

PRINCIPAL SCRUTINY COMMITTEE

14 FEBRUARY 2011

CABINET

16 MARCH 2011

RISK MANAGEMENT UPDATE

REPORT OF CHIEF EXECUTIVE

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RECENT REFERENCES:

[PS400](#) – Risk Management Update, 18 January 2010

[PS433](#) – Annual Governance Statement Emerging Issues 2010/11, 24 January 2011

[CAB2107](#) – Overview and Scrutiny Arrangements, 19 January 2011

EXECUTIVE SUMMARY:

The Council's Risk Profile is reported to Principal Scrutiny Committee on a quarterly basis. The profile is provided by means of a Corporate Risk Report replacing the previous risk assessment of strategic and operational risks.

Revised arrangements are summarised within the attached Risk Management Policy 2011 which replaces the Risk Strategy.

RECOMMENDATIONS:

TO PRINCIPAL SCRUTINY COMMITTEE:

1. That the Committee take note of the Corporate Risk Register reflecting the Council's risk profile of significant risks affecting its strategic objectives.
2. That the Committee consider the Risk Management Policy 2011 and its replacement of the Risk Strategy, making comments to Cabinet if necessary.

TO CABINET:

That Cabinet approve the Risk Management Policy 2011 and its replacement of the Risk Strategy.

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DETAIL:

1 Introduction

1.1 To support the Council's commissioning role along with its supporting Governance and Performance Management arrangements this report includes:

- the new Corporate Risk Report reflecting significant risks which may impact on the achievement of strategic objectives,
- a new Risk Management Policy 2011 to replace the Risk Strategy.

2 Council's Risk Profile

2.1 The Council's Risk Profile is reported to Principal Scrutiny on a quarterly basis.

2.2 The profile was previously provided as an analysis of the Strategic Risks and significant Operational Risks. In future the Risk Profile will be 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 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).

2.4 It is requested that the Corporate Risk Report contained in Appendix A is endorsed. An updated report including information on the extent and progress of the treatment plan will be presented to this Committee in the next quarterly report.

3 Risk Management Policy 2011

- 3.1 Since 2004 the Council has adopted a Risk Strategy to develop and embed risk management across the Council. The document has been updated regularly to reflect and guide the Council implementation of the arrangements.
- 3.2 With risk management embedded it is proposed the Risk Strategy is replaced with the Risk Management Policy 2011 (Appendix B).
- 3.4 More detailed guidance on the approach, principles, framework and process for managing Council risks is provided within the Risk Management Statement of Practice 2011. The guidance is available for Members and Officers via the Council's Intranet/Risk and Insurance.
- 3.5 The proposed risk management arrangements reflect the guidance defined within the International Standard Organisation (ISO) 31000 issued in 2010 and the Risk Management Protocol identified within Hampshire's Local Area Agreement 2009.

OTHER CONSIDERATIONS:

4 SUSTAINABLE COMMUNITY STRATEGY (RELEVANCE TO):

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

5 RESOURCE IMPLICATIONS:

- 5.1 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.
- 5.2 Effective management of council risks reduces the exposure to adverse events and in turn assists in the availability of insurance cover at affordable cost.

6 RISK MANAGEMENT ISSUES

- 6.1 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.
- 6.2 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.

- 6.3 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 - 2 February 2011

Appendix B – Risk Management Policy 2011



Corporate Risk Register January – December 2011

Introduction

This schedule of corporate risks has initially been approved by the Council's Performance Management Team on 18 December 2010. 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".

The Corporate Risk Register is reviewed quarterly by the Performance Management Team.

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.

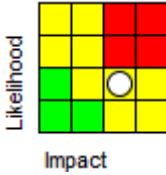
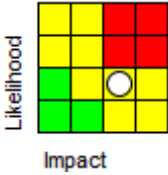
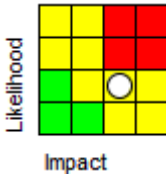
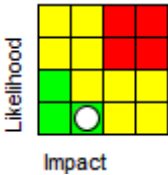
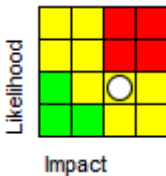
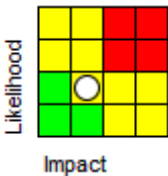
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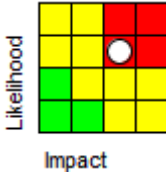
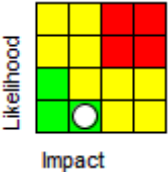
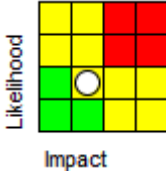
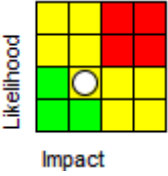
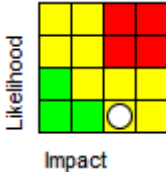
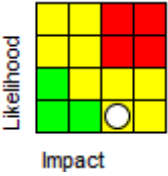
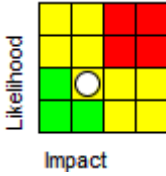
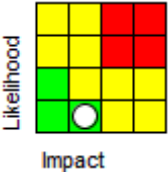
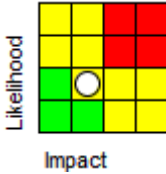
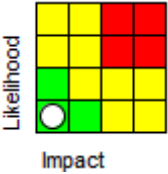
Corporate Risk Report

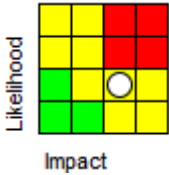
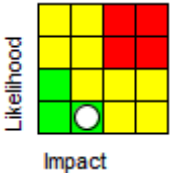
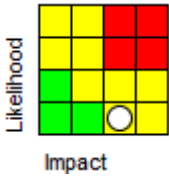
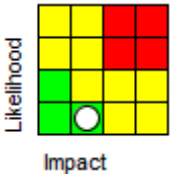
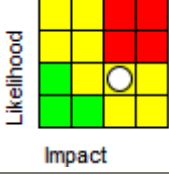
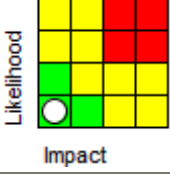
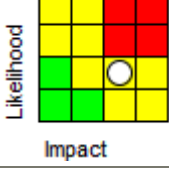
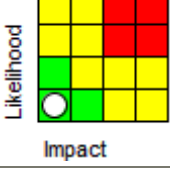
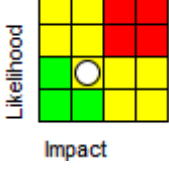
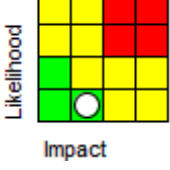
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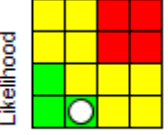


Risk Number	Short Name	Full Name (Cause/Effect/Impact)	Risk Ownership	Current Risk Score	Treatment - Change Plans reference	Target Risk Score
CR5001	Climate Change	Climate change plan is unrealistic leading to an ineffective use of resources resulting in non delivery of Council projects and increased 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	Ineffective delivery of Council services leading to delays in regeneration resulting in deterioration of Council assets and lost opportunity	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	

Risk Number	Short Name	Full Name (Cause/Effect/Impact)	Risk Ownership	Current Risk Score	Treatment - Change Plans reference	Target Risk Score
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		<ol style="list-style-type: none"> 1. Monthly budget monitoring reports. 2. Budget forecasting 3. Financial management 4. Implementation Plan 	
CR5005	HRA Reform	Changes in WCC liability for its proportion of the National Housing Debt leading to a destabilising of HRA funding resulting in reduction in Housing and Council performance	Richard Botham		<ol style="list-style-type: none"> 1. Effective management of Housing Account investment. 2. Organisation review including management of cost 3. Improved data quality of stock 4. Operation of Asset Management system. 5. 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"> 1. Business Plans 2. Transforming Winchester Programme 3. Change Plans 	

Risk Number	Short Name	Full Name (Cause/Effect/Impact)	Risk Ownership	Current Risk Score	Treatment - Change Plans reference	Target Risk Score
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"> 1. Business Plans 2. Change Plans 3. 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"> 1. Equality Impact Assessments 2. Equality Framework 3. 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"> 1. Business Continuity Plan 	
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		<ol style="list-style-type: none"> 1. Training of budget managers 2. Clear financial regulations 3. Internal Audit function 4. Scrutiny 	
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		<ol style="list-style-type: none"> 1. Internal Audit function 2. Performance monitoring reports 	

Risk Number	Short Name	Full Name (Cause/Effect/Impact)	Risk Ownership	Current Risk Score	Treatment - Change Plans reference	Target Risk Score
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		1. Shared service project plans	
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		1. Partnership Agreement with East Hants DC. 2. Resourced contract monitoring.	
CR5014	LDF and Local Plan	Failure to achieve successful community endorsement leading to agreed deadlines being missed resulting in benefits not being realised	Steve Tilbury		1. LDF project plan	
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		1. Annual Governance Statement 2. Constitution	
CR5016	South Downs National Park	Failure to manage impact of Park being established leading to lack of clarity in roles and accountabilities resulting in confusion and additional cost for local people	Steve Tilbury		1. High Quality Environment Change Plan 2. Planning Management Business Plan	

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	



Risk Management Policy

2011

This Policy along with the supporting Risk Management Statement of Practice defines the Council's arrangements and its integration with corporate governance and performance management.

The arrangements reflect the guidance defined within the International Standard Organisation (ISO) 31000 issued 2010 and the Risk Management Protocol identified within Hampshire's Local Area Agreement 2009

The Policy provides an overview of the principles, benefits, framework and process along with roles and responsibilities. The specific details of the arrangements is contained with the Risk Management Statement of Practice accessible with the Council's Intranet/Risk and Insurance

1. Principles and Benefits

The objective of the risk management arrangements is to **Create Value** by:

- embedding risk management through the ownership and management of risk as part of all decision making processes in accordance with best practice
- create effective processes that will allow Winchester City Council to make risk management assurance statements annually

Winchester City Council believes that risk needs to be managed rather than avoided and that consideration of risk should not stifle innovation. It is recognised that we live in an increasingly litigious and risk averse society. However, risk management is a tool for exploiting opportunities as well as a safeguard against potential threats. The Council will therefore use risk management to promote innovation in its support of the Sustainable Community Strategy.

This Policy outlines how Winchester City Council is taking on its responsibility to manage risks and opportunities using a structured and focused approach. Risk management is integral to all policy planning and operational management throughout the Council.

The benefit of effective risk management is that it strengthens the ability of Winchester City Council to achieve its objectives and creates value in the commissioning of services. It also provides the following benefits

- Better management of risks leading to improved delivery of services to the public and reduced likelihood and impact of incidents.
- Better use of finances as risks are managed and exposure to risk is reduced. In some cases this can result in lower insurance premiums.
- Greater risk awareness and an improved control environment, which should mean fewer incidents and other control failures.

- Contributing to better decision making by helping Members and Officers make informed decisions about the appropriateness of adopting Change Plans including business/service plans and options.
- Through being embedded within existing planning, decision taking and option appraisal processes, it provides a basis for ensuring implications are thought through.
- Providing assurance to Members and Officers in the adequacy of arrangements for the conduct of business and the use of resources.
- Facilitates continual improvement and enhancement of the Council.

These are not intangible benefits. By identifying risks earlier, by making sure processes are not over-engineered and are fit for purpose, and achieving a behavioural shift, risk management is a process that will pay for itself many times over.

The Council has adopted a Local Code of Corporate Governance. The Code sets out key criteria, including aspects of risk management against which the Council should measure itself.

2. Framework and Process

Risk management is the process of identifying significant risks relevant to the achievement of the Council strategic and operational objectives, evaluating their potential consequences and implementing the most effective way of managing and monitoring them.

The Framework and Process arrangements involve

- a Risk Assessment Tool.
- details of how risk management feeds into corporate planning and operational management
- a timetable linked to corporate programme

These are defined in detail within the Risk Management Statement of Practice

3. Roles and responsibilities

The following describes the roles and responsibilities of Members and Officers in implementing the Council's Risk Management Policy

Members

Elected Members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic objectives and the risks that the Council faces, and will be made aware of how these risks are being managed through the annual planning process. They should not seek to avoid or delegate this overall responsibility, as it is key to their stewardship of the Council.

Cabinet

Cabinet has the following key responsibilities

- To ensure that effective arrangements are in place throughout the Council and these are kept up to date
- Approving the Council's Risk Management Statement
- Monitoring the Council's risk management and internal control arrangements via an exception reporting process
- Ensuring the effectiveness of the risk management and internal control framework.

Principal Scrutiny (acting as the Audit Committee)

The committee has the following key responsibilities

Hold Cabinet to account for the effective implementation of risk arrangements. The committee will receive a quarterly report on progress to address corporate risks and identify areas of concern for more detailed review.

Chief Executive and Corporate Management Team (CMT)

The Chief Executive and CMT are pivotal in promoting effective risk management and ensuring that it is embedded in the culture of the Council, with sharing of best practice and experience between services.

The key responsibilities for the Chief Executive and CMT are:

- Recommending to Cabinet the Performance Framework, including risk management, and subsequent revisions thereof,
- Promoting the implementation of the Council's risk management arrangements on a corporate basis,
- Supporting and promoting the benefits of effective risk management throughout the Council,
- Actively identifying and assessing corporate risks on a regular basis
- Carrying out quarterly monitoring of risks in delivering the Council's strategic objectives,
- Driving risk management forward and maintaining its profile within all Teams,
- Sharing experiences on this risk management policy and its use across the Council,
- Disseminating information on emerging issues to all staff,
- Agreeing risk management proposals,
- Bringing together the specialist skills needed for the promotion of successful risk management within the Council.

Corporate Governance Group

Ensure Council compliance and efficacy of risk management arrangements, underpinning the Council's performance and management framework, particularly in respect of the Annual Governance Statement

Performance Management Team

- Develop, seek agreement and deploy the Council's risk management arrangements underpinning the Council's performance and management framework to deliver effective and efficient public services.
- Actively identify, assess emerging risks and corporate risks on a monthly basis
- Carrying out quarterly monitoring of corporate risks in delivering the Council's strategic objectives and reporting on progress to the Audit Committee

Heads of Teams

Heads of Teams have responsibility for minimising risk within their teams. They will demonstrate their commitment to risk management through:

- Being actively involved in the identification and assessment of risks
- Developing relevant action plans for the key risks and establishing relevant performance indicators to measure their performance through the performance management framework
- Incorporating the risk management process into business/service planning processes
- Monitoring the Teams' risks regularly and on no less than a quarterly basis
- Encouraging staff to be open and honest in identifying risks or potential opportunities
- Ensuring that the risk management process is part of all major projects and change management initiatives
- Monitoring and reviewing action plans regularly to effectively treat risks

Risk and Insurance Advisor

The role of the Risk and Insurance Advisor is to:

- provide technical risk management support across the Council
- provide assistance with and prepare management reports
- support the Performance Management Team, Corporate Risk Group and Corporate Business Manager on risk related issues
- facilitate the procurement of the Council's insurance programme and the management of claims

All Staff

All staff have responsibility for Council risks and must understand their role in the Council's risk management arrangements. Training and support will be provided through induction training, ongoing training programmes and annual appraisals. All staff will be expected to know how to evaluate risks, when to accept risks and to recognise that risks can create opportunities for the Council.

Internal Audit

Internal Audit's role is seen as challenging established processes, challenging risk identification and evaluation and providing assurance to Members and Officers on the effectiveness of treatment plans and controls. It will be responsible for undertaking an assessment of the Council's risk management and internal control mechanisms as part of the review of corporate governance arrangements.

The following matrix is a broad summary of responsibilities:

	Develop the Risk Management Policy	Agree the Risk Management Policy	Provide advice and support on Policy development, and monitoring compliance	Implement the Risk Management Policy	Share experience of Risk Management issues	Review the effectiveness of the Risk Management Policy
Members		•			•	
Cabinet		•				•
Audit Committee						•
Corporate Management Team		•	•	•	•	
Corporate Governance Group			•		•	•
Performance Management Team	•	•		•	•	
Heads of Teams				•	•	
Risk and Insurance Advisor	•		•		•	
All staff				•	•	
Internal Audit					•	•