

AUDIT COMMITTEE

26 JUNE 2012

RISK MANAGEMENT UPDATE

REPORT OF CHIEF EXECUTIVE

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RECENT REFERENCES:

[AUD002](#) - Risk Management Update, 29 June 2011

[AUD016](#) - Annual Governance Statement and Corporate Risk Monitoring Report, 5 December 2011

EXECUTIVE SUMMARY:

This report presents the annual update on the Council's Risk Profile which is provided by means of a Corporate Risk Report. The Council's Risk Register is a key consideration in the preparation of the Annual Governance Statement. Emerging Issues will include new or escalated risks not previously recognised as having an impact on Governance.

RECOMMENDATIONS:

1. That the Committee take note of the Corporate Risk Register reflecting the Council's risk profile of significant risks affecting its strategic objectives.

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DETAIL:

1 Introduction

1.1 This report provides an update on the Council's Risk Profile by way of a Corporate Risk Register which is included in Appendix A to this report.

1.2 The effective management of Council risks is a key component to its Corporate Governance and Performance Management. A separate report (report AUD031 elsewhere on this Committee's agenda) is being presented with regard to the Council's Governance along with the Annual Governance Statement for 2011/12.

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 Council's Risk Profile

2.1 The Council's Risk Profile is reported to Audit Committee on an annual basis with a mid year update on the progress made on treating or mitigating the risks.

2.2 The Profile is provided by means of a Corporate Risk Report. This consists of significant Council risks, and their treatment plans, identified by the Performance Management Team, in achieving the Council's strategic objectives.

2.3 Appendix A gives details of the risks that are included in the Corporate Risk Register. A number of these risks also appear in the Annual Governance Statement (report AUD031) as Emerging Issues, which are the issues identified which significantly impact on 2012/13 and/or future years.

2.4 A monitoring report giving details of the progress against the risks included in the Corporate Risk Register was considered by the Corporate Governance Group on 24 April 2012 which was used to inform and update the risks included in the Register.

2.5 As part of the risk assessment the cause and impact of each corporate risk has been identified in detail and evidenced in the Covalent Performance Management system. Arising from the analysis the 'Full Name' of the risk has

been defined. This will provide additional assurance that the appropriate treatment plan has been deployed to achieve the desired outcome (target score and strategic objectives). Guidance on the scoring of the risks is also included in Appendix A.

- 2.6 It is requested that the Corporate Risk Report contained in Appendix A is endorsed.
- 2.7 Members will note that the risks identified in the Corporate Risk Register are closely linked to the Emerging Issues included in the Annual Governance Statement. As such a combined report giving an update on the progress against the risks included in the Corporate Risk Register and the Emerging Issues in the Annual Governance Statement will be presented to this Committee in the next update report due in December.

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.

4 RESOURCE IMPLICATIONS:

- 4.1 The main resource implication is the officer time to ensure risk assessments are undertaken efficiently and effectively and are adequately evidenced within Change Plans, Business/Service Plans and Governance arrangements including performance management.
- 4.2 Effective management of council risks is part of the day-to-day work of the responsible staff, and will form a key element of the management of projects. It does not, therefore, usually require additional resources beyond those committed to project or service delivery. Good management will reduce the exposure to adverse events and any costs which could thus arise, and assists in the availability of insurance cover at affordable cost.

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/Risk and Insurance 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:

Risk Management Statement of Practice 2011.

Various documents held within the Governance Group and the Covalent Performance Management System (partly exempt)

APPENDICES:

Appendix A – Corporate Risk Report – June 2012



Corporate Risk Register – June 2012

Introduction

This schedule of corporate risks was originally drawn from the risks identified by the Council's Performance Management Team on 18 December 2010. The Corporate Governance Group has since reviewed these risks at its meeting on 24 April 2012 and reviewed the progress made against each of the risks. Furthermore, these risks have been updated by the relevant risk owner to take account of progress made in treating and mitigating the individual risks. It identifies and evaluates the significant risks faced by the Council and follows the guidance as set out in the Risk Management Policy and the Statement of Practice. The risks identified are those which may prevent the Council from achieving its strategic objectives and its contribution to the Sustainable Community Strategy Outcomes which are:

1. Active Communities
2. Economic Prosperity
3. High Quality Environment
4. Effective and Efficient Council

A risk is defined as "the threat or possibility that an action or event will adversely affect the Council's ability to achieve its objectives or outcomes".

Risk Assessment Scoring System

Each risk is assessed for impact and likelihood, using the Risk Rating Score Card and 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.

Guide to risk scoring matrix

Each risk is scored using the Council's risk rating card following an evaluation or assessment of the likelihood and impact of the risk occurring. The following table provide details of how the risk impact is assessed and scored.

IMPACTS				
	(1) Minor	(2) Medium	(3) Major	(4) Catastrophic
Est. 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

The following table gives details of how the likelihood is assessed and scored.

LIKELIHOOD	PROBABILITY
Unlikely D (1)	1% to 25% chance in 5 years
Possible C (2)	26% to 50% chance in 5 years
Probable B (3)	51% to 75% chance in 5 years
Certain A (4)	76% to 100% chance in 5 years

The scores from both the likelihood and impact are multiplied by each other to give a risk score, which is positioned on a four by four matrix. The higher the resultant score, the greater the impact and/or likelihood is for each risk. The risk score matrix appears as follows:

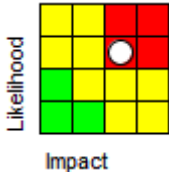
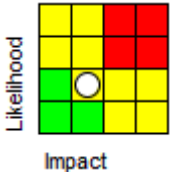
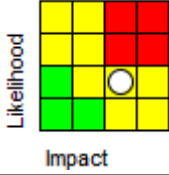
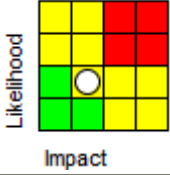
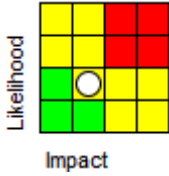
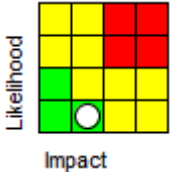
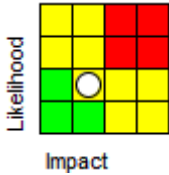
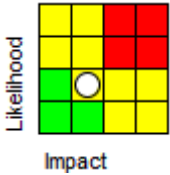
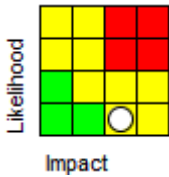
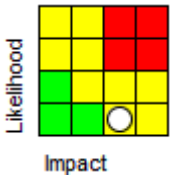
High Likelihood	A (4)				
	B (3)				
	C (2)				
	D (1)				
Low		1	2	3	4
	Low	Impact		High	

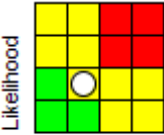
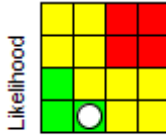
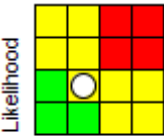
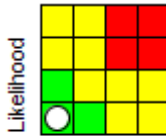

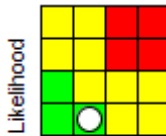

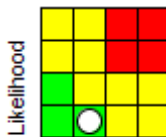
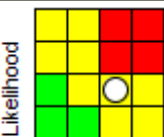
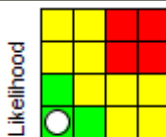
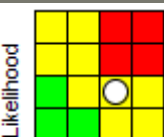
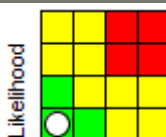
Corporate Risk Report

June 2012



Risk Number	Short Name	Full Name (Cause/Effect/Impact)	Risk Ownership	Current Risk Score	Treatment - Change Plans reference	Target Risk Score
CR5001	Climate Change	Climate change plan is unrealistic leading to an ineffective use of resources resulting in non delivery of Council projects and increased energy cost	Robert Heathcock		1. High Quality Environment Change Plan inc. 5 year Energy Plan 2. Economic Prosperity - Low Carbon Economy Financial Plan	
CR5002	Silver Hill Development	Failure to achieve CPO leading to loss of redevelopment opportunity resulting in deterioration of Council assets and lost opportunity for regeneration of town centre site	Steve Tilbury		1. Plan B, revised redevelopment plan.	
CR5003	Asset Management	Asset Management Plan not fit for purpose leading to non housing property assets falling into disrepair resulting in unforeseen expenditure and inability to maximise income or capital receipts	Stephen Whetnall		1. Asset Management Plan 2. Capital Programme	
CR5004	Financial Strategy	Unpredictable external changes affecting the economy or the finance's of the Council leading to the inability to respond to the changes resulting in the Council unable to meet objectives and deliver services	Alexis Garlick		1. Monthly budget monitoring reports. 2. Budget forecasting 3. Financial management 4. Implementation Plan	

Risk Number	Short Name	Full Name (Cause/Effect/Impact)	Risk Ownership	Current Risk Score	Treatment - Change Plans reference	Target Risk Score
CR5005	HRA Business Plan	Projections for Repairs, New Build, income collection, treasury and cash management etc not achieved through: - poor performance, - economic downturn - impact of Welfare Reform - Govt changes (Spending review, debt caps etc)	Richard Botham		<ol style="list-style-type: none"> Effective Business Planning and financial management. Ongoing review of Value for Money Improved data quality of stock Proactive preparation for welfare reform Collaboration with other local authorities 	
CR5006	Business Changes and Workforce Planning	Lack of skills and flexibility within the Council leading to the Transforming Winchester Programme not being implemented resulting in non delivery of change plans and loss of opportunity	Simon Eden		<ol style="list-style-type: none"> Business Plans Transforming Winchester Programme Change Plans Workforce Plan 	
CR5007	Performance and Project Management	Failure to agree SMART objectives, matched to known resources leading to an incomplete programme of activity resulting in loss of confidence and alternative delivery of local services.	Simon Eden		<ol style="list-style-type: none"> Business Plans Change Plans Project & Performance Monitoring reports 	
CR5008	Equality Assessment	Ineffective service Equality Impact Assessments, leading to a successful challenge on grounds of discrimination resulting in financial penalty imposed on the Council.	Alison Gavin		<ol style="list-style-type: none"> Equality Impact Assessments Equality Framework EIA programme/schedule 	
CR5009	Business Continuity	Unforeseen event or circumstance leading to ineffective delivery of the plan resulting in an extended delay in returning to normal working	Steve Tilbury		<ol style="list-style-type: none"> Business Continuity Plan 	

Risk Number	Short Name	Full Name (Cause/Effect/Impact)	Risk Ownership	Current Risk Score	Treatment - Change Plans reference	Target Risk Score
CR5010	Financial Management	Failure of governance arrangements leading to financial loss or ability to achieve value for money resulting in undeliverable projects or damage to reputation.	Alexis Garlick	 Likelihood Impact	<ol style="list-style-type: none"> 1. Training of budget managers 2. Clear financial regulations 3. Internal Audit function 4. Scrutiny 	 Likelihood Impact
CR5011	Control Weakness identified by Internal Audit	Weak or ineffective internal control leading to financial loss resulting in damage to reputation and adverse publicity	Stephen Whetnall	 Likelihood Impact	<ol style="list-style-type: none"> 1. Internal Audit function 2. Performance monitoring reports 	 Likelihood Impact
CR5012	Shared Services	Weak governance or breakdown of consensus between authorities, leading to wasted resource time resulting in less efficient service delivery and loss of opportunity	Simon Eden	 Likelihood Impact	<ol style="list-style-type: none"> 1. Shared service project plans 	 Likelihood Impact
CR5013	Environmental Services Contract	Weak Partnership governance, including contract monitoring leading to an unforeseeable breach of contract resulting in an interruption in service	Robert Heathcock	 Likelihood Impact	<ol style="list-style-type: none"> 1. Partnership Agreement with East Hants DC. 2. Resourced contract monitoring. 	 Likelihood Impact
CR5014	LDF and Local Plan	Failure to have Local Plan Pt 1 found sound leading to requirement to reconsider and resubmit resulting in lack of appropriate control on planning policy	Steve Tilbury	 Likelihood Impact	<ol style="list-style-type: none"> 1. LDF project plan 	 Likelihood Impact
CR5015	Changes to governance arrangements	Local governance structures not fit for purpose leading to poor democratic oversight of business resulting in poor decision making	Stephen Whetnall	 Likelihood Impact	<ol style="list-style-type: none"> 1. Annual Governance Statement 2. Constitution 	 Likelihood Impact

Risk Number	Short Name	Full Name (Cause/Effect/Impact)	Risk Ownership	Current Risk Score	Treatment - Change Plans reference	Target Risk Score
CR5017	Health & Safety	Weak or absent procedures and guidance leading to increased risk in work place resulting in accident and injury	Alison Gavin		1. Health & Safety Policy and Procedures	