risks into service planning.
- Better understanding of relativity of service risks across the Council.
- Development of a separate register for corporate risks.
- More frequent reviews of risks by Departmental Management Teams.
- Identification of specific actions to mitigate risks.

There is still scope for improvement in terms of:

- Consistency of approach to and assessment of risks.
- Better understanding of corporate and cross-cutting risks.
- Presentation of information for corporate reporting.

22. The Chief Executive's Management Team will continue to review risk issues on a quarterly basis and report further as appropriate.