

AUDIT COMMITTEE

25 JUNE 2013

RISK MANAGEMENT UPDATE

CABINET

11 SEPTEMBER 2013

REPORT OF CHIEF EXECUTIVE

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RECENT REFERENCES:

[PS437](#) – Risk Management Update, 11 February 2011

[AUD52](#) – Annual Governance Statement and Corporate Risk - Monitoring Report,
12 March 2013

EXECUTIVE SUMMARY:

This report presents the revised Risk Management Policy 2013 which defines the Council's arrangements and its integration with corporate governance and performance management. The Policy provides an overview of the principles, benefits, framework and process along with the roles and responsibilities for managing the Council's risks.

Attached as an Appendix 2 is an updated schedule of the Corporate Risks which consists of significant risks, and their treatment plans, identified by Corporate Management Team in achieving the Council's strategic objectives.

RECOMMENDATIONS:

TO AUDIT COMMITTEE:

1. That the Committee considers the Risk Management Policy and makes comments to Cabinet as required,
2. That the Committee notes the updated Corporate Risk Schedule in Appendix 2 to the report.

TO CABINET:

That Cabinet approve the Risk Management Policy 2013.

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DETAIL:

1. Introduction

1.1 This report presents the updated Risk Management Policy 2013 which supports the Council's commissioning role along with its supporting Governance and Performance Management arrangements. This report includes:

- the updated Risk Management Policy 2013.
- the updated Corporate Risk Report reflecting significant risks which may impact on the achievement of strategic objectives.

2. Risk Management Policy 2013

2.1 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's implementation of the arrangements.

2.2 More detailed guidance on the approach, principles, framework and process for managing Council risks is provided within the Risk Management Statement of Practice 2013. The guidance is available for Members and Officers to view via the Council's Intranet/Risk and Insurance.

3. Council's Risk Profile

3.1 The Council's Risk Profile is reported regularly to Audit Committee.

3.2 The Corporate Risk Report consists of significant Council risks, and their treatment plans, identified by the Performance Management Team, in achieving the Council's strategic objectives.

3.3 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).

- 3.4 It is requested that the Corporate Risk Report contained in Appendix 2 is endorsed. An updated report including information on the extent and progress of the treatment plan will be presented to this Committee in the December cycle of meetings.
- 3.5 At the last meeting of the Committee, Members requested that officers investigate whether future risk monitoring information be presented more qualitatively to reflect the desire to raise awareness of those risks that were unlikely to be easily managed down over the medium term. Officers have acknowledged this request and work is ongoing to revise the scoring matrix used to score the risks to enable a more qualitative approach. Furthermore the style of the monitoring report will also be updated and improved. This will be included in the next Annual Governance Statement and Corporate Risk monitoring report which due to be presented to a future meeting of this Committee.

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 2013.

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

APPENDICES:

Appendix 1 Risk Management Policy 2013

Appendix 2 Corporate Risk Schedule – 2013/14



Risk Management Policy

2013

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 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 within its Change Plans to support 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.

Audit Committee

The Committee has the following key responsibilities

To monitor the effective development and operation of risk management and corporate governance in the Council.

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.

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					•	•



Corporate Risk Register April 2013 – March 2014

Introduction

This schedule of corporate risks has initially been approved by the Council's Corporate Management Team on 28 May 2013. 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.

Risk Rating Card

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

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

Likelihood

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

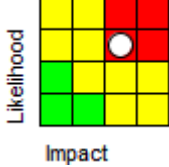

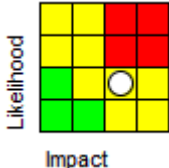
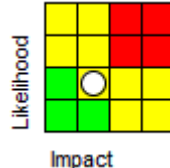
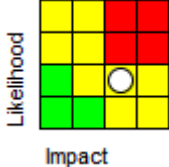
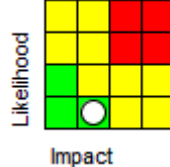
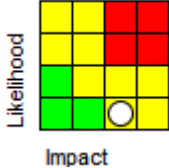
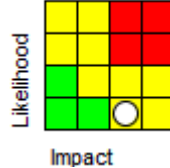
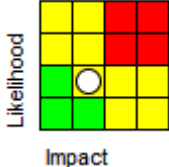
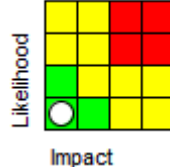
High Likelihood	A (4)				
	B (3)				
	C (2)				
	D (1)				
Low		1	2	3	4
		<u>Low</u> Impact <u>High</u>			

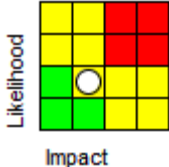
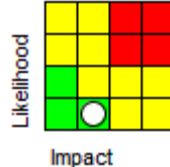
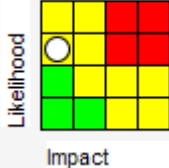
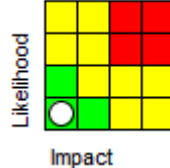
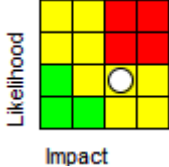
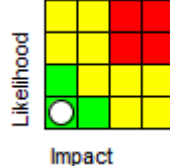
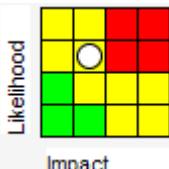
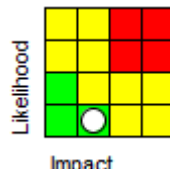
Corporate Risk Report

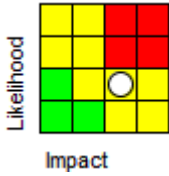
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Risk Number	Short Name	Full Name (Cause/Effect/Impact)	Risk Ownership	Current Risk Score	Treatment - Change Plans reference	Target Risk Score
CR5001	Climate Change Adaptation	Climate Change Plan is unrealistic leading to an ineffective use of resources 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	Complexities of development process leading to delays in regeneration resulting in deterioration of Council assets and lost opportunity	Steve Tilbury		1. Project Plan to align required resources, 2. External advice to inform decisions.	
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		1. Medium Term Financial Strategy, 2. Monthly budget monitoring report, 3. Budget forecasting.	
CR5006	Develop a Flexible, Responsive Workforce	Lack of skills and flexibility amongst staff leading to the failure to take opportunities to improve services and/or make efficiency savings resulting in poor delivery and failure to manage budget	Simon Eden		1. Workforce Strategy & Workforce Development Plan, 2. Service Transformation programme, Agile Working.	
CR5007	Programme Management	Failure to co-ordinate programme of major projects leading to ineffective use of resources resulting in poor project outcomes and missed opportunities for improvement	Simon Eden		1. Service Plans, 2. Change Plans, 3. Project & Performance Monitoring reports.	
CR5009	Business Continuity	Unforeseen event or circumstance leading to an extended delay in returning to normal working	Steve Tilbury		1. Regular review of Business Continuity Plan.	
CR5011	Control Weakness	Weak or ineffective internal control leading to financial loss resulting in damage to reputation and adverse publicity	Stephen Whetnall		1. External or Internal Audit report, 2. Annual Governance Statement, 3. Corporate	

Risk Number	Short Name	Full Name (Cause/Effect/Impact)	Risk Ownership	Current Risk Score	Treatment - Change Plans reference	Target Risk Score
					Governance Group.	
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"> Shared service project plans Management arrangements 	
CR5014	LDF and Local Plan	Failure to have Local Plan Pt 1 found sound leading to requirement to reconsider and resubmit resulting in lack of appropriate control on planning policy	Steve Tilbury		<ol style="list-style-type: none"> 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		<ol style="list-style-type: none"> Annual Governance Statement Constitution Governance Review 	
CR5016	Treasury Management	Poor treasury management leading to sub-optimal investment and borrowing decisions resulting in lower interest income and higher interest costs.	Alexis Garlick		<ol style="list-style-type: none"> Cashflow forecasting Review of cash management system Staff training Monitoring and reporting 	

Risk Number	Short Name	Full Name (Cause/Effect/Impact)	Risk Ownership	Current Risk Score	Treatment - Change Plans reference	Target Risk Score
CR5018	Performance Management	Failure to spot and rectify poor service performance leading to service decline resulting in poor value for money, poor customer service and damaged reputation	Simon Eden		<ol style="list-style-type: none"> Performance Monitoring reports to PMT and O&S Change Plan and Portfolio Plan monitoring reports 	