

AUDIT COMMITTEE

4 DECEMBER 2012

ANNUAL GOVERNANCE STATEMENT AND CORPORATE RISK MONITORING  
UPDATE

REPORT OF CHIEF EXECUTIVE

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RECENT REFERENCES:

[AUD032](#) Risk Management Update, 26 June 2012

[AUD043](#) Annual Financial Report 2011/12, 25 September 2012

EXECUTIVE SUMMARY:

This report provides an update on the progress that has been made to date against the programmes and projects that mitigate or treat the emerging issues included in the Annual Governance Statement and the risks included in the Corporate Risk Register.

Although separate documents in their own right, because of the overlap of the issues identified in both the Annual Governance Statement and the Corporate Risk Register, monitoring reports are combined.

RECOMMENDATION:

That the Committee raises with the relevant Portfolio Holder any issues arising from the information in this report and considers whether any items of significance need to be drawn to the attention of Cabinet.

## AUDIT COMMITTEE

4 DECEMBER 2012

### ANNUAL GOVERNANCE STATEMENT AND CORPORATE RISK MONITORING UPDATE

#### REPORT OF CHIEF EXECUTIVE

##### DETAIL:

##### 1. Introduction

- 1.1. This report provides an update on the progress that has been made against the programmes and projects that mitigate or treat the risks that are included in the Corporate Risk Register and the emerging issues identified in the Annual Governance Statement.
- 1.2. The effective management of Council risks is a key component to its Corporate Governance and Performance Management.
- 1.3. The Council's Risk Management Policy 2011 evidences Council responsibilities in managing risk and these have been embedded within the terms and reference of the relevant Committees and Teams.

##### 2. Monitoring Report – Appendix 1

- 2.1 The Committee previously resolved that the monitoring reports which would provide an update on the progress made against the emerging issues included in the Annual Governance Statement and the risks included in the Corporate Risk Register should be combined into one single report.
- 2.2 The information contained within the Council's Risk Register and the Annual Governance Statement is recorded in the Council's Performance Management System; Covalent. Furthermore the actions and progress against these actions is also recorded on Covalent.
- 2.3 Appendix 1 to the report gives an update on the progress that has been achieved so far in the current year for each of the actions that are in place to mitigate or treat the risks.
- 2.4 Table 1 of the Appendix provides details of the emerging issues in the Annual Governance Statement and includes reference to the corresponding corporate risk on the Corporate Risk Register.
- 2.5 Table 2 of the Appendix provides an update against the risks included in the Corporate Risk Register that do not correspond with any of the issues included in the Annual Governance Statement.
- 2.6 The criteria for the risk scores is defined within the Council's Risk Rating Card and was approved as part of the Risk Management Policy (report [AUD02](#),

Risk Management Update, 29 June 2011 refers). A copy of the Risk Rating Score Card is attached as Appendix 2 to this report.

- 2.7 Each risk is assessed for impact and likelihood, using the Risk Rating Score Card and a four by four matrix. The system is then used to assess the risk as follows:-
- a) Impact is measured on a scale of 1 to 4, with 4 being the highest and 1 being the lowest.
  - b) Likelihood is measured on a scale of 1 to 4, with 4 being the highest and 1 being the lowest.
- 2.8 Risk scores are calculated by multiplying the impact score by the likelihood score.
- 2.9 The previous risk scores against each of the risks and issues shown in the tables in Appendix 1 refer to the score as at the end of June 2012 and were included in the previous Risk Management Update (report [AUD032](#), 26 June 2012 refers).
- 2.10 The risk score has been recalculated and is shown in the current risk score column in the Appendix. This risk score takes into consideration the work progressed since June 2012 in mitigating or treating the risks.

#### OTHER CONSIDERATIONS:

#### 3. SUSTAINABLE COMMUNITY STRATEGY AND CHANGE PLANS (RELEVANCE TO):

- 3.1 Effective use of risk management helps the Council manage threats and opportunities in managing the Council's contribution to the Sustainable Community Strategy and delivery of Change Plans.

#### 4. RESOURCE IMPLICATIONS:

- 4.1 The main resource implication is the officer time to complete the risk assessments and record them within the Council's Covalent system which generates the Risk Register.
- 4.2 The value to the Council is the effective use of its risk assessment within decision making within from Change Plans, Business/Service Plans and Governance arrangements. This in turn assists in the availability of insurance cover at affordable cost.
- 4.3 The costs associated with the actions themselves are covered within team budgets.

#### 5. RISK MANAGEMENT ISSUES

- 5.1 Risk Management helps the Council set management priorities and decide on the allocation of valuable resources. If Council risks are not managed

effectively, and clearly evidenced, the Council will be open to legal challenge, financial loss or damage to its reputation resulting in reduced public confidence.

- 5.2 The Council's Risk Register, reflecting the Council's exposure to risk, is contained within the Covalent Performance System. Monthly extracts of the Risk Register are located in the Council's Intranet to inform Members and Officers.
- 5.3 The explicit and implicit reference to management of risks helps the Council achieve its strategic objectives and support the Sustainable Community Strategy and exploit opportunities. To this end Members and Officers need to challenge and support the Council with their risk assessment and their treatment plans.

#### BACKGROUND DOCUMENTS:

Annual Governance Statement.

Corporate Risk Register

#### APPENDICES:

Appendix 1 – Annual Governance Statement and Corporate Risk Monitoring Report

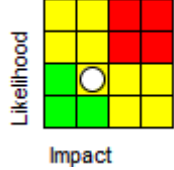
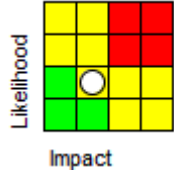
Appendix 2 – Risk Rating Score Card

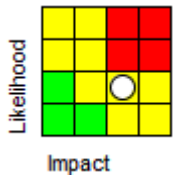
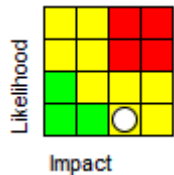
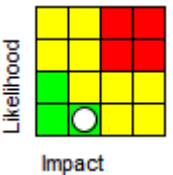
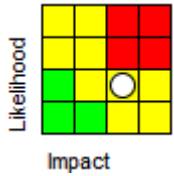
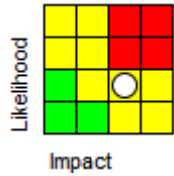
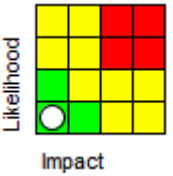
ANNUAL GOVERNANCE STATEMENT AND CORPORATE RISK MONITORING REPORT

Table 1

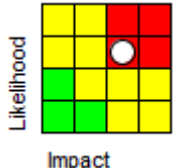
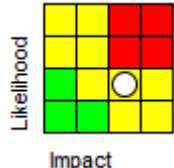
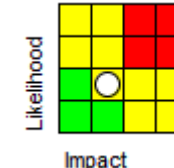
Issue	Action To Be Taken	Lead Officer	Previous Risk Score	Current Risk Score	Target Risk Score	Progress / Comments
Asset Management  <i>Corporate Risk: CR5003</i>	Maintain an up to date Asset Management Plan and ensure that financial aspects of the Council's fixed assets are appropriately incorporated into the financial planning process, taking account of the possible impact of the current economic situation on the Council's properties.	Stephen Whetnall				Significant capital expenditure was incurred on the Council's fixed assets in 2011/12, and earmarked reserves have been increased to fund future planned expenditure. However there are still some future capital requirements that will need funding identified including the River Park Leisure Centre, City Offices and IT. This will be considered further during 2012/13.
Setting and achieving priorities within the context of recession and reduced resources for local government  <i>Corporate Risk: CR5004</i>	Continued improvement in consultation on Council priorities / budget. Improvement of links between corporate and departmental business planning, aligning departmental business plans to the Sustainable Community Strategy and Change Plans over a five year period.  The financial strategy to be	Alexis Garlick				The Council set a balanced budget for 2012/13 and is on course to deliver within this. However there are a number of further challenges for the medium term financial plan. These include; <ul style="list-style-type: none"> <li>- changes proposed in the Government's Welfare Reform Bill, including new arrangements for housing and council tax benefits;</li> <li>- changes proposed in the Government's Localism Act,</li> </ul>

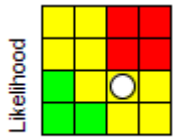
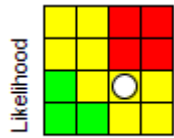
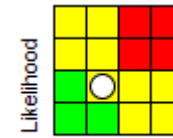
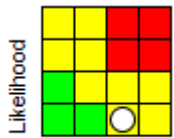
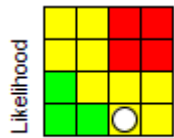
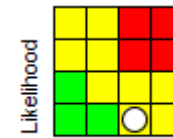
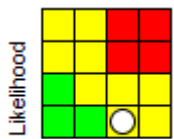
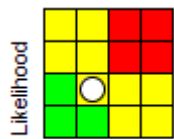
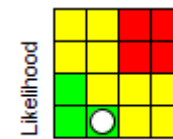
Issue	Action To Be Taken	Lead Officer	Previous Risk Score	Current Risk Score	Target Risk Score	Progress / Comments
	<p>more effectively linked to asset, IT and human resource management.</p> <p>Effective Flexible Resource Management to achieve target savings.</p>					<p>including new arrangements for funding social housing and for enabling local groups to take over community facilities and services; and</p> <ul style="list-style-type: none"> <li>- Government proposals to allow local authorities to keep a proportion of their business rates.</li> </ul> <p>The link between the Council's priorities and the SCS has been strengthened by the Change Plans introduced from 2011/12. Employee cost savings targets continue to be achieved, and the "1team" approach is embedded.</p>
<p>Partnership arrangements</p> <p><i>Corporate Risk: CR5012</i></p>	<p>Continue to develop partnership arrangements where there is an efficiency or improvement led case for doing so and ensure that robust governance arrangements are in place.</p>	<p>Simon Eden</p>				<p>A number of delivery partnerships are in place to help realise priority outcomes, for example the Community Safety Partnership, Health &amp; Wellbeing Partnership or Housing Forum. The Council continues to develop a range of partnership and shared services projects including:</p> <ul style="list-style-type: none"> <li>- Housing services (based on the Hampshire Home Choice service)</li> <li>- Destination Management</li> </ul>

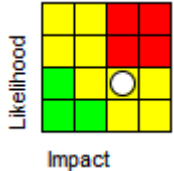
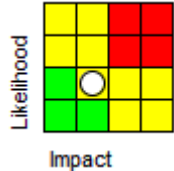
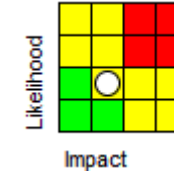
Issue	Action To Be Taken	Lead Officer	Previous Risk Score	Current Risk Score	Target Risk Score	Progress / Comments
						<p>Organisation</p> <ul style="list-style-type: none"> <li>- Fully Integrated Merger of Museums services</li> </ul> <p>Shared service already in place include; IT, Revenues &amp; Benefits and Internal Audit.</p> <p>Each will be developed further over time with emphasis on ensuring that robust governance arrangements are in place for each partnership.</p>
<p>Equality Assessments</p> <p><i>Corporate Risk: CR5008</i></p>	<p>The Council has completed all Equality Impact Assessments (EqIA's) covering priority areas as set out in the programme along with a number completed in new areas of work. Work continues with the programme of EqIA's and compliance with the Equality Framework.</p>	<p>Alison Gavin</p>				<p>Equality Strategy, which sets the framework, was agreed by Cabinet in June 2011. Assistant Directors will lead EqIA's of all Change Plan projects. However, need to keep under consideration in 2012/13 to ensure that it is fully embedded. All appropriate EqIA's are up to date.</p>
<p>Financial Management</p> <p><i>Corporate Risk: CR5010</i></p>	<p>Further development and strengthening of the internal control financial procedures, by the introduction of control accounts for subsidiary financial systems.</p>	<p>Alexis Garlick</p>				<p>Payroll control account procedures were implemented in 2011/12 and further systems controls are under development, for implementation in 2012.</p>

Issue	Action To Be Taken	Lead Officer	Previous Risk Score	Current Risk Score	Target Risk Score	Progress / Comments
Housing Finance Reform  <i>Corporate Risk: CR5005</i>	Responding to the Government's proposals and Housing Finance Reform and implementing the consequential changes to the Housing Revenue Account and the Treasury Management procedures.  Delivering the Council's new homes programme	Richard Botham/ Andrew Palmer				The Council took on debt and paid £157.622m to the government in 2011/12 in accordance with the requirements of housing finance reform.  Sustainable HRA Business Plan in place, as is the Treasury Management Strategy and procedures. Borrowing fixed. Detailed sensitivity analysis completed. Plan is sensitive to a change in rent policy, although this remains within Council Control.  The Cabinet has set up a separate Cabinet Committee to ensure that the new homes programme is delivered.
Changes arising from the Localism Act 2011  <i>Corporate Risk: CR5015</i>	To consider and implement appropriate responses to changes arising from the Localism Act 2011, taking account of the current uncertainty surrounding the regulations and guidance, for example, those relating to the Standards Regime; Neighbourhood Plans;	Stephen Whetnall				There will be a need to consider responses to the Localism Act in short timescales, taking into account that much of the detail will arise from regulations/ guidance made available at short notice. Interim Standards arrangements were approved by Council in July 2012 and a new Code of Conduct in September 2012. Standards implementation



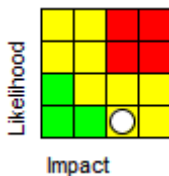
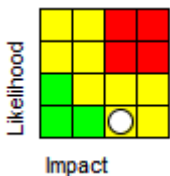
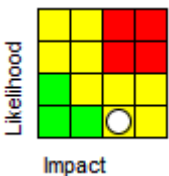
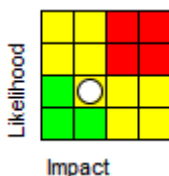
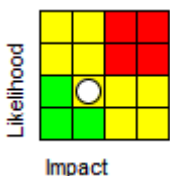
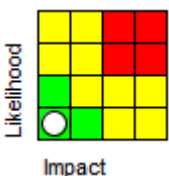
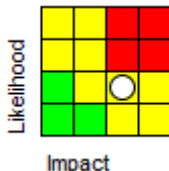
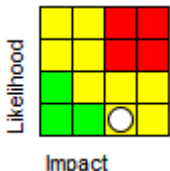
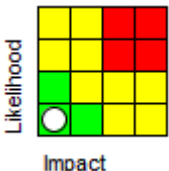
Issue	Action To Be Taken	Lead Officer	Previous Risk Score	Current Risk Score	Target Risk Score	Progress / Comments
	Community Assets, wider governance issues.					is on-going. A procedure has been adopted for Community Assets cases. Denmead pilot project is formally designated as a Neighbourhood Plan area under the Regulations and some other areas seeking to give input to Local Plan part 2 rather than using Neighbourhood Plan Regulations. Member/Parish Training given on all these aspects of the Localism Act implementation.
<p>Leading the response to Climate Change</p> <p><i>Corporate Risk: CR5001</i></p>	<p>Ensure commitment to achievement of the Council/WDSP target on carbon reduction across the District and provide leadership to obtain commitment from key organisations currently not involved in the partnership. Make resources available to reduce the carbon footprint of the Council which will in turn impact on the efforts for reduction in the wider community.</p>	Rob Heathcock				<p>Climate Change Programme revised with improved project management through the Climate Change Programme Board. Projects commissioned during 2012/13 and internal carbon reduction programme progressing including energy management and travel plan.</p>

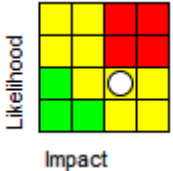

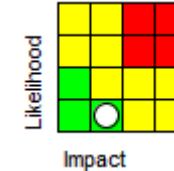
Issue	Action To Be Taken	Lead Officer	Previous Risk Score	Current Risk Score	Target Risk Score	Progress / Comments
Capacity <i>Corporate Risk: CR5006</i>	Ensure capacity to deliver priorities.	Simon Eden				Performance Management Team leads in monitoring progress with key projects and managing capacity to ensure delivery of priorities. The 1-team approach to staff deployment continues to assist with directing staff resource to priority areas. Work is in hand to review how capacity is most effectively deployed.
Silver Hill <i>Corporate Risk: CR5002</i>	To work with the Council's development partner Henderson Global Investments to progress the scheme.	Steve Tilbury				Public Inquiry to consider Compulsory Purchase Order completed in July 2012.  Overall project management arrangements continue to keep the scheme under review.
The management of significant contracts <i>Corporate Risk: CR5013</i>	Ensure that appropriate management arrangements are in place for the Council's most significant contracts including Housing Term maintenance and Environmental Services Contracts.	Robert Heathcock				After the first year of the contract the Joint Environmental Services Committee is now more established. The Client Team is still developing and a review undertaken to establish any future developments required to ensure robust client activity is maintained

Issue	Action To Be Taken	Lead Officer	Previous Risk Score	Current Risk Score	Target Risk Score	Progress / Comments
Commissioning  <i>Not identified as a Corporate Risk on the Risk Register</i>	Developing approach to allocating resources to secure priority outcomes, in particular through closer working with voluntary and community sector.	Assistant Directors				Commissioning approach now better developed and embedded following increased experience of process and numbers of commissions awarded.

Corporate Risks not identified in the Annual Governance Statement

Table 2

Issue	Action To Be Taken	Lead Officer	Previous Risk Score	Current Risk Score	Target Risk Score	Progress / Comments
Business Continuity  <i>Corporate Risk: CR5009</i>	Maintain an effective corporate wide Business Continuity Plan.	Steve Tilbury				Individual plans for all critical functions have been updated. Supporting Plan documentation is currently being reviewed. There is a requirement to hold an exercise to test the updated Plan and this will be undertaken in June 2013 when IMT have capacity to resource the parallel IT Disaster Recovery.
Control Weaknesses identified by Internal Audit  <i>Corporate Risk: CR5011</i>	Maintain effective internal control by having an internal audit service.	Stephen Whetnall				Update on progress against outstanding high risk audit actions included elsewhere on this Committee's agenda (report AUD046 refers).
LDF and Local Plan  <i>Corporate Risk: CR5014</i>	Await Inspector's Report into Local Plan Part 1.	Steve Tilbury				Examination of Local Plan Part 1 completed November 2012.

Issue	Action To Be Taken	Lead Officer	Previous Risk Score	Current Risk Score	Target Risk Score	Progress / Comments
Health and Safety  <i>Corporate Risk: CR5017</i>	Working to the Health and Safety Corporate Action Plan and providing regular updates to Corporate Management Team to ensure compliance and completion.	Alison Gavin				Regular update reports continue to be presented to Corporate Management Team. No outstanding Health & Safety issues.

**Risk Rating Card**

Each risk is assessed for impact and likelihood, using the Risk Rating Score Card and a four by four matrix. The scoring system is then used to assess the risks as follows:

1. Impact is measured on a scale of 1 to 4 with 4 being the highest and 1 being the lowest,
2. Likelihood is measured on a scale of 1 to 4, with 4 being the highest and 1 being the lowest.

Risk Scores are calculated by multiplying the Impact score by the likelihood score.

<b>IMPACTS</b>				
	(1) Minor	(2) Medium	(3) Major	(4) Catastrophic
Financial Impact	£0K - £20K	£20k - £200K	£200K - £2M	£2M plus
Service Provision	No effect	Slightly Reduced	Service Suspended Short Term / reduced	Service Suspended Long Term/Statutory duties not delivered
Health & Safety	Sticking Plaster / first aider	Broken bones/Illness Lost time accident or occupational ill health	Loss of Life/Major illness-Major injury incl broken limbs /hospital admittance Major ill health	Major loss of life/Large scale major illness
Corporate Objectives		Objectives of one section not met	Directorate Objectives not met	Corporate objectives not met
Morale		Some hostile relationship and minor non cooperation	Industrial action	Mass staff leaving/Unable to attract staff
Reputation	No media attention / minor letters	Adverse Local media Leader	Adverse National publicity	Remembered for years!!
Government relations	One off single complaint	Poor Assessment(s)	Service taken over temporarily	Service taken over permanently

