

## **Audit & Governance Committee**

**31 July 2013**

Report of the Assistant Director CBSS (Finance, Asset Management & Procurement)

### **Key Corporate Risk Monitor One 2013/14**

#### **Summary**

1. The purpose of this paper is to present to Audit & Governance Committee (A&G) an update on the key corporate risks, and to highlight in more detail any emerging risk issues with a view to members considering any further information they would wish to receive on these matters.

#### **Background**

2. The risk management process at York ensures that all key and emerging risks are reported regularly to A&G and on at least a quarterly basis. The purpose of this paper is to provide assurance that the council identifies, understands and effectively manages its key risks. The detailed corporate risk register containing the key high and critical corporate risks is provided to A&G members in advance of the committee meeting.

#### **Current Risk Issues**

3. The council is entering a critical period in terms of financial risk. The results of the spending review for 2013 have now been announced and as predicted there is a 10% reduction in overall local government spending. In York this will be equivalent to a £5m - £6m reduction in 2015/16. This is to be managed against a backdrop of inflationary and demographic pressures on the Adult Social Care budget and the localisation of Council Tax Support and Business Rates increasing financial pressure hindering our ability to continue to deliver all council services.

## Highways Risk Management

4. As part of the CES restructure, the Highways department was reviewed with a view to identifying any efficiency savings which might be achieved. One saving that was identified was the reduction in highways inspectors from 4 to 3 in the first year and then a further cut from 3 to 2 in the second year. Also, with the inspectors providing all information required in connection with the insurance claim.
5. Historically, highways claims make up approximately 85% on average of all the public liability claims received per year.
6. In line with the Highways Act 1980, a highway authority are afforded a statutory defence under section 58 if they can demonstrate that the authority has in place a reasonable system of inspection and repair. As a result of this defence we have been able to repudiate approximately 96% of claims resulting in a minimum saving of £300k per annum (based on an average cost per claim of £1,500) as well as ensuring that any defects on the highway are identified and made safe.
7. This saving means that we are able to subsidise the public liability premiums from the claims provision in the sum of £105k annually. Also, as we are seen as a “hard target” by the claimant solicitor community we do not see the significant number of claims that other authorities have to deal with
8. Unfortunately, as a result of the reduction in staffing resource, the inspections are failing to comply with the timetable that is set. The consequence of this is that we may no longer be able to rely on the inspections as a defence if we cannot demonstrate that we are complying with our own policy.
9. The risks associated with our inability to comply with the policy are increased claims settlement costs, a greater number of claims being submitted and the highway infrastructure deteriorating further.
10. In addition, the way in which claims are processed is changing with effect from the 31<sup>st</sup> July with the introduction of

the extended portal for public and employer's liability claims. This creates some very tight timescales that must be complied with. Should we fail to comply with the timescales the result will be increased legal costs set against the fact that we can no longer recover our costs even if we are successful in the defence of claims.

## **Critical key corporate risks**

11. The position of the councils two critical key corporate risks as at the end of June are set out below:

### **KCR0019 Safeguarding**

#### Safeguarding (Eoin Rush)

*"In common with every other local authority this risk remains a constant. The controls in place are regularly reviewed and updated in line with emerging national guidance. Measures to review and strengthen the controls in place to manage this risk in the next year include, implementation of the Keeping Families Together; Keeping Families Safe vision for children's social care, apply the learning from the CYSCB peer review and refresh the city wide information sharing lists with all schools."*

### **KCR 0022 Financial Pressures**

#### Reduction in Revenue Budgets (Ian Floyd)

*"The requirement to respond to the public sector spending reductions/deal with demographic cost pressures, presents a financial challenge the scale of which the Council has never experienced. Reductions of some £40m from 2011-14 are required, and further savings will be needed in the future. Whilst long term financial planning provides a key control, critical to the organisation being able to manage this risk effectively lies in identifying and achieving the savings identified in service reviews and through making difficult choices in the way services are delivered. Achievement of the savings will also require both a full commitment across the organisation and a robust approach to the ongoing monitoring of the savings programme."*

## Whole Risk Diagnostic

12. Further to Monitor 4, the work on the Whole Risk Diagnostic has now been completed and we have been provided with a report in draft format. The report will be presented by the authors, Zurich Municipal to Audit and Governance on the 16<sup>th</sup> September 2013.
13. There appears to be some extremely helpful suggestions that have been made in relation to the current risk management process that is in place at City of York Council and how this might be revitalised and improved to ensure that it is more actively used in decision making and business processes.

## Directorate Risk Reports

14. The risks in respect of the Office of the Chief Executive are attached to this paper at Annex A. Officers from this Directorate are in attendance to answer any queries you have in respect of the risks contained within the annex.
15. The timetable for risk reports from the other council directorates is set out below:

<u>A&amp;G Committee Date</u>	<u>Directorate</u>
26 September 2013	Customer and Business Support Services
11 December 2013	Communities and Neighbourhoods
12 February 2014	City and Environmental Services Adults, Children and Education

## Options

16. Not applicable.

## Council Plan 2011 - 2015

17. The effective consideration and management of risk within all of the council's business processes helps support achieving

'a confident collaborative organisation' and aid the successful delivery of the five priorities.

## **Implications**

- (a) **Financial** - There are no implications
- (b) **Human Resources (HR)** - There are no implications
- (c) **Equalities** - There are no implications
- (d) **Legal** - There are no implications
- (e) **Crime and Disorder** - There are no implications
- (f) **Information Technology (IT)** - There are no implications
- (g) **Property** - There are no implications

## **Risk Management**

18. In compliance with the council's Risk Management Strategy, there are no risks directly associated with the recommendations of this report. The activity resulting from this report will contribute to improving the council's internal control environment.

## **Recommendations**

19. A&G are asked to:
  - (a) Consider and comment on the issues set out in this paper.

### Reason

*To provide assurance that the authority is effectively understanding and managing its key risks.*

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**Report  
Approved**



**Date** 22-07-13

**Specialist Implications Officer(s)** Not applicable

**Wards Affected** Not applicable

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**For further information please contact the author of the report**

**Background Papers**

Key Corporate Risk Monitor One 2013/14.

**Annexes**

Annex A – Office of the Chief Executive Risk Report