

AUDIT COMMITTEE

29 JUNE 2011

RISK MANAGEMENT UPDATE

REPORT OF CHIEF EXECUTIVE

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RECENT REFERENCES:

[PS437](#) – Risk Management Update, 14 February 2011

[CAB2125](#) - Budget and Council Tax 2011/12, 9 February 2011

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

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

EXECUTIVE SUMMARY:

This report provides the first quarterly update since the implementation of the Risk Management Policy 2011.

The Council's Risk Profile reveals the Corporate Risk Register including the progress in treating the risks identified. 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 significant on Governance.

Additional training is planned to support the Council in managing its risks. There will be a specific focus on contract mobilisation and the officer use of the risk assessment tool.

The shared understanding of how the Council manages its risks, and the progress in treating such risks, remains an important tool in containing expenditure. Keeping the Covalent system up to date enables the Council to provide a monthly update on the Intranet of the Risk Register to all members and officers.

RECOMMENDATIONS:

That the Committee take note of:

1. The requirement to provide more information in the judgement of current and target risk scores.
2. The Corporate Risk Register and the progress in treating these risks
3. The intention of reporting progress with Emerging Issues and Corporate Risk together
4. Additional training in the use of the Risk Assessment Tool
5. Additional guidance to officers in outlining Risk Management Issues within Committee reports.

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REPORT OF CHIEF EXECUTIVE

DETAIL:

1. Introduction

- 1.1 This is the first quarterly report since Principal Scrutiny Committee endorsed the Corporate Risk Register and Assessment in February 2011. Cabinet subsequently approved the Risk Management Policy 2011, revising arrangements for managing Council risks, in March 2011.
- 1.2 The effective management of Council risks is a key component to its Corporate Governance and Performance Management. A separate report (AUD003 elsewhere on this Committee's agenda) is being presented with regard to the Council's Governance along with the Annual Governance Statement for 2010/11.
- 1.3 The 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. Due to the relatively short period since implementation, more time is required before the effectiveness of the changes can be assessed.

2. Risk Profile

- 2.1 Appendix A refers to the Corporate Risk Register as 1 June 2011.
- 2.2 Appendix B refers to the Corporate Risk Monitoring Report providing officer information on progress with the risks.
- 2.3 The Audit Committee will note that the Current and Emerging Issues within the Corporate Risk Register have been considered by the Corporate Governance Group in the preparation of the Annual Governance Statement (report AUD003 refers).
- 2.5 For the remainder of 2011/12 it is proposed that the Council will jointly report on the progress with current and emerging issues and the Corporate Risk Register.
- 2.4 The criteria for the current and target Risk Score is defined with the Council's Risk Rating Card within the Risk Management Policy. The scoring of the existing Corporate Risks was completed in December 2010. The results of

the reassessment will be made available in the annual risk assessment in September 2011.

3. Officer and Member Support

- 3.1 Implementation of the arrangements defined within the Risk Management Policy 2011 will require additional support to members and officers. This will be by means of formal presentations within induction, 1:1 surgeries and more specific guidance in the preparation of committee reports.
- 3.2 The mobilisation of major new services is to include risk management training particularly for task based Health and Safety risks. This is planned for contracts within Environmental Services and Landlord Services in August and September 2011. A similar session is being researched for Leisure Service contracts at a later time in the year.
- 3.3 Officers are involved in operational risk management peer group reviews with other Hampshire Public Sector organisations. A seminar was arranged with the Hampshire Insurance Forum including the Hampshire Association of Local Councils. This included a review of playgrounds and open spaces risks along with the prospect of sharing local maintenance and inspection services.
- 3.4 The Risk Management Policy 2011 includes a Risk Assessment tool. This encourages an officer team to come together and undertake a systemic approach to the assessment of Council risks. This methodology enables teams to conclude a shared understanding of its risks and each team's contribution in managing the risks to the Council. It is planned to undertake a review of how teams have used the Risk Assessment Tool. The feedback will help managers assess effectiveness including the required competencies within performance appraisals

4. Communication

- 4.1 The information contained with the Council's Risk Register (Appendix A) and Monitoring Report (Appendix B) is derived from the Performance Management Team's Risk Assessment recorded in the Covalent system. The reports are posted on a monthly basis on to the Council's Intranet [site](#) for members and officer information.
- 4.2 Keeping the Covalent Record system up to date with progress in the Council's performance and emerging issues is vital in ensuring the assessment is current. This will help effective decision making and accurate assessment of the direction in travel to achieve target outcomes and the Council's strategic objectives.

OTHER CONSIDERATIONS:

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

- 5.1 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.
6. RESOURCE IMPLICATIONS:
- 6.1 The resource implication is the officer time in completing the risk assessments and recorded within the Council's Covalent system which generates the Risk Register.
- 6.2 The value to the Council is the effective use of its risk assessment within decision making within Change Plans, Business/Service Plans and Governance arrangements. This 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 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 Policy 2011](#)

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

APPENDICES:

Appendix A – Corporate Risk Register

Appendix B – Corporate Risk Management Report



Corporate Risk Register April 2011 – March 2012

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.

Risk Scores are calculated by multiplying the Impact score by the likelihood score, a guide to the risk scoring can be found on the next two pages.

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.

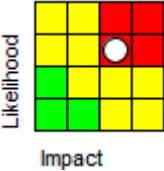
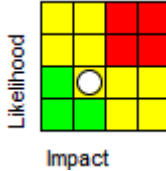
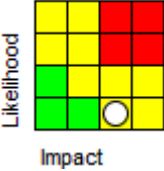
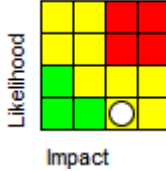
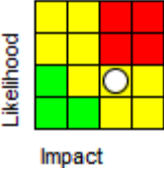
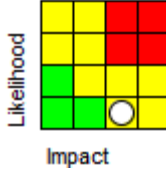
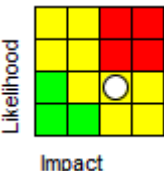
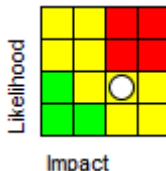
IMPACTS				
	(1) Minor	(2) Medium	(3) Major	(4) Catastrophic
Financial Impact	£0K - £20K	£20k - £200K	£200K - £2M	£2M plus
Service Provision	No effect	Slightly Reduced	Service Suspended Short Term / reduced	Service Suspended Long Term/Statutory duties not delivered
Health & Safety	Sticking Plaster / 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

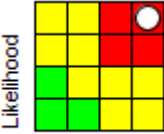
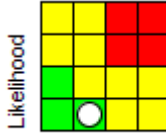
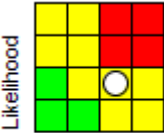
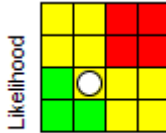
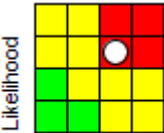
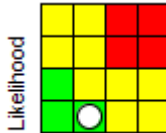
The following table gives details of how the likelihood is assessed and scored.

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:

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

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	Obstacles to the making of a CPO leading to delays in regeneration resulting in deterioration of Council assets and lost opportunity.	Steve Tilbury		1. Project Management	
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 procedures	

Risk Number	Short Name	Full Name (Cause/Effect/Impact)	Risk Ownership	Current Risk Score	Treatment - Change Plans reference	Target Risk Score
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"> Effective management of Housing Account investment. Organisation review including management of cost Improved data quality of stock Operation of Asset Management system. 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 	
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 service.	Simon Eden		<ol style="list-style-type: none"> Business Plans Change Plans Project & Performance Monitoring reports 	

Risk Number	Short Name	Full Name (Cause/Effect/Impact)	Risk Ownership	Current Risk Score	Treatment - Change Plans reference	Target Risk Score
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 System	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 Procedure Rules 3. Effective 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 	
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		<ol style="list-style-type: none"> 1. Shared service project plans 	

Risk Number	Short Name	Full Name (Cause/Effect/Impact)	Risk Ownership	Current Risk Score	Treatment - Change Plans reference	Target Risk Score
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	
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	



Corporate Risk Register Monitoring Report – June 2011 update

Introduction

This report provides an update on the progress that has been made against the programmes and projects that mitigate or treat those risks that are included in the Corporate Risk Register. The report includes details of the causes and consequence or impact for each of the risks and the current risk score. A guide to the approach and methodology of scoring the risks can be found with the corporate risk register.

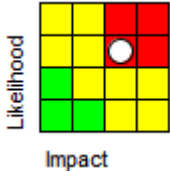
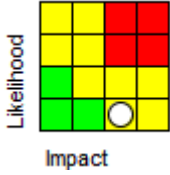
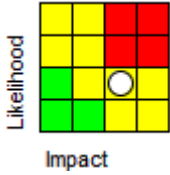
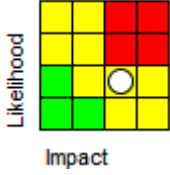
The schedule of corporate risks has initially been approved by the Council's Performance Management Team on 18 December 2010 and Principal Scrutiny Committee on 14 February 2011. The schedule identifies and evaluates the significant risks faced by the Council and follows the guidance as set out in the 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:

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Corporate Risk Reporting – June 2011

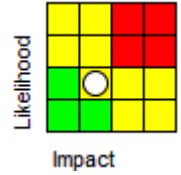
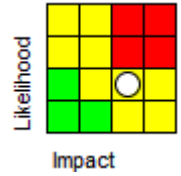
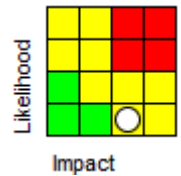
As at 1 June 2011



Risk Number	Short Name	Managed By	Cause	Effect/Impact	Current Risk Score	Latest Note
CR5001	Climate Change	Robert Heathcock	<ul style="list-style-type: none"> - Failure to adapt - Failure to mitigate - Day to day activities not changing - No member support - Failure to invest in activities/policies to reduce impact 	<ul style="list-style-type: none"> - Unable to react to effects of climate change - Increasing costs of energy use. - Reputation 		Climate change programme revised in order to ensure a realistic programme of delivery including wider engagement of Heads of Teams. Energy Manager post to be appointed 6 th June to address energy management issues (1/6/11)
CR5002	Silver Hill Development	Steve Tilbury	<ul style="list-style-type: none"> - Legal challenge - Unsound business case - Investor reappraisal or delay - External factors delaying CPO 	<ul style="list-style-type: none"> - Additional unplanned investment in asset management - Loss of reputation and confidence - Impact on Winchester retail environment 		Report to Cabinet on 15 June 2011 (report CAB2183 refers) to update in progress and restart CPO process.
CR5003	Asset Management	Stephen Whetnall	<ul style="list-style-type: none"> - Delays/defects in major service procurement - Delays/defects in key support service project procurement/delivery - Insufficient resources - Insufficient prioritisation - Ineffective partner working - Ineffective/incomplete Asset Management Plan 	<ul style="list-style-type: none"> - Unforeseen structural problems resulting in unplanned expenditure on mitigation. - Key assets become unusable - Loss of income/value - Forced sale 		Asset Management Plan scheduled to be presented to Cabinet in July for approval.
CR5004	Financial Strategy	Alexis Garlick	<ul style="list-style-type: none"> - Slowdown in the Economy impacting on the Council's income - Uncertainty over timing and effect of legislative changes by the Government - continued uncertainty in 	<ul style="list-style-type: none"> - Budget pressures - Overspends and correction impacts - Reduced operational activity - Business Plan targets not met 		The Financial Strategy to be presented to Cabinet in July will include an updated forecast for the current year- 2011/12

Risk Number	Short Name	Managed By	Cause	Effect/Impact	Current Risk Score	Latest Note
			financial markets	- Unplanned resource reductions - Reduced investment income		
CR5005	HRA Reform	Richard Botham	Changes in WCC liability of the allocated National Housing Debt arising from - fluctuations in the financial market - variation in Central Government Policy (Community and Local Government) Ineffective management of service Poor investment performance	- Decent Housing plus standard - Tenant dissatisfaction - Challenge of service delivery - HRA service taken over - Correlation effect on Council services	<p>Likelihood</p> <p>Impact</p>	
CR5006	Business Changes and Workforce Planning	Simon Eden	- Not implementing the workforce plan including FRM, - Not providing community leadership, - EDRMS roll out not completed, - Resistance to change	- Negative effect on reputation - Increased costs in delivering the service - Loss of external funding opportunities - Not meeting the resource requirements required by the Authority	<p>Likelihood</p> <p>Impact</p>	
CR5007	Performance and Project Management	Simon Eden	- Poor achievement or demonstration of community leadership, service delivery, meeting objectives, value for money, efficiencies and risk management.	- Negative effect on reputation - Failure to achieve freedoms and flexibilities. - Increased costs - Loss of external funding opportunities. - Impact on key services -	<p>Likelihood</p> <p>Impact</p>	

Risk Number	Short Name	Managed By	Cause	Effect/Impact	Current Risk Score	Latest Note
				waste, housing - EDRMS not rolled out delaying flexible working and office configuration - Major service disruption		
CR5008	Equality Assessment	Alison Gavin	- Failure to impact assess changes to service delivery - Changes to strategy	- Financial impact following successful claim - Damage to reputation - Fall in customer confidence - Possible investigation by Commission of Equalities		
CR5009	Business Continuity	Steve Tilbury	- Not maintaining an effective corporate wide Business Continuity Plan. - Not regularly testing of plan and follow up. - Lack of community involvement and awareness. - Natural or man-made event unforeseen - Key staff unavailable - Administrative centres out of action - Communication systems ineffective	- Unacceptable delay and uncertainty in returning to normal working after a fortuitous event or emergency (business interruption) - Unable to meet legal requirements - Adverse publicity - Possible member criticism - Social impact – environmental damage, benefits, refuse collection etc. 6. Loss of documentation		
CR5010	Financial Management System	Alexis Garlick	- Lack of development resources	- weaknesses in financial controls -Efficiencies not achieved		Although the new financial system was implemented in October 2010, there is still significant development work to be done if all the potential benefits are to be achieved from it.

Risk Number	Short Name	Managed By	Cause	Effect/Impact	Current Risk Score	Latest Note
CR5011	Control Weakness identified by Internal Audit	Stephen Whetnall	- Weak or ineffective internal control	- Financial loss to the Council - Negative impact on reputation - Impact on staff time		
CR5012	Shared Services	Simon Eden	- Weak governance between partner authorities, - Authorities unable to reach agreement	- Wasted resources - Inefficient service delivery - Loss of opportunity		
CR5013	Environmental Services Contract	Robert Heathcock	Contractor failure to perform Contract let at unrealistic terms Breakdown of relationship within partnership due to differences on shared vision goals and priorities Weak Partnership governance to address performance Contractor ceases trading	Customer satisfaction failure to realise benefits Unable to deliver the service to the community Service suspended or taken over		

Risk Number	Short Name	Managed By	Cause	Effect/Impact	Current Risk Score	Latest Note
CR5014	LDF and Local Plan	Steve Tilbury	<ul style="list-style-type: none"> - Failure to follow/understand fully procedures and guidance - Over critical Inspector - New guidance/procedures published at a late stage - Prolonged staff vacancies /illness/ recruitment difficulties/ staff budget cut-backs 	<ul style="list-style-type: none"> - Corporate priorities (housing and environment) more difficult to achieve due either to reduced opportunity or failure to adapt. - Being unable to adapt to changing demographics and population. - Required infrastructure not delivered. - Inappropriate development occurring. 		
CR5015	Changes to governance arrangements	Stephen Whetnall	<ul style="list-style-type: none"> - Sudden or unforeseen changes in central government policy or political control, - Change in Council's political structure 	<ul style="list-style-type: none"> - Less funding available, - Change in targets and priorities, - Difficulty in adapting to changes, 		
CR5016	South Downs National Park	Steve Tilbury	<ul style="list-style-type: none"> - Not having sufficient representation on Park Authority - Park Authority not delegating planning decisions to WCC - Transfer of staff to Park Authority 	<ul style="list-style-type: none"> - Lack of influence over PA decisions - Planning decisions not agreed locally - Fees may not be received to cover planning work - Loss of key staff 		
CR5017	Health & Safety	Alison Gavin	<ul style="list-style-type: none"> - Lack of training and supervision - Inadequate risk assessment and record keeping - Contract failure; lack of knowledge of contractor performance - Poor partnership working 	<ul style="list-style-type: none"> - Injury or death to persons - Fines and/or imprisonment - Loss of officer time - Failure of service - Loss of building use - Loss of grant or income - Loss of confidence, staff morale and negative reputation impact 		