

AUDIT COMMITTEE

5 December 2011

ANNUAL GOVERNANCE STATEMENT AND CORPORATE RISK MONITORING
REPORT

REPORT OF CHIEF EXECUTIVE

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RECENT REFERENCES:

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

[AUD2](#) Risk Management Update, 29 June 2011

[AUD12](#) Annual Governance Report, 26 September 2011

[AUD13](#) Statement of Accounts 201/11 (post-audit), 26 September 2011

EXECUTIVE SUMMARY:

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

Although separate documents in their own right, because of the overlap of the issues identified in the both the Annual Governance Statement and the Corporate Risk Register, at the last meeting the Audit Committee resolved that future monitoring reports should be combined.

RECOMMENDATION:

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

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DETAIL:

1. Introduction

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

2. Monitoring Report – Appendix 1

- 2.1. At the last meeting, the Committee resolved that future monitoring reports that provide an update on the progress made against the issues included in the Annual Governance Statement and the risks included in the Corporate Risk Register should be combined into one single report.
- 2.2. The information contained with the Council's Risk Register and the Annual Governance Statement is recorded in the Council's Performance Management System; Covalent. Furthermore, the actions and progress against these actions is also recorded on Covalent.
- 2.3. Appendix 1 includes an update on the progress that has been achieved so far this year for each of the actions that are in place to mitigate or treat the risks.
- 2.4. Table 1 of the Appendix combines the issues and risks and includes the reference to the corresponding risk on the Corporate Risk Register.
- 2.5. The criteria for the current and target risk score is defined with the Council's Risk Rating Card within the Risk Management Policy which was included as an Appendix to report [AUD2](#), Risk Management Update, 29 June 2011.
- 2.6. Table 2 of the Appendix includes the risks taken from the Corporate Risk Register that do not appear as issues on the Annual Governance Statement.

OTHER CONSIDERATIONS:

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

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

4. RESOURCE IMPLICATIONS:

4.1. The resource implication is the officer time in completing the risk assessments and recorded within the Council's Covalent system which generates the Risk Register.

4.2. The value to the Council is the effective use of its risk assessment within decision making within Change Plans, Business/Service Plans and Governance arrangements. This in turn assists in the availability of insurance cover at affordable cost.

4.3. The costs associated with the actions themselves are covered within team budgets.

5. RISK MANAGEMENT ISSUES

5.1. Risk Management helps the Council set priorities and decide on the allocation of valuable resources. If Council risks are not managed effectively, and clearly evidenced, the Council may 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:

Annual Governance Statement

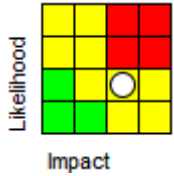
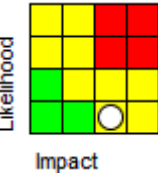
Corporate Risk Register

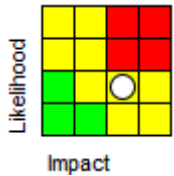
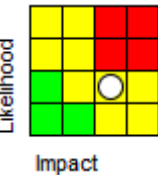
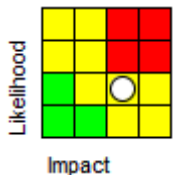
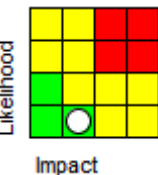
APPENDICES:

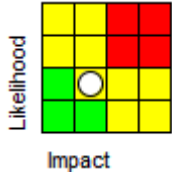
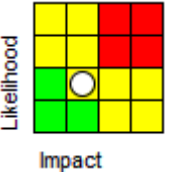
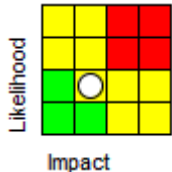
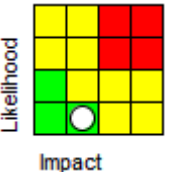
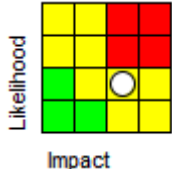
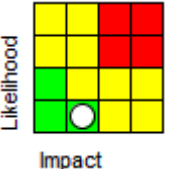
Appendix 1 – Annual Governance Statement and Corporate Risk Monitoring Report

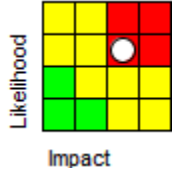
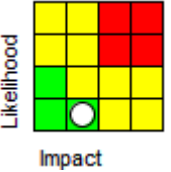
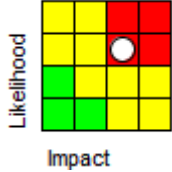
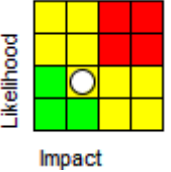
ANNUAL GOVERNANCE STATEMENT AND CORPORATE RISK MONITORING REPORT

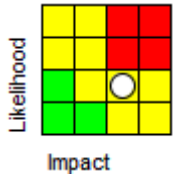
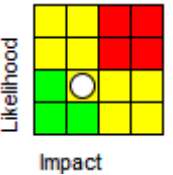
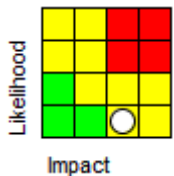
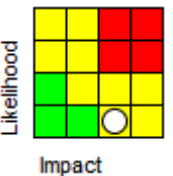
Table 1

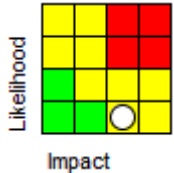
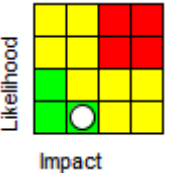
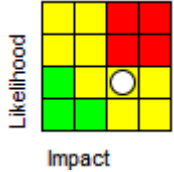
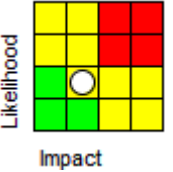
Issue	Action To Be Taken	Lead Officer	Current Risk Score	Target Risk Score	Progress / Comments
Asset Management <i>Corporate Risk: CR5001</i>	Maintain an up to date Asset Management Plan and ensure that financial aspects of the Council's fixed assets are appropriately incorporated into the financial planning process, taking account of the possible impact of the current economic situation on the Council's properties.	Stephen Whetnall			Significant capital expenditure was incurred on the Council's fixed assets in 2010/11 including the completion of major works on the Guildhall Community facility. There are already a number of capital project approvals and work in progress including preparations for relocation the depot and structural repairs required for Abbey Mill. Draft Asset Management Plan prepared and ISG recommendations on it to be considered by Cabinet in Dec 2011 (OS24 refers). Draft Capital Programme for 2012/13 already makes provision for high priority works in Plan – apart from RPLC for which funding still needs to be identified.

Issue	Action To Be Taken	Lead Officer	Current Risk Score	Target Risk Score	Progress / Comments
<p>Setting and achieving priorities within the context of recession and reduced resources for local government</p> <p><i>Corporate Risk: CR5004</i></p>	<p>Continued improvement in consultation on Council priorities / budget.</p> <p>Improvement of links between corporate and departmental business planning, aligning departmental business plans to the Sustainable Community Strategy and Change Plans over a five year period.</p> <p>The financial strategy to be more effectively linked to asset, IT and human resource management.</p> <p>Effective Flexible Resource Management to achieve target savings.</p>	Alexis Garlick			<p>The Council set a Budget for 2011/12, in the context of a balanced 3 year medium term financial plan, and the Budget was revised in September in response to lower income levels. The link between the Council's priorities and the SCS has been strengthened by the Change Plans introduced from 2011/12, and further alignment of the budget with these plans will occur for 2012/13. The Budget is currently being consulted on alongside the review of the Change Plans.</p>
<p>Shared Services</p> <p><i>Corporate Risk: CR5012</i></p>	<p>Continue to develop shared services where there is efficiency or improvement led case for doing so.</p>	Simon Eden			<p>Council is developing a range of shared services projects including:</p> <ul style="list-style-type: none"> - Personnel services - Housing services (based on the Hampshire Home Choice service) - Regulatory services - Tourism - Museums services <p>Shared services already in place include IT, Revenues & Benefits and Internal Audit. Each will be</p>

Issue	Action To Be Taken	Lead Officer	Current Risk Score	Target Risk Score	Progress / Comments
					developed further over time. Leaders will consider on 5 December consultancy advice on next steps in two of the areas.
Equality Assessments <i>Corporate Risk: CR5008</i>	The Council has completed all Equality Impact Assessments (EIAs) covering priority areas as set out in the programme along with a number completed in new areas of work. Work continues with the programme of EIAs and compliance with the Equality Framework.	Alison Gavin			A new programme has been agreed by Corporate Management Team (CMT). Policies and Equality Assessment Process reviewed and agreed by Cabinet in June (CAB2186 refers) which has now been implemented.
Financial Management <i>Corporate Risk: CR5010</i>	Further development and strengthening of the internal control financial procedures, by the introduction of control accounts for subsidiary financial systems including payroll, and enhanced monitoring of reconciliations.	Alexis Garlick			All Balance Sheet accounts have been assigned to an accountant as reviewer, and monthly monitoring procedures are now in place. A payroll control account is under development. Systems administration procedures are also under review.
Housing Options <i>Corporate Risk: CR5005</i>	In accordance with the wishes of its tenants the Council retains its housing stock of approximately 5,000 dwellings. The Council is now considering its response to	Richard Botham			Business plan modelling and sensitivity analysis undertaken. Base business plan for 2012 subject to consultation and will be

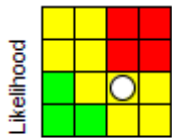
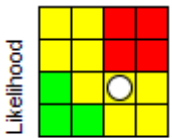
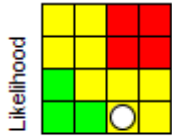
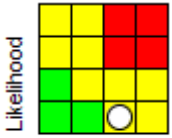
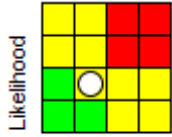
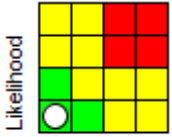
Issue	Action To Be Taken	Lead Officer	Current Risk Score	Target Risk Score	Progress / Comments
	the Government's proposals for the reform of the housing finance system. It will then await the Government's detailed timetable for implementation which will drive its own arrangements and investment plans.				considered by Cabinet (Housing) Committee on 6 December. Treasury management options will be considered by Cabinet Informal Policy Group in December.
Performance Management, New National Performance Framework and Scrutiny Development <i>Corporate Risk: CR5007</i>	Ensure commitment to achievement of the Council/WDSP target on carbon reduction across the district and provide leadership to obtain commitment from key organisations currently not involved in the partnership. Make resources available to reduce the carbon footprint of the Council which will in turn impact on the efforts for reduction in the wider community.	Simon Eden			Council has agreed and implemented new arrangements for Scrutiny which focus Member time on scrutiny through task-and-finish groups. A separate Audit Committee is now established. New performance management regime, based on corporate Change Plans has been developed. A review of the new arrangements will take place in April 2012.
Leading the response to Climate Change <i>Corporate Risk: CR5001</i>	Ensure commitment to achievement of the Council/WDSP target on carbon reduction across the district and provide leadership to obtain commitment from key organisations currently not involved in the partnership. Make	Rob Heathcock			Significant progress made since last report including development of internal carbon reduction initiatives, appointment of energy manger. ISG review of progress, refresh of travel plan and development of delivery group.

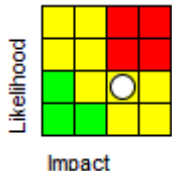
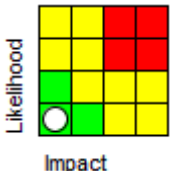
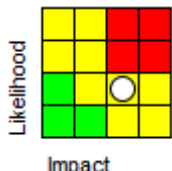
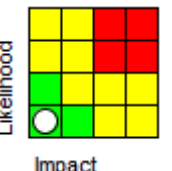
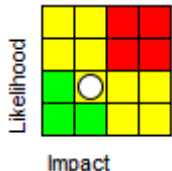
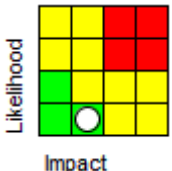
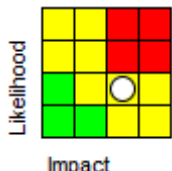
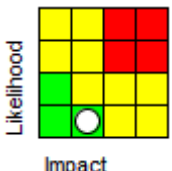
Issue	Action To Be Taken	Lead Officer	Current Risk Score	Target Risk Score	Progress / Comments
	resources available to reduce the carbon footprint of the Council which will in turn impact on the efforts for reduction in the wider community.				Climate Change Programme Board established with clear programme and wider participation by focusing of WDSP Transport Group and the Area based Insulation project.
Capacity <i>Corporate Risk: CR5006</i>	Ensure capacity to deliver priorities.	Simon Eden			Performance Management Team leads in monitoring progress with key projects and managing capacity to ensure delivery of priorities. The 1-team approach to staff deployment continues to assist with directing staff resource to priority areas.
Silver Hill <i>Corporate Risk: CR5002</i>	Henderson Global Investments have now acquired Thornfield interest in scheme and are progressing.	Steve Tilbury			CPO information requisitioning process completed. CPO plan updated and signed off Statement of Reasons and other documents revised. Conference with Counsel undertaken and satisfactory advice received. Indemnity agreement agreed and signed. CPO made 21 November 2011.

Issue	Action To Be Taken	Lead Officer	Current Risk Score	Target Risk Score	Progress / Comments
<p>The Mobilisation of new contracts</p> <p><i>Corporate Risk: CR5013</i></p>	<p>Underway, with Project Teams leading for each contract.</p>	<p>Robert Heathcock</p>			<p>Difficulties experienced with both waste management and streetcare contracts following commencement of contract. Recovery plans are in place with the aim of restoring services to business as usual status as soon as possible.</p>
<p>Commissioning</p> <p><i>Not identified as a Corporate Risk on the Risk Register</i></p>	<p>Developing approach to allocating resources to secure priority outcomes, in particular through closer working with voluntary and community sector.</p>	<p>Assistant Directors</p>			<p>Initial commissions have been placed following consultation and training with voluntary sector, businesses and other agencies. ISG established to review the links between the voluntary sector and commissioning which has begun work and will report later 2011/early 2012.</p>

Corporate Risks not identified in the Annual Governance Statement

Table 2

Issue	Action To Be Taken	Lead Officer	Current Risk Score	Target Risk Score	Progress / Comments
Financial Strategy <i>Corporate Risk: CR5004</i>	Ensure that the Financial Strategy supports the need for the Council to meet objectives and deliver services in the current economic climate.	Alexis Garlick	 Likelihood Impact	 Likelihood Impact	The Financial Strategy approved by Cabinet in July included an updated forecast for the current year 2011-12 in response to the changing economic climate.
Business Continuity <i>Corporate Risk: CR5009</i>	Maintain an effective corporate wide Business Continuity Plan.	Steve Tilbury	 Likelihood Impact	 Likelihood Impact	Individual plans for all critical functions have been updated, except for Car Parks. Supporting Plan documentation is currently being reviewed. There is a requirement to hold an exercise to test the updated Plan to be undertaken by the end of March 2012.
Control Weaknesses identified by Internal Audit <i>Corporate Risk: CR5011</i>	Maintain effective internal control by having an internal audit service.	Stephen Whetnall	 Likelihood Impact	 Likelihood Impact	Follow up internal audit review of high risk actions in progress. To be considered by Audit Committee in Dec 2011.

Issue	Action To Be Taken	Lead Officer	Current Risk Score	Target Risk Score	Progress / Comments
LDF and Local Plan <i>Corporate Risk: CR5014</i>	Council to approve draft Local Plan Core Strategy for enquiry in 2012	Steve Tilbury			Draft Core Strategy to LDF Cabinet on 28 November 2011 and then to be approved by Council on 8 December 2011.
Changes to governance arrangements <i>Corporate Risk: CR5015</i>	<ol style="list-style-type: none"> 1. Implement changes arising from Strengthened Leader with Cabinet and revised scrutiny arrangements approved by Council on 6 April 2011. 2. Consider the implications of the Localism Bill when enacted, and options for any changes required for 2012/13. 	Stephen Whetnall			Strengthened Leader with Cabinet and revised scrutiny and Audit Committee arrangements now implemented. Review of Members Allowances Scheme to take account of these changes taking place in Nov 2011. Further changes arising from the Localism Bill will be considered after the Bill is enacted in Winter 2012.
South Downs National Park <i>Corporate Risk: CR5016</i>	Maintain performance of delegated planning service in accordance with SLA. Agree draft Core Strategy with South Downs National Park Authority (SDNPA).	Steve Tilbury			Current performance meets SLA requirements. Core Strategy to be considered by SDNPA in December 2011.
Health and Safety <i>Corporate Risk: CR5017</i>	Working to the Health and Safety Corporate Action Plan and providing regular updates to Corporate Management Team to ensure compliance and completion.	Alison Gavin			Regular update reports presented to Corporate Management Team. No outstanding Health & Safety issues.