

## AUDIT COMMITTEE

28 September 2011

Risk Management Update Report**PURPOSE OF REPORT**

1. To update Audit Committee on the Council's Risk Management arrangements and to review the Risk Register, with particular reference to:
  - providing assurances to Audit Committee that risks are being managed in the Council;
  - providing information on the significant risks of the Council.
2. This report provides information about the risks rated as high/significant, with comments from officers responsible for the risk. Each risk on the register has a risk action plan, which provides more information about the risk and how it is being managed. Appendix A contains the Risk Action Plans for each of the six significant risks reported below.

**MAIN CONSIDERATIONS/RELEVANT ISSUES****3. Proposed changes to Senior Management Structure**

4. The Leader has initiated a consultation process on a proposal to achieve financial savings through a restructuring of the senior management team, involving the removal of the post of chief executive and a corporate director post. The Cabinet will be considering this proposal in the light of the outcome of the consultation at the end of this month/early October. The risks and governance issues associated with this proposal will be considered as part of the decision making process. This will feed into our usual risk management processes, and if any significant risks identified these will be included in future risk management reports.
5. The Corporate Risk Management Group (CRMG) has considered the Council's risks. The high risk areas are outlined below:

6. **Risk Ref. RCE001**  
**Managing the Volatile Nature of Care Placement Requirements within the Resources Available**

Owner of risk: Carolyn Godfrey

Rating	I	L	Risk	Direction
Current	4	3	High	-
Target	3	3	Medium	Action Status Moderate progress

Children

7. A number of processes/strategies are in place to mitigate the risks. This includes Looked After Children (LAC) Placement Audit Group.

8. The Placement Panel effectively scrutinises new and requested admissions to Care. However, the LAC Placement Audit Group will now review Placements already made to ensure that opportunities for further reduction of costs, Rehabilitation Plans to Families and Permanency Plans are prioritised. This ensures a pincer approach both at point of admission and also once in care. This will occur across the entire Children and Families Social Care Service and will include the Referral and Assessment Team and Community Safeguarding Teams as well as those within the Children in Care Service.

9. **Risk Ref. RCS033**  
**Managing the Volatile Nature of Care Placement Requirements within the Resources Available**

Owner of risk: James Cawley

Rating	I	L	Risk	Direction
Current	4	3	High	-
Target	3	3	Medium	Action Status Moderate progress

Older People, Older People with Mental Health Problems and People with Physical Impairment

10. Demand for services continues; the Department has a range of strategies to manage the demand in the future and to reduce dependency on services including Accommodation Strategy, Help to Live at Home and Disabled Children and Adults Review.

11. In addition, Cabinet has approved the procurement of block contracts and framework agreements with the NHS for the provision of nursing home care for Wiltshire residents. Following a recent court case judgement around fair fee levels, legal advice has been obtained which suggests that undertaking a procurement approach is the best means by which this work can be progressed. This work will be undertaken jointly with the NHS which will ensure a joint Council and NHS approach to the market, which will benefit customers.

12. Robust budgetary management procedures are operating within the department and work with NHS partners continues.

13. **Risk Ref. RNP139**  
**Delivery of a Successful Waste Management and Landfill Strategy**

Owner of risk: Tracy Carter

Rating	I	L	Risk	Direction
Current	4	3	High	-
Target	4	2	Medium	Action Status Moderate progress

14. Significant action has been taken to improve waste reduction and recycling, and increase waste diversion from landfill. Waste reduction has been assisted by the economic slowdown, plus national and local action. Waste and recycling collection changes programmed for 2011/12 are forecast to increase recycling significantly, from 41.1% currently to about 50%.

15. One contract for the further diversion of waste from landfill has already started (Hills /Lakeside), securing enough capacity to avoid LATS (Landfill Allowances Trading Scheme) fines until the scheme ends in 2013 and reduce the landfill tax bill. In recent years, landfill tax has become far more important than LATS as a financial driver.

16. The government review of the national waste strategy, published in May 2011, does not change the underlying requirement to significantly reduce waste to landfill. At a more detailed level, the decisions to discontinue the Landfill Allowances and Trading Scheme (LATS) in 2013 and to discontinue national indicators provide increased flexibility. However, the government recycling target of 50% by 2020 and references to possible “landfill bans” maintain the pressure to increase recycling and divert waste from landfill. Potentially conflicting statements encouraging use of weekly collections but leaving the decision to local authorities threaten to undermine measures to increase recycling whilst controlling expenditure.
17. A second contract, the Hills / Entsorga Mechanical Biological Treatment (MBT) was signed in April 2011. If this project delivers forecast waste diversion, the Council will have sufficient diversion capacity to continue reducing the landfill tax bill until about 2019, on current forecasts. Therefore, the second contract would reduce the likelihood of this risk. The proposed changes to waste and recycling collections will provide further scope to reduce landfill. The council would also meet the Corporate Plan 2010-14 target for reducing waste to landfill (25% by 2014). The risk has therefore been reviewed; the likelihood has been reduced to reflect the significant progress achieved, but not to the target level because the MBT plant is not yet operating.
18. Major budget increases required to fund the changes to waste and recycling collections were agreed by Council in February 2011. The programme for delivery of new services has been agreed and has commenced. Revenue costs will rise by more than £1 million. These costs will need to be covered in future MTFPs and annual budgets. In summary appropriate mitigation measures have been identified and planned. All have been implemented and all are complete or on track.

**19. Risk Ref. RNP140**  
**Delivery of 350 Unit Housing PFI Scheme**  
 Owner of risk: Sue Redmond

Rating	I	L	Risk	Direction
Current	4	3	High	-
Target	4	2	Medium	Action Status Moderate progress

20. The latest VfM bid was submitted on 1/6/11 and the Housing Minister has now agreed (14/7/11) to continue to support the project through to financial close (contract award). We have reduced the contract period by seven years, to 20 years, and this has enabled us to reduce our maximum credit allocation by £6 million, to £77 million.
21. We are currently in the process of finalising the contract and financial models with the government/bidder. Our internal approval process is scheduled for mid-September. All projects now need to be signed off by the Treasury before financial close and this will add about a month to the programme. Based on current assumptions, financial close is likely to be in mid-November, at the earliest. Persimmon has indicated a December deadline to achieve start on site.

**22. Risk Ref. RNP142****Delivery of a Transformed Waste Collection Service**

Owner of risk: Tracy Carter

Rating	I	L	Risk	Direction
Current	4	3	High	-
Target	1	3	Low	Action Status Moderate progress

23. Following intensive negotiations with the trade unions and a period of staff consultation, all in-house waste collection staff have now moved to new posts on harmonised Wiltshire Council terms and conditions.
24. The waste directorate's management team has worked hard with HR to avoid creating poor industrial relations resulting in disruption to services. Affected staff have had previous Bank Holiday working recognised with an element of pay protection deployed where applicable. Differences in take-home pay between depots, now mitigated to a large degree, and steps have been taken to allow additional resilience by paying standby payments in certain circumstances, such as during periods of inclement weather. From December 2011 onwards, collection arrangements over public and bank holidays will be the same across the county. A significant risk has been managed out successfully.
25. New waste and recycling collection services are being rolled out to programme, with user information packs and collection calendars now being distributed to residents ahead of the new bins. New collections will begin in the north of the county on 10 October 2011. Risks have been identified and appropriate mitigation measures put in place. All mitigation measures are on track as is the project itself.
26. The risk remains high because of the possibility of adverse publicity if there are any problems with implementing the new services or when north and south Wiltshire move to fortnightly collections for their non-recycled waste. This is programmed for February and March 2012 so we anticipate the risk being reduced in April or May next year.

**27. Risk Ref. RP006****Procurement Programme targeted savings not fully aligned to Business Plan requirements**

Owner of risk: Michael Hudson / Caroline Bee

Rating	I	L	Risk	Direction
Current	3	3	Medium	▲
Target	2	2	Low	Action Status Significant progress

28. The level of risk is maintained at amber as whilst it is not thought that it is going to be possible to deliver the original pure procurement savings of £11 million next year in line with the business plan, detailed work on the savings opportunities within 2011/12 and for future years indicate that the savings achievable will need to be revised in the business plan targets. The savings targets are based on 2009/10 actual spend information and the Business Plan is based on the 2010/11 Base Budget, therefore anomalies exist in making percentage savings on budgets which overspent in 2009/10 or have already been reduced by alternative savings proposals. There are also cases where the amount of addressable spend for pure procurement is limited due to contracts already being in existence, which either cannot be broken or, which on being reviewed are deemed to already provide best value for money. This risk is being mitigated through a new review of alternative procurement and non-procurement opportunities.

29. To realign the savings target to the Business Plan we will need to realign the programme approach and include service review savings. This will be discussed with CLT as part of the budget monitoring and budget setting process but is outside the remit of the Programme in isolation.

### **High Risks Included in the Previous Report where the Level of Risk has Reduced**

#### **30. Risk Ref. RR083: Availability of resilient and appropriate software and hardware to deliver Benefits Service**

31. The maintenance of four existing systems is administratively costly, expert staff based in the hubs are capable of maintaining the software and daily and overnight procedures. Hardware maintenance with so many servers and interfaces remains complex and will continue to present risks. A great deal of work has been undertaken to update procedures, existing equipment and the management of servers to mitigate the risk.

32. The project is well under way to replace the current systems with one. The procurement stage is complete, contracts have been signed with the successful supplier and a project plan implemented to go live with one system at the end of November 2011. The data from the four legacy systems has been successfully consolidated, on time, at the beginning of August 2011. User acceptance testing is underway and the third 'cut' of converted data returned by the contractor in mid August, which is ahead of the original schedule. The go live date thus remains 28 November 2011 and risks are being mitigated.

#### **33. Risk Ref. RR004: Inaccurate information in the Configuration Management Database (CMDB)**

34. The score for this risk has reduced from High to Medium due to the following actions by the Corporate ICT team since becoming responsible for the CMDB:

- The launch of specialist software tools that are integrated with the new ICT service desk software means that networked devices are now being actively managed by Wiltshire council staff and each service call is used as an opportunity to verify asset numbers;
- Various ICT asset databases have been analysed to identify the gaps. The team is now carrying out a tracing exercise, which involves e-mailing and telephoning staff, conducting site surveys and sending out a census document.
- All mobile data devices are encrypted and audits are being carried out by ICT Security to verify that the encryption is active.

**35. Risk Ref. RR084: Failure to secure alternative accommodation for the Coroner by June 2011 when the current tenancy is due to expire, with consequential impact on his ability to deliver Coroner services**

36. This risk was reported as an emerging risk in the last report and was scored as High. The lease for the existing premises has been re-negotiated to allow time to develop alternative premises and will continue for as long as required. The Capital Asset Board agreed alternative premises in April 2011. There is a programme in place to transfer from the Trowbridge and Castle Street, Salisbury premises in 18 months time. Due to these actions the risk is now scored as Low.

**37. Risk Ref. RNP146: Local Development Framework (LDF) Process**

38. The score for this risk has reduced from High to Medium due to the fact that good progress has been made with the Wiltshire Core Strategy. A recent high court ruling indicates that it is unlawful for development plans to be prepared on the basis of the Government's intention to revoke Regional Spatial Strategies (RSS), as such the timing of the revocation of the RSS through enactment of the Localism Bill presents a risk to the development of the Core Strategy and legal advice is being sought.

39. The risk is minimised through ensuring that the proposed revised housing figures are developed using an evidence based approach and the additional stage of consultation will also help test their robustness. However, the ruling may have implications for the emerging South Wiltshire Core Strategy, on which consultation has just been completed on revised figures for this part of the county and are due to be examined by the Inspector in August 2011. Advice from legal will help consider the full extent of the risk.

**40. Comprehensive Spending Review (CSR) and changes to legislation – Capacity of council services to manage demands.**

41. This was previously reported as a high scoring risk. As the CSR is over it was decided to re-name this risk to something more relevant to the on-going challenges the authority is facing, as follows:

**42. Capacity of Council services to manage demands and changing legislation.**

43. Finance are pro-actively monitoring the financial position of the council as follows:

- Four year financial plan;
- Business Plan;
- Improved forecasting tools and approaches;
- Regular budget monitoring;
- Review of key service areas and review of budgets and charging strategy.

44. Due to these actions the assessment of the level of this risk has reduced to medium and will not be included in this report unless it increases to high or becomes more significant.

## **Other areas of key risks to note include:**

### **Emergency Planning and Business Continuity (BC)**

#### **Emergency Planning**

45. The Wiltshire and Swindon Local Resilience Forum (LRF) maintain and review a Community Risk Register which complements the National Risk Register and informs multi agency emergency planning at a local level.
46. The new Head of the Wiltshire and Swindon Local Resilience Forum (LRF) Risk Assessment Sub Group has introduced a new format for the Community Risk Register (CRR). In the future risks will be moderated by the group as different agencies may have different perspectives on individual risks. The Risk Sub Group's aim is to risk assess and review very high and high risks annually, medium risks every two years and low risks every four years. As part of this process the Olympic Games 2012 and Porton Down have been identified as new risks.

#### **Business Continuity Management (BCM)**

47. Approximately 50 Business Impact Analysis review meetings with services took place until the end June 2011. As an outcome of these meetings several services are currently still gathering additional details, in particular regarding staffing figures and resources requirements. Services which currently undergo restructuring and which have not yet finalised their new structures may find it difficult to provide up to date staffing requirement figures. It was agreed with these services that figures should be provided as soon as the restructure is completed.
48. The second stage of the review cycle started on 27 June. While during the BIA stage services were approached by departments, for the next stage critical services are being targeted first. (DCE Children and Families, DCS Adult Care, Highways, Building Control, Fleet services).
49. Service Business Continuity Plan Reviews are used as an opportunity to ask services to identify the costs of service maintenance during a disruption of normal operations. This approach was prepared during the BIA review stage. After the initial first few Service BC Plan meetings it has become evident that estimating costs for an unknown event is not the easiest task and may require more discussion with individual services.
50. Service BC Plan review meetings are likely to continue until the end of the year.

### **Corporate Negligence Occupational Health & Safety (CNOHS)**

#### **Health and Safety (H&S)**

51. The on-line incident reporting procedure has been revised and re-launched making it easier and quicker to use. From September schools should also be able to report accidents on-line.

52. The new contract for undertaking fire risk assessments has been given to SERCO Fire International Training Centre. As a result costs associated with this statutory function will reduce by about 50%.

### Occupational Health (OH)

53. A revised pre-employment screening procedure will come into operation in September/October. The new procedure will speed up the recruitment process and avoid the need to handle, data input and store over 500 questionnaires per year.

54. The latest six monthly figures show that 509 management referrals were received by the occupational health service between January - July 2011. This is a figure consistent with the previous year's figure but represents a 25% increase from the same period in 2009. Mental health related concerns (both work and non-work related), as well as musculoskeletal and back complaints remain the highest reason for referrals.

55. The Management Matters module on Managing Pressure, Preventing Stress has been re-commissioned and extended on back of positive feedback from managers

56. One year fixed term part-time contract post created for OH Project Officer to undertake key projects linked to staff vaccinations/health surveillance.

### Risk Management Arrangements

57. The CRMG is continuing its work to ensure that the Council's risk management arrangements are working well, that appropriate action is being taken, and that good quality information is being made available to managers and members as appropriate.

- A complete review of DCE risks is currently underway and new and updated risks are being identified.
- Business Services are currently reviewing the risks within their service area. An overview of the council risk management process was given to the Insurance team who are now identifying risks within their team. Any high or significant risks identified will be considered for inclusion on the departmental risk register.
- The risks identified for the 'Wiltshire Online' programme have been scored using the council scoring criteria and entered onto a risk register.
- A review of Arts and Archives risks has taken place. New risks have been assessed and scored for inclusion in the departmental risk register.
- Finance has reviewed the risks they have on the departmental risk register to ensure they are up to date.
- Legal and Democratic Services has carried out a complete review of their risks.
- A review of Campus and Operational Delivery Programme workstream risk registers has taken place.

The next Risk Management Update for Audit Committee will be in March 2012.



## **RECOMMENDATIONS**

The Audit Committee is requested to:

- Note the Corporate Risk Management Update
- Consider the Significant Risks and Risk Action Plans attached as Appendix A

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