

AUDIT COMMITTEE

29 SEPTEMBER 2016

CORPORATE RISK UPDATE

REPORT OF HEAD OF POLICY AND PROJECTS

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RECENT REFERENCES:

[AUD156](#) – Risk Management Policy 2016, 28 June 2016

[AUD146](#) – Corporate Risk Update, 10 March 2016

EXECUTIVE SUMMARY:

This Report provides an update on the risk scores for each of the Corporate Risks and of any changes since the last time these were reported (Report AUD156, 28 June 2016 refers). An explanation as to the reasons for the changes is also provided.

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

RECOMMENDATION:

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

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### CORPORATE RISK UPDATE

#### REPORT OF HEAD OF POLICY AND PROJECTS

##### DETAIL:

#### 1. Introduction

- 1.1 At its meeting on 6 July 2016, Cabinet approved the updated Risk Management Policy 2016 which defines the Council's arrangements for managing risk (Report AUD156 refers).
- 1.2 Included within the Policy were the updated Corporate Risks which had been reviewed and agreed by Performance Management Team and consisted of the risks that are of greatest significance to the Council, in the context of the Council's assessment of its risk appetite.
- 1.3 This report provides an update on any changes to the individual risk impact and likelihood scores along with an update on progress against the actions that were agreed to support the management of each of the Corporate Risks.

#### 2. Corporate Risk Monitoring

- 2.1 Included in Appendix 1 to the Report is an update on any changes to the risks that were included in the previous report, for example, an increase or decrease in probability or impact of a risk occurring. Also provided is a brief explanation of the reasons for the change in risk score.
- 2.2 Also included in Appendix 1 is an update on the progress achieved against the future actions required to continue to manage or reduce the risks associated with each of the Corporate Risks.
- 2.3 The diagram below is a 'heat map' which presents visually the results of a risk assessment process for each of the Corporate Risks against the Council's score matrix.
- 2.4 The 'heat map' shows the number of Corporate Risks that have been scored against the impact and likelihood criteria that are included in the Risk Management Policy.

Corporate Risk Heat Map

		I M P A C T			
		Low	Moderate	Major	Significant
L I K E L I H O O D	Highly Likely				
	Likely		①	①	①
	Unlikely	①	①	③	
	Highly Unlikely				

Corporate Risks 2016				
Risk	Brief Description	Likelihood Score	Impact Score	Risk Score
Asset Management	Includes the risks that the Asset Management Plan is not fit for purpose or not adequately funded to enable the Council to properly manage its property portfolio.	Likely	Significant	12
HRA Finance	Risks arising from the introduction of The Welfare and Housing and Planning Bills which have both placed additional pressures on the HRA.	Likely	Major	9
Environmental Risks	Includes the following risks, impact from adverse weather conditions and climate change.	Likely	Moderate	6
Programme Management and Major Projects	Risks include insufficient or inefficient use of skills and resources to enable progress of the Council's programmes and major projects to continue to schedule. Also includes the risk of failing to properly consult and engage with stakeholders relating to major projects.	Unlikely	Major	6
Transformation	Risks associated with the Council's Transformation programme.	Unlikely	Major	6
Financial Stability	Unpredictable or unforeseen changes that affect the Council's financial position, including reductions in income and reserves balances and the ability to set a balanced budget.	Unlikely	Major	6
Governance and Control Weaknesses	Includes the risk of weak or ineffective governance and control arrangements at the Council that could lead to a potential loss or reputational damage.	Unlikely	Moderate	4

Commissioning	Under this heading, the following risks are included; shared working arrangements and partnership working	Unlikely	Low	2
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### 3. Embedding the Risk Policy Across the Council

- 3.1 It is important that the Council consistently manages its risks and follows the principles included in the updated Risk Management Policy.
- 3.2 The roll out of the Risk Management Policy across the Council continues with Heads of Teams and service managers reviewing their operational risks as part of service planning for 2017/18. A workshop for senior managers has been arranged for the 1 November.
- 3.3 A revised template for Council Committee reports was approved by Cabinet on 7 September 2016 (report CAB2834 refers). The template strengthens the risk management issues section in Committee reports.

### 4. Escalation and de-escalation of risks

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

### OTHER CONSIDERATIONS:

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

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

#### 6. RESOURCE IMPLICATIONS:

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

#### 7. RISK MANAGEMENT ISSUES

- 7.1 Risk Management helps the Council set priorities and decide on the allocation of valuable resources. If Council risks are not managed effectively, and clearly

evidenced, the Council will be open to legal challenge, financial loss or damage to its reputation resulting in reduced public confidence.

- 7.2 The Council's Risk Register, reflecting the Council's exposure to risk, is contained within the Covalent Performance System. Monthly extracts of the Risk Register are located in the Council's Intranet/Risk and Insurance to inform Members and Officers.
- 7.3 The explicit and implicit reference to management of risks helps the Council achieve its strategic objectives and support the Community Strategy and exploit opportunities. To this end Members and Officers need to challenge and support the Council with their risk assessment and their treatment plans.

BACKGROUND DOCUMENTS:

None.

APPENDICES:

Appendix 1 Progress updates for each of the Corporate Risks

<b>Risk Title:</b> Asset Management		
<b>Risk Owner:</b> Assistant Director (Estates and Regeneration)		
<b>Risk Description:</b> Lack of long term planning and prioritisation of maintenance and repairs <b>leading to</b> non-housing assets falling into disrepair <b>resulting in</b> unforeseen expenditure and inability to maximise income or capital receipts.		
<b>Current Risk Score:</b>	Likelihood = <b>Likely</b> Impact = <b>Significant</b>	<b>Changes to risk scores:</b> Risk divided into two parts, (i) AMP is not fit for purpose. (ii) not adequately funded to enable the Council to properly manage its property portfolio. The resource risk will reduce when the new 5 year AMP has been fully considered by Cabinet.
<b>Previous Risk Score:</b> 28 June 2016	Likelihood = <b>Likely</b> Impact = <b>Significant</b>	
<b>Financial Impact:</b> Property - Asset Management Plan Reserves forecast at £3.7m at 31 March 2016.		
<b>Progress against actions to manage the risks:</b> <ul style="list-style-type: none"> <li>• <b>Work closely with leadership team</b> – <i>the AD (Estates&amp; regeneration) continues to work closely with the Leader, Portfolio Holder for Estates, AD (Housing), AD Major Projects, Head of Finance and CMT updating them of asset management issues as they arise.</i></li> <li>• <b>Update Asset Management Plan</b> – <i>The cost element of the new AMP have been finalised and the new plan and report is being prepared.</i></li> <li>• <b>Ensure Estates Team keeps up with local market trends</b> – <i>The team reviews market developments in all appropriate property sectors and uses specialist external consultant advice where it is appropriate to do so.</i></li> </ul>		

<b>Risk Title:</b> Programme Management and Major Projects		
<b>Risk Owner:</b> Assistant Director (Policy & Planning)		
<b>Risk Description:</b> Overambitious Council <b>leading to</b> staff being overburdened <b>resulting in</b> projects not being delivered within agreed timescales and anticipated income not received.		
<b>Current Risk Score:</b>	Likelihood = <b>Unlikely</b> Impact = <b>Major</b>	<b>Changes to previous risk scores:</b> Reduced likelihood due to new processes and systems being established and increased projects budget having been agreed.
<b>Previous Risk Score:</b> 28 June 2016	Likelihood = <b>Likely</b> Impact = <b>Major</b>	
<b>Financial Impact:</b> £300,000 pa		
<b>Progress against actions to manage the risks:</b> <ul style="list-style-type: none"> <li>• Increased project delivery budget and extra staff resources secured.</li> <li>• Improved establishment of project budgets and use of specialist consultancies to assist where in house skills/ resources are not available,</li> <li>• Follow up LGA audit and assistance of Project Management Procedure,</li> <li>• Establishment of active Programme Risk Register,</li> <li>• Active Consideration be given Project Assurance Techniques with LGA support,</li> <li>• Active use of Business Cases for major projects and completion of formal training for staff,</li> <li>• Implementation of political champions for Major Projects,</li> <li>• Formulation of Major Projects Consultation Strategy,.</li> <li>• Establishment of Major Projects Committee,</li> <li>• Leader's Board regularly consider priorities and informed by Performance Management Team</li> </ul>		

<b>Risk Title:</b> Governance and Control Weaknesses		
<b>Risk Owner:</b> Corporate Director (Professional Services)		
<b>Risk Description:</b> Weak or ineffective internal control <b>leading to</b> financial loss <b>resulting in</b> damage to the Council's reputation and adverse publicity.		
<b>Current Risk Score:</b>	Likelihood = <b>Unlikely</b> Impact = <b>Moderate</b>	<b>Changes to Risk Score:</b> No Change
<b>Previous Risk Score:</b> 28 June 2016	Likelihood = <b>Unlikely</b> Impact = <b>Moderate</b>	
<b>Financial Impact:</b> Unknown at this time		
<b>Progress against actions to manage the risks:</b>		
<ul style="list-style-type: none"> <li>• Informal Scrutiny Group set up to review Overview and Scrutiny function.</li> <li>• Undertaking completion of actions included within the Annual Governance Statement (update due to next Audit Committee)</li> <li>• Creation of Informal Policy Group (IPG) on Silver Hill to address internal control and governance issues; action plan is in progress with a number of these completed (IPG SH(3) and IPG SH (4))</li> <li>• Internal audit opinion for the Council is adequate per the internal audit opinion at the June audit committee (AUD 161)</li> </ul>		

<b>Risk Title:</b> Financial Stability		
<b>Risk Owner:</b> Head of Finance		
<b>Risk Description:</b> Adverse impact of financial risks relating to assumptions made for medium term financial projections <b>leading to</b> an unbalanced budget <b>resulting in</b> financial instability for the Council.		
<b>Current Risk Score:</b>	Likelihood = <b>Unlikely</b> Impact = <b>Major</b>	<b>Changes to risk scores:</b> No Change
<b>Previous Risk Score:</b> 28 June 2016	Likelihood = <b>Unlikely</b> Impact = <b>Major</b>	
<b>Financial Impact:</b> A detailed assessment is included in the Budget report (CAB2763 REVISED, February 2016); Earmarked Reserves are set aside for identified specific financial risks and a General Fund Balance of £2m is retained for general/ unspecified financial risks inherent in the budget assumptions. The Housing Revenue Account makes similar assessments for financial risks and holds balances to mitigate them. Contingent Liabilities are assessed at the financial year end and relevant disclosure is made in the annual accounts.		
<b>Progress against actions to manage the risks:</b> <ul style="list-style-type: none"> <li>• <b>Develop financial resilience strategy</b> <i>Kept under review and development as evidenced in the Medium Term Financial Strategy (MTFs) (CAB2732, October 2015) and as part of the finalisation of the budget in February 2016. The MTFs is currently being updated and an Efficiency Plan has been formulated bringing together all of the different strands of Council Strategy.</i></li> <li>• <b>Clarify income generation strategy</b> – <i>all income sources are reviewed annually as part of the budget setting process. A more fundamental review will be undertaken over the coming year.</i></li> <li>• <b>Explore Invest to Save options</b> – <i>investment in property considered where it is likely to produce stable long term income streams. Investment in energy efficiency measures to reduce the Council's operating costs. Use of Prudential Borrowing to fund investment in commercial property, or operational property where an income stream can be generated.</i></li> <li>• <b>Develop Reserves policies</b> – <i>This was considered in the Medium Term Financial Strategy (CAB2732, October 2015) and further considered when the budget was finalised in February 2016.</i></li> <li>• <b>Develop cash-flow forecasting and borrowing strategy</b> - <i>New staff within the Council have brought a knowledge base which will be used to formulate a coherent strategy.</i></li> </ul>		

<b>Risk Title:</b> Environmental Risks		
<b>Risk Owner:</b> Assistant Director (Economy and Communities)		
<b>Risk Description:</b> Lack of planning for extreme weather events <b>leading to</b> delays in responding to situations <b>resulting in</b> increased costs and staff resources.		
<b>Current Risk Score:</b>	Likelihood = <b>Likely</b> Impact = <b>Moderate</b>	<b>Changes to risk scores:</b> No Change
<b>Previous Risk Score:</b> 28 June 2016	Likelihood = <b>Likely</b> Impact = <b>Moderate</b>	
<b>Financial Impact.</b> Unknown		
<p><b>Progress against actions to manage the risks:</b>  <b>Recent work to reduce District's contribution to Climate Change (potentially a cause of extreme weather conditions) has included:</b></p> <ul style="list-style-type: none"> <li>• <i>Carbon emissions reduction target agreed by Cabinet in April 2015 (CAB2682 refers),</i></li> <li>• <i>"Twelve Actions for a Lower Carbon Council" approved in December 2015 (PHD 660A refers) to help meet carbon emissions reduction target,</i></li> <li>• <i>Development of Park and Ride service, including the confirmation of low emission (Euro 6) buses for the new contract, greater frequency of buses and the opening of the new Park and Ride site at Pitt early in 2016,</i></li> <li>• <i>Review of waste rounds to reduce carbon emissions currently in hand,</i></li> <li>• <i>Delivery of Route Map for a Low Carbon Economy ongoing,</i></li> <li>• <i>Feasibility of a solar PV project for non-residential buildings in the city centre (Town Forum) in hand,</i></li> <li>• <i>New air quality is a key consideration in future transport/access plans for the city centre. Air quality action plan working group now convened.</i></li> </ul> <p><b>Specific works to improve the District's readiness for extreme weather events has included:</b></p> <ul style="list-style-type: none"> <li>• <i>Implementation of agreed package of flood resilience measures across the District being implemented, including Water Lane (complete), Hambledon Pipe and Park Avenue defences (in hand),</i></li> <li>• <i>Portable flood barrier purchased and stored in depot: training for key staff</i></li> </ul>		

*arranged for this autumn,*

- *Programme of emergency planning training opportunities for staff in leadership positions has been offered throughout the year,*
- *WCC staff trained to use Resilience Direct emergency planning system, shared across agencies involved in emergency response work, for more effective information-sharing and action planning,*
- *Local flood action plans being developed by parishes in partnership with HCC and WCC staff.*

<b>Risk Title:</b> Commissioning		
<b>Risk Owner:</b> Assistant Director (Economy and Communities)		
<b>Risk Description:</b> Failure of a contractor to deliver services <b>leading to</b> delays to the Council or public <b>resulting in</b> increased costs and adverse publicity.		
<b>Current Risk Score:</b>	Likelihood = <b>Unlikely</b> Impact = <b>Low</b>	<b>Changes to risk scores:</b> No Change
<b>Previous Risk Score:</b> 28 June 2016	Likelihood = <b>Unlikely</b> Impact = <b>Low</b>	
<b>Financial Impact:</b> Estimated to be up to £1 million		
<b>Progress against future actions:</b> <ul style="list-style-type: none"> <li>• <i>Officers developing procurement 'toolkit' in response to commissioning audit report, to help determine which commissioning mechanism is most appropriate – 'commissioning assurance' training session to help shape this was run with officers involved in major procurement in May,</i></li> <li>• <i>Increasing transparency of commissioning process through more widespread use of South East Business Portal and Contract Finder,</i></li> <li>• <i>Projects Team maintain 'lessons learnt' log from each project, which includes the commissioning associated with each project (eg procurement, partnership working).</i></li> <li>• <i>Web pages on commissioning process updated to provide current information, tailored appropriately for voluntary sector, small businesses, large contractors etc,</i></li> <li>• <i>Procurement procedures updated regularly and training provided for Heads of Team and others involved in procurement process,</i></li> <li>• <i>Increasing inclusion of advance 'supplier workshops' in procurement process to discuss draft tender specifications, enabling early consideration of issues such as cash flow.</i></li> </ul>		

<b>Risk Title:</b> Transformation		
<b>Risk Owner:</b> Assist Director (Organisational and Service Development)		
<b>Risk Description:</b> Inadequate and/or lack of dedicated resources allocated to the Transformation Programme <b>leading to</b> delayed progress <b>resulting in</b> the Council being unable to reach or achieve long term objectives.		
<b>Current Risk Score:</b>	Likelihood = <b>Unlikely</b> Impact = <b>Major</b>	<b>Changes to risk scores:</b> No Change.
<b>Previous Risk Score:</b> 28 June 2016	Likelihood = <b>Unlikely</b> Impact = <b>Major</b>	
<b>Financial Risks</b> £250k p.a. savings to be identified as part of wider review of transformation plan.		
<b>Progress against future actions:</b>		
<ul style="list-style-type: none"> <li>• <b>Agree and communicate long term objectives and aspirations for the Council to staff</b> – ongoing</li> <li>• <b>Provide adequate resources to deliver programme of reviews</b> – <i>ongoing. Future requirements will be aligned to the programme of reviews which is being developed.</i></li> <li>• <b>Use suitable, recognised and tested approaches and processes</b> – <i>the Council is currently using the Vanguard method to review the handling of planning applications within the Business Support and Development Management Teams. The vanguard methodology is also being applied in within Environmental Health with a review of Taxi and Driver Licensing as well within the Landscape Team. A programme of further services is being developed and will be reviewed during 2016/17.</i></li> <li>• <b>Engage staff throughout the process in reviews</b> – <i>ongoing. Clearly set out responsibilities and estimated timescales for the delivery of the programme and ensure through regular monitoring that this is adhered to and that other priorities do not impact on delivery.</i></li> </ul>		

<b>Risk Title:</b> Housing Finance		
<b>Risk Owner:</b> Assistant Director (Chief Housing Officer)		
<b>Risk Description:</b> Changes arising from the Welfare and Housing and Planning Bills impacting on tenants and the Council's ability to balance the HRA budget in future years.		
<b>Current Risk Score:</b>	Likelihood = <b>Likely</b>	<b>Changes to risk scores:</b> No Change
	Impact = <b>Major</b>	
<b>Previous Risk Score:</b> 28 June 2016	Likelihood = <b>Likely</b>	
	Impact = <b>Major</b>	
<b>Financial Risks</b> Estimated £2m annual shortfall from 2020 (HRA balanced until then) as a result of 1% annual rent reductions. High Value Sales levy unknown at this stage but could be very significant (>£10m per annum).		
<b>Progress against future actions:</b> <ul style="list-style-type: none"> <li>• <i>Still awaiting announcement of detailed regulations (now significantly delayed) and no indication at this point from when further information/announcements will be made,</i></li> <li>• <i>Member Briefing on the Housing Asset Management Strategy held on 5/9/16. Additional briefings on Housing Need and New Homes Development planned for October 5<sup>th</sup> and 19<sup>th</sup>.</i></li> <li>• <i>Housing Asset Management Strategy to be considered by Cabinet (Housing) Committee on 23/11/16,</i></li> <li>• <i>Register of High Value assets being prepared as part of the above Strategy,</i></li> <li>• <i>Officers currently reviewing all Business Plan assumptions (particularly in relation to interest rates) ahead of Business Plan/HRA budget options report to be considered by Cabinet (Housing) Committee on 23/11/16,</i></li> <li>• <i>Housing and Benefits team working together to review potential options for addressing the potential admin burden if "Pay to Stay" regulations are implemented as planned.</i></li> </ul>		