

AUDIT COMMITTEE

3 DECEMBER 2015

RISK MANAGEMENT UPDATE

REPORT OF CHIEF EXECUTIVE

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RECENT REFERENCES:

[AUD118](#) – Risk Management Policy, 22 June 2015

[AUD132](#) – Risk Management Update, 24 September 2015

EXECUTIVE SUMMARY:

This Report provides an update on the risk scores for each of the Corporate Risks and of any changes since the last time these were reported (Report AUD132, 24 September refers). An explanation as to the reasons for the changes is also provided.

Also included in Appendix 1 is an update on the progress achieved against the future actions required to continue to manage or reduce the risks associated with each of the Corporate Risks.

The Report also includes an update on the work that is on going to roll out and embed the principles included in the Risk Management Policy across the Council.

RECOMMENDATION:

1. That the Committee considers the information for the each of the Corporate Risks including the progress against the future actions and recommends the risks that it wishes to further explore and receive detailed reports at future meetings.

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DETAIL:

1. Introduction
- 1.1 At its meeting on 6 July 2015, Cabinet approved the updated Risk Management Policy 2015 which defines the Council's arrangements for managing risk (Report AUD118 refers).
- 1.2 Included within the Policy were the updated Corporate Risks which had been reviewed and agreed by Performance Management Team and consisted of the risks that are of greatest significance to the Council.
- 1.3 This was followed up with a report to this Committee's last meeting that included details of the significant individual risks that contribute to each corporate risk, along with the impact and consequences of this occurring and how the Council currently manages these risks. A risk score was also given for each of the risks.
- 1.4 Furthermore, against each corporate risk was a high level list of the actions required to either reduce the probability or impact of each risk or to maintain the current risk score.
- 1.5 The approved Corporate Risk Register includes the following risks:
 - Silver Hill Development
 - Asset Management
 - Programme Management and Major Projects
 - Governance and Control Weaknesses
 - Financial Stability
 - Staff Engagement
 - Environmental Risks
 - Commissioning
 - Transformation

2. Corporate Risk Monitoring

- 2.1 Included in Appendix 1 to the Report is an update on any changes to the risks that were included in the previous report, for example, an increase or decrease in probability or impact of a risk occurring. Also provided is a brief explanation of the reasons for the change in risk score.
- 2.2 Also included in Appendix 1 is an update on the progress achieved against the future actions required to continue to manage or reduce the risks associated with each of the Corporate Risks.

3. Roll out of Risk Management Policy 2015

- 3.1 It is important that the Council consistently manages its risks and follows the principles included in the updated Risk Management Policy.
- 3.2 A roll out of the Risk Management Policy across the Council has begun with workshops being held during the autumn/winter with Heads of Teams and service managers.
- 3.3 Included as part of the process will involve the reviewing Working with Heads of Teams, as part of the training will be to provide them support to review their operational risks and use the new template to record causes and consequences in the same way as for corporate risks.

4. Escalation and de-escalation of risks

- 4.1 The Performance Management Team has considered the risks that are included on the Corporate Risk register and at this time agrees that there are no risks that should be either escalated or de-escalated.

OTHER CONSIDERATIONS:

5. COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 5.1 Effective use of risk management supports the good governance arrangements at the Council and helps the Council manage threats and opportunities in managing the Council's contribution to the Community Strategy.

6. RESOURCE IMPLICATIONS:

- 6.1 The main resource implication is the officer time to ensure risk assessments are undertaken efficiently and effectively and are adequately evidenced within Portfolio Plans, Business/Service Plans and Governance arrangements including performance management.
- 6.2 Effective management of council risks reduces the exposure to adverse events and in turn assists in the availability of insurance cover at affordable cost.

7. RISK MANAGEMENT ISSUES

- 7.1 Risk Management helps the Council set 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.
- 7.2 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/Risk and Insurance to inform Members and Officers.
- 7.3 The explicit and implicit reference to management of risks helps the Council achieve its strategic objectives and support the 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:

None.

APPENDICES:

Appendix 1 Progress updates for each of the Corporate Risks

Risk Title: Silver Hill Development	
Risk Owner: Corporate Director	
Current Risk Score:	Likelihood = Likely
	Impact = Significant
Previous Risk Score:	
	Likelihood = Likely
	Impact = Significant
Changes to previous risk scores: No Changes. Future progress of the scheme remains uncertain.	
Progress against future actions:	
<ul style="list-style-type: none"> • Continuation of robust project and programme management, • Continued assessment of impact on Council's finance and associated actions • The required level of resources to deliver projects • Continued dynamic risk assessment • Continued robust assessment of the scheme development and approval process 	

Risk Title: Asset Management	
Risk Owner: Chief Operating Officer	
Current Risk Score:	Likelihood = Likely
	Impact = Significant
Previous Risk Score:	
	Likelihood = Likely
	Impact = Significant
Changes to previous risk scores: No changes.	
Progress against future actions:	
<ul style="list-style-type: none"> • Work closely with leadership team – <i>the Head of Estates continues to work closely with the Leader, Portfolio Holder for Estates and CMT updating them of asset management issues as they arise.</i> • Better informed leadership team – <i>as above.</i> • Improved engagement with broader spectrum of local people – <i>the recent Station Approach consultation exercise utilised a new approach to consultation which reached out to a wide group of stakeholders. This approach will be used again in the future for similar consultation exercises. The Head of Estates is working closely with the practitioner's in respect of the development of a Creative Enterprise Centre.</i> • Review Estates team capacity – <i>recruitment of a Corporate Property Surveyor underway. Review of Asset Management Plan has begun concentrating on risks and repairs, while developing an investment strategy to help secure the Council's medium term financial position.</i> 	

Risk Title: Programme Management and Major Projects	
Risk Owner: Assistant Director (Policy & Planning)	
Current Risk Score:	Likelihood = Likely
	Impact = Major
Previous Risk Score:	
	Likelihood = Likely
	Impact = Major
<p>Changes to previous risk scores: No changes. The likelihood will reduce once additional resources have been allocated. This is currently the subject of a budget growth bid for 2016/17.</p>	
<p>Progress against future actions:</p> <ul style="list-style-type: none"> • Programme Management to be improved through better allocation of staff resources in key areas – <i>new roles have been established and a wider group of staff now involved.</i> • Additional resources required clearly identified and met – <i>growth bid for additional resources has been submitted as part of 2016/17 budget process.</i> • Review remuneration package to improve staff recruitment and retention – <i>the Head of Organisational Development is currently considering this issue.</i> • Embed improved approach to consultation and engagement throughout our programme – <i>new consultation approach being utilised i.e. Station Approach model. The Council is also currently rolling out the new Citizen Space software for managing, publicising and archiving all consultation activity.</i> 	

Risk Title: Governance and Control Weaknesses	
Risk Owner: Chief Operating Officer	
Current Risk Score:	Likelihood = Unlikely
	Impact = Moderate
Previous Risk Score:	
	Likelihood = Unlikely
	Impact = Moderate
Changes to previous risk scores: No changes.	
Progress against future actions:	
<ul style="list-style-type: none"> • Actions to address issues raised by Claer Lloyd-Jones Independent Review – <i>report not yet received.</i> • Roll out embedding of updated Risk Management Policy – <i>roll out underway including a review during December/January of all operational risks working with Heads of Teams. Template included in Risk Policy for evaluating risks adopted as the corporate template.</i> • Implementation of Local Government Boundary Commission Review and changes to governance arrangement accordingly – <i>revised Electoral Register will be prepared after the Statutory Instrument is confirmed in December 2015.</i> • Review of Overview and Scrutiny procedures – <i>paper currently in draft form to be presented to The Overview and Scrutiny Committee on 7 December 2015.</i> • Ensure all managers understand governance requirements – <i>ongoing.</i> • Undertake Community Governance Reviews - <i>Now clarified it is not appropriate to undertake Community Governance Review until LGBC Electoral Review of the County is completed.</i> 	

Risk Title: Financial Stability	
Risk Owner: Chief Finance Officer	
Current Risk Score:	Likelihood = Unlikely
	Impact = Major
Previous Risk Score:	
	Likelihood = Unlikely
	Impact = Major
Changes to previous risk scores: No changes.	
Progress against future actions:	
<ul style="list-style-type: none"> • Develop financial resilience strategy – see financial resilience – Medium Term Financial Planning section in the Audit Results Report for the year ended 31 March 2015 (AUD130, September 2015). This is kept under review and development as evidenced in the Medium Term Financial Strategy (CAB2732, October 2015) and will be further considered as part of the budget setting process, to be finalised in February 2016. • Clarify income generation strategy – all income sources are reviewed annually. Specific areas that are being reviewed for income generation have been included for consideration as part of the 2016/17 budget paper. • Explore Invest to Save options – investment in property considered where it is likely to produce stable long term income streams. Investment in energy efficiency measures to reduce the Council's operating costs. Use of Prudential Borrowing to fund investment in commercial property, or operational property where an income stream can be generated. • Develop Reserves policies – This was considered in the Medium Term Financial Strategy (CAB2732, October 2015) and will be further considered as part of the budget setting process, to be finalised in February 2016. • Develop cash-flow forecasting and borrowing strategy - Proposed changes to the Finance Team structure (Report PER272, November 2015) will provide capacity for this to be done during 2016/17. 	

Risk Title: Staff Engagement	
Risk Owner: Chief Executive	
Current Risk Score:	Likelihood = Likely
	Impact = Major
Previous Risk Score:	
	Likelihood = Likely
	Impact = Major
Changes to previous risk scores: No changes.	
Progress against future actions:	
<ul style="list-style-type: none"> • Develop and implement a People Strategy for the Council - <i>the draft People Strategy is currently being reviewed to ensure it is line with Council Priorities as part of the budget setting process. This will be consulted on with the Leader, Portfolio Holder and Corporate Management Team before being presented to Personnel Committee and Cabinet.</i> • Pay and Reward Strategy - <i>work is continuing in conjunction with a significant number of Hampshire Council's to develop a co ordinated approach to pay policy. Investigation with the National Negotiating Bodies and the Local Government Association has helped to define the work that needs to be covered locally. It has enabled the authorities to put forward at a National Level what is required by authorities and clarify what will not be dealt with in the near future at a National Level.</i> <i>Work has been completed on the Council's position in the pay market in conjunction with other pay and non pay benefits that are being offered. Further work is being undertaken looking at other pay mechanisms. The Council grading structure and the use of job family groups is being worked on with other districts. The Job evaluation scheme including local conventions used alongside the national scheme will be reviewed and compared with other Job Evaluation Schemes that are available.</i> <i>A detailed report will be brought forward setting out options and a detailed action plan initially to Corporate Management, the Leader and Portfolio Holder followed by wider consultation.</i> • Talent Management and Succession Plan – <i>this area is being looked at as part of the Employee Engagement Strategy.</i> • Work with partners to address issues and build capacity and resilience – <i>the Council current has joint service delivery agreements, including for Learning and Development and IT services and reviews further opportunities as they arise.</i> 	

Risk Title: Environmental Risks	
Risk Owner: Assistant Director (Economy and Communities)	
Current Risk Score:	Likelihood = Unlikely
	Impact = Moderate
Previous Risk Score:	
	Likelihood = Unlikely
	Impact = Moderate
Changes to previous risk scores: No changes.	
Progress against future actions:	
<ul style="list-style-type: none"> • <i>New carbon emissions reduction target agreed by Cabinet in April 2015 (CAB2682 refers),</i> • <i>Implementation of agreed package of flood resilience measures across the District in hand,</i> • <i>"Twelve Actions for a Lower Carbon Council" currently being approved (PHD 660A refers) to help meet carbon emissions reduction target,</i> • <i>Development of Park and Ride service, including the confirmation of low emission (Euro 6) buses for the new contract, greater frequency of buses and the opening of the new Park and Ride site at Pitt early in 2016,</i> • <i>Review of waste rounds to reduce carbon emissions currently in hand,</i> • <i>Delivery of Route Map for a Low Carbon Economy ongoing,</i> • <i>Feasibility of a solar PV project for non-residential buildings in the city centre (Town Forum) in hand,</i> • <i>New evidence received last month on which to base updated air quality action plan, ensuring that air quality is a key consideration in future transport/access plans for the city centre.</i> 	

Risk Title: Commissioning	
Risk Owner: Assistant Director (Economy and Communities)	
Current Risk Score:	Likelihood = Unlikely
	Impact = Minor
Previous Risk Score:	
	Likelihood = Unlikely
	Impact = Major
Changes to previous risk scores: Impact reduced from Major to Minor.	
Progress against future actions:	
<ul style="list-style-type: none"> • <i>Officers currently exploring the potential for procurement support from another local authority</i> • <i>Officers developing procurement 'toolkit' in response to commissioning audit report, to help determine which commissioning mechanism is most appropriate</i> • <i>Increasing transparency of commissioning process through more widespread use of South East Business Portal and Contract Finder,</i> • <i>Projects Team maintain 'lessons learnt' log from each project, which includes the commissioning associated with each project (eg procurement, partnership working).</i> 	

Risk Title: Transformation	
Risk Owner: Chief Executive	
Current Risk Score:	Likelihood = Unlikely
	Impact = Major
Previous Risk Score:	
	Likelihood = Unlikely
	Impact = Major
Changes to previous risk scores: Unchanged	
Progress against future actions:	
<ul style="list-style-type: none"> • Agree and communicate long term objectives and aspirations for the Council to staff • Provide adequate resources to deliver programme of reviews - <i>ongoing</i> • Use suitable, recognised and tested approaches and processes – <i>the Council is currently using the Vanguard method to review the handling of planning applications within the Business Support and Development Management Teams. Further services are being identified to be reviewed during 2016/17.</i> • Engage staff throughout the process in reviews - <i>ongoing</i> • Clearly set out responsibilities for delivery of programme and ensure through regular monitoring that this is adhered to and that other priorities do not impact on delivery. 	