

**RISK MANAGEMENT UPDATE****Purpose of the Report**

1. To inform the Committee of developments and progress with regard to the County Council's risk management arrangements, with particular reference to:
  - The management of strategic risks
  - Current measures to strengthen the link between the management of resources, performance, and risk.

**Background**

2. Members will be aware that the County Council's Corporate Plan includes a summary of key strategic risks i.e. those risks which pose a threat to the operation of the County Council, and the achievement of its objectives. The management of these risks is reviewed regularly by the Corporate Leadership Team (CLT).

**Main Considerations for the Committee**

3. CLT continues to review the management of strategic risks each month, in order to keep these risks in focus and ensure the position is regularly updated. The current matrix of strategic risks reviewed by CLT on 4<sup>th</sup> June 2007 is attached as the Appendix to this report.
4. This latest matrix has been updated to reflect the following:
  - Further information regarding Business Continuity Planning, with particular reference to the risk of an influenza pandemic, and the development of mitigating actions
  - The risk of personal injuries, harm or litigation arising through the absence of robust and comprehensive risk assessments. This risk relates to employee tasks and circumstances, and to services accessed by third parties.
5. At the last meeting of the Committee in March 2007, members were informed that risk management processes were undergoing review, in order to ensure a stronger link between the management of resources, performance and risk.
6. Following the adoption by Cabinet of a framework policy for the management of resources, performance and risk, a new system, Excelsis, was identified as the key means of delivering this. The system is already in use in several other authorities.
7. Excelsis will support an integrated approach to the management of resources, performance and risk, by allowing service managers to assign identified risks to the corporate plan, service plans or action plans, thereby ensuring the integrated management of the risk and its impact on the delivery of an individual plan. It will allow users to create action plans to

control and mitigate risks. The system will also provide reports showing progress against plans and their associated risks.

8. It is intended to have Excelsis running live later this year, following the transfer of risk information from our current risk register, as well as service plan and performance measurement information, into the new system. Excelsis will then serve the purpose of the risk register within its overall role of supporting effective performance and risk management. Access to the new system will be given to appropriate interested parties, including members of the Final Accounts and Audit Committee.

#### **Environmental Impact of the Proposal**

9. No environmental impact has been identified from the issues raised in this report.

#### **Financial Implications**

10. There are no additional costs arising from the proposal, although strengthening the Council's risk management arrangements should help bring about improvements in financial management and control.

#### **Management of Risk**

11. As part of the restructuring of the Directorate the strategic role in the management of risk is being transferred from the Audit Section to the Performance and Risk Section. The post of Risk Manager has recently been advertised and is hoped to be filled in the near future.

Until such time as the new Risk Manager is in post, strategic risk management will continue to be dealt with by the Internal Audit Section. After appointment Internal Audit will continue to be involved with operational risk management

#### **Proposal**

12. The Committee is asked to note current developments and progress in the County Council's risk management arrangements, specifically:
  - (i) The management of strategic risks, as outlined in paragraph 4 above, and in the Appendix to this report
  - (ii) Current measures to strengthen the link between the management of resources, performance, and risk.
13. A further report on progress in relation to these matters will be presented to the next meeting of the Committee.

**Sandra Schofield**  
**Chief Financial Officer**

Report author: Steve Memmott, Chief Auditor

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Unpublished documents relied upon in the preparation of this Report: None

**STRATEGIC RISKS AND THEIR MANAGEMENT**

*The Council manages risk on a daily basis throughout its services. In addition, we have assessed the major risks to the operation of the Council and to the achievement of its Council's goals, aims and priorities*

A full analysis of risks is contained in the Council's Risk Register. The Register identifies the following strategic issues which constitute significant potential risks, and which will be managed by the Corporate Leadership Team, reporting to the Cabinet. The principal strategic risks to the operation of the Council and the achievement of its objectives are shown below.

Risk	Underlying Cause	Severity	Probability	Comments on Control and Mitigation Development	Cabinet and Chief Officer Responsible
		LMH			
Business Continuity					
The lack of adequate plans to ensure the Business Continuity of County Council operations	This risk refers to any event which might cause major disruption to the continuity and delivery of WCC operations and business activities.	H	M	<p><i>Control:</i></p> <ul style="list-style-type: none"><li>• The corporate Business Continuity Plan is being updated to reflect the new department structures.</li><li>• The revised Business Impact Analysis matrix has been drafted to take into account the moves within departments.</li><li>• A revised draft plan is being circulated in June 2007.</li><li>• In order to raise staff awareness of business continuity a presentation is being prepared. It is hoped that initially it will be included in the M2L programme.</li></ul> <p><i>Mitigation:</i></p> <ul style="list-style-type: none"><li>• A timetabled programme of actions has been produced.</li><li>• Liaison with the main CC contractors to ensure they have sufficiently resilient plans in place continues.</li><li>• In September 2006 a second part was added to the Head teachers Guide issued by DCE. This section is guidance for schools on how to prepare an</li></ul>	<p><i>Cabinet Member</i> Fleur de Rhe Philipe</p> <p>Director of Environmental Services</p>

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	The risk of an Influenza pandemic			<p>emergency/business continuity plan. A number of schools have subsequently prepared a plan. When the document is reissued in September 2007 it is intended to include a questionnaire to ascertain the current number of schools that have a plan.</p> <p>For ICT, the main concern remains the dependency upon County Hall. Most of WCC's communications network is hubbed through CH and all the main computer infrastructure is CH based. We have a contract to replace the top 47 servers. However, rebuilding an effective network quickly remains a serious challenge in disaster circumstances.</p> <p>An alternative business continuity site has been identified and disaster recovery planning is being developed with the new contractor.</p> <ul style="list-style-type: none"> <li>Plans are underway to increase resilience and WAN resilience plans are underway with delivery staged over the next 12-18 months.</li> <li>Data and application resilience for the top applications and network re engineering will be in place by June 07.</li> <li>Corporate IT is working with services to address continuing risk to business systems and identify further single points of failure.</li> </ul> <p><i>Control:</i></p> <ul style="list-style-type: none"> <li>As reported to CLT on 1 March, there is a timetable for live callout exercises in 2007 to enhance major incident and flu pandemic planning.</li> <li>The Department of Health have distributed a draft document called 'A National Framework for Responding to an Influenza Pandemic' for consultation. The final document will be issued in the summer. Lessons learned in Exercise Winter Willow held in February have been incorporated in to the draft. The Local Resilience Forum Joint Influenza Pandemic Framework Response</li> </ul>	

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				<p>Plan will be updated on receipt of the national guidance.</p> <p><i>Mitigation:</i></p> <ul style="list-style-type: none"><li>• The Business Impact Analysis has highlighted critical service areas and minimum staff totals required to continue each service.</li><li>• HR has been tasked with carrying out a skills audit of staff. Therefore, in the event of significant absences the transfer of staff to priority services will be an option.</li><li>• After discussion with the Statutory &amp; Support Services Manager, the capability of the Registration Service has been assessed. It is likely that during a pandemic the workload could increase by 125%.</li><li>• It is estimated a further 6.5FTE additional trained staff would be required. This will have a cost implication to the authority. With additional staff the service could register on average 75 deaths a day county wide, as well as maintaining other 'routine' work.</li></ul>	
Supply, Demand and Cost					
Market pressures and complex cases create increasing cost pressures for children's care placements in 2007/08 and subsequent years	Market pressures and the rising number of complex cases significantly affect the County Council's ability to influence or control the continuing increase in costs of services for children.	H	H	<p><i>Control:</i></p> <ul style="list-style-type: none"><li>• Recovery Planning in Children's Services is also in place and the implementation of the Children's Placement Strategy is providing a co-ordinated framework which includes:</li><li>• tighter commissioning;</li><li>• senior management oversight of placement procurement;</li><li>• improving budget management and forecasting and work towards implementation of Member Scrutiny recommendations.</li><li>• Also, in-house residential services are being externalised from 1 July 2007. This should reduce costs in the medium term although there may be some</li></ul>	<p><i>Cabinet Member</i> Children's Care: Bridget Wayman</p> <p>Director for Children and Education</p> <p>Jimmy Doyle Assistant Director Children and Education</p>

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				<p>initial cost pressures until the new service has reached its full occupancy level. The County is also engaged with the regional Commissioning Forum in seeking to develop an effective engagement with the independent sector.</p> <p><i>Mitigation:</i> We continue to face pressures on the costs of placements for Children Looked After: and we are addressing them through the Placement Strategy and Scrutiny Task group recommendations, which jointly focus on the recruitment of foster carers, contracting arrangements with providers and commissioning of residential home services.</p>	
<p>Market pressures and complex cases create increasing cost pressures for adult care placements in 2007/8 and subsequent years.</p>	<p>The 2007-08 budget takes account of the risks associated with cost pressures and the delivery of recovery plans to achieve a sustainable service and financial base. However, risks remain with regard to:</p> <ul style="list-style-type: none"> <li>the cost pressures from the management of the ‘whole systems’ approach to delayed transfers of care in acute hospitals and community hospitals. There is also an increasing risk of legal challenge from those on the waiting list.</li> <li>the implications from community hospital re-provision</li> <li>market availability in certain parts of Wiltshire which could have an impact on fee levels.</li> </ul>	H	H	<p><i>Control:</i></p> <ul style="list-style-type: none"> <li>Application of eligibility criteria through district panel meetings</li> <li>Monthly budget management including reporting to the Way Ahead Board</li> </ul> <p><i>Mitigation:</i></p> <ul style="list-style-type: none"> <li>The development of joint working which will introduce a whole systems approach to reduce hospital admissions and help more people to remain in their own home following a stay in hospital. A joint working protocol agreement and an intermediate care agreement have been signed</li> <li>Review of progress and financial implications taking place in June.</li> <li>Working with Wiltshire PCT to further understand the implications from community hospital re-provision and the investment the are making in neighbourhood teams.</li> <li>Management of the market through block contracts, application of the Fair Pricing Toll and the early agreement of fee level for 2007-08</li> </ul>	<p><i>Cabinet Members</i> Adult Care: John Thomson and Mary Douglas</p> <p>Director of Adult and Community Services</p> <p>Keith Hillman, Assistant Director - Adult and Community Services</p>

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				<ul style="list-style-type: none"> <li>Senior DCS and Resources meeting on 8<sup>th</sup> June to review 2007-08 management information.</li> </ul>	
<b>Management of Complex and Large Changes</b>					
Not achieving desired efficiencies and service improvements described in the Corporate Plan.	<p>This risk refers to identified critical paths for the various projects not being achieved.</p> <p>This risk also refers to the need to improve IT development to maximise our ability to deliver service improvements. Inability to deliver projects on time and to an agreed specification could lead to failure to deliver change and benefits and to cost growth.</p>	H	M	<p><b>Control:</b> Establishment of Programme and Project Boards at appropriate levels for major programmes and projects</p> <ul style="list-style-type: none"> <li>Adoption of programme and project management practices</li> <li>Performance monitoring systems to identify low performing areas</li> </ul> <p><b>Mitigation:</b></p> <ul style="list-style-type: none"> <li>Staff development programmes in project management</li> <li>Implementation of the Programme Office function to manage and monitor the delivery of programme and project benefits</li> <li>Application of risk management across programmes and projects</li> </ul> <p><b>Control:</b></p> <ul style="list-style-type: none"> <li>Establishment of ICT steering group to review business cases prior to funding being approved, and agree suitable timescales for implementation</li> <li>Business cases to include suitable contingency planning</li> </ul> <p><b>Mitigation:</b></p> <ul style="list-style-type: none"> <li>Resources provided to ensure Business Analysts can support preparation of business cases</li> <li>ICT Steering group approval required before ICT projects proceed</li> <li>Programme management of ICT programme</li> </ul>	<p><i>Cabinet Member</i> Jane Scott</p> <p>Chief Executive</p> <p><i>Cabinet Member</i> John Noeken</p> <p>Chief Financial Officer</p> <p>Head of ICT</p>
Cost overruns on major capital projects reducing reserves and ability to deliver capital	The risk increases with the complexity of major projects.	H	L	<p><b>Control:</b> The corporate management of the Capital Programme, including the actions of the Capital programme Working Group, and the management of its individual projects, has been effective in managing these risks.</p>	<p><i>Cabinet Member</i> Jane Scott</p> <p>Director of Resources</p>

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expenditure plans.				<i>Mitigation:</i> <ul style="list-style-type: none"><li>The governance structure of the Capital Programme Working group is mitigating in its operation monitoring capital expenditure in all services and reporting to the Chief Financial Officer on a monthly basis.</li><li>The Chief Financial in turn reports to Cabinet on a quarterly basis.</li><li>There is strong application of project management at all levels from planning to delivery of capital schemes.</li><li>Significant capital projects have detailed risk registers that contain mitigation measures</li></ul>	
The risk that Government policy on LGR and other major changes may destabilise the Council and impair relations with partners	Actual or potential substantial policy changes arising from the White Paper in relation to LGR – the One Council for Wiltshire Submission, the Lyons Review , the Varney Report and the Barber Report with regard to Strategic Planning.	M	M	<i>Control:</i> Risk assessment is being undertaken as and when policy proposals are signalled to become implemented through potential legislation, regulation, budget policy towards local government or inspection requirements. Risk assessment is included in work on the Business Case for the One Council for Wiltshire Submission.  <i>Mitigation:</i> Appropriate strategic action reflected in high level corporate planning – the Corporate Plan and the Medium Term Financial Strategy or in separate reports to County Council and Cabinet on major issues. Communications planning and implementation in relation to partners.	<i>Cabinet Member</i> Jane Scott  Chief Executive and Director of Resources
The risk that the Comprehensive Spending Review 2007 may adversely impact on overall County Council resource levels in the medium term	Advance indications are that resource constraints for local authorities may increase	M	M	<i>Control:</i> Anticipation - further risk assessment as and when firmer advance information becomes available.  <i>Mitigation:</i> Appropriate strategic considerations reflected in the Medium Term Financial Strategy and in separate reports to Cabinet when timely.	<i>Cabinet Member</i> Jane Scott  Chief Executive and Director of Resources
Failure of Partners and Partnerships					
Failure of partnership	Instability of some of the County Council's partner	H	M	<i>Control:</i> The significant impacts on the County	<i>Cabinet Member</i>



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working to deliver joint service objectives	agencies and the risk of inadequate governance arrangements in important partnerships.			<p>Council of the NHS actions have clearly indicated that partnership arrangements must be sufficiently robust in relation to accountability including accountability for identified risks.</p> <ul style="list-style-type: none"><li>• Work is being taken forward to assess how models of governance can be further developed to encompass improvements to accountability. This area of work is critical to the development of the Local Area Agreement proposal for Wiltshire.</li><li>• The role of the Strategic Board is developing and more structured performance management arrangements will be introduced with the development of the Local Area Agreement. Indicative timescale – Autumn 2007</li></ul> <p><i>Mitigation:</i> A review of partnership agreements is taking place – mitigation will then be identified for each agreement. Present actions include updating the documentation agreed by CLT for submission to Cabinet in May. It is anticipated that the procedure will roll out for use in June, with the review work on existing major partnerships be completed by 31 Dec 2007</p>	Jane Scott  Chief Executive
Failure of major contractors to deliver joint service objectives	Risk factors could arise in relation to a contractor's business that affects their strategic management or operational capacity, during the period of an established contract.	H	L	<p>Major delivery partners include Sodexho, Hills Waste, Ringway, Mouchel Parkman and the Order of St John (OSJ).</p> <p><i>Control:</i></p> <ul style="list-style-type: none"><li>• Our overall approach to the current procurement strategy is kept under review. Further CLT discussion will take place in late June 2007.</li><li>• Full and thorough contract evaluation takes place at the time of award of contract.</li></ul> <p><i>Mitigation:</i></p> <ul style="list-style-type: none"><li>• There is an annual review of performance of all contracts with an annual value of over £1m.</li><li>• Emergency planning staff are working with our major contractors to ensure adequate business continuity plans are in place – see comment under Business Continuity.</li></ul>	<p><i>Cabinet Member</i> Fleur de Rhe Philipe</p> <p>Director of Environmental Services</p> <p>Tracy Carter Assistant Director, Environmental Services</p>

Risk	Underlying Cause	Severity	Probability	Comments on Control and Mitigation Development	Cabinet and Chief Officer Responsible
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Poor Performance					
Failure to achieve landfill reduction targets for waste, resulting in large fines	This risk relates to the European landfill directive. Fines have been set at £150 per tonne.	M	M	<p><i>Control:</i> Significant action has been put in place to improve waste minimisation and increase waste diversion from landfill.</p> <p><i>Mitigation:</i></p> <ul style="list-style-type: none"><li>One contract for the diversion of waste from landfill has been awarded</li><li>A planning application for construction of a MBT plant in Westbury was submitted in February 2007. Contract negotiations are ongoing.</li><li>A business case is being prepared for a joint procurement exercise with Swindon BC to divert from landfill waste arising in North Wilts and Swindon.</li></ul>	<p><i>Cabinet Member</i> Toby Sturgis</p> <p>Director of Environmental Services</p> <p>Tracy Carter Assistant Director, Environmental Services</p>
Personal injuries, harm or litigation through the absence of robust and comprehensive risk assessments relating to employee tasks and circumstances and to the services provided for, or accessed by, third parties.	<p>Departmental inconsistency, lack of management diligence, misunderstanding of rationale of process.</p> <p>2006 Annual H&amp;S Performance Reports indicate less than full compliance.</p>	M	M	<p><i>Control:</i></p> <ul style="list-style-type: none"><li>Strategic managers and safety liaison officers to identify gaps in risk assessment records and instigate completion of outstanding ones.</li><li>Departments to move towards safe systems of work based on outcomes of risk assessments.</li><li>Training and communication to adopt HSE "sensible risk management" principles.</li></ul> <p><i>Mitigation:</i></p> <ul style="list-style-type: none"><li>Best practice model available within ESD. Generic on-line assessments under development.</li></ul>	<p><i>Cabinet Member</i> Mark Baker</p> <p>All Chief Officers</p> <p>Head of OH&amp;S</p>