

# PERFORMANCE AND AUDIT SCRUTINY COMMITTEE

3 March 2009

## Report of the Director of Governance & Procurement

### ITEM 9 RISK MANAGEMENT QUARTERLY PROGRESS REPORT TO 31 DECEMBER 2008

#### Purpose of the Report

The purpose of this report is to update the Committee on the 2008/09 Strategic Risk Register and details of the existing countermeasures and mitigating actions, to advise on the latest quarterly position on the Strategic Risk Register, and to report any exceptions to the Operational Risk Register. This is an update of the report originally included on the agenda for the meeting of the Committee on 18 November 2008, which was postponed due to time constraints. The report therefore now includes an update up to 31 December 2008.

#### Reason

So that the Council can demonstrate that it is taking appropriate action to manage and control its strategic risks.

#### Recommendation

The Committee is asked to note the suggested new strategic risk (SR/17), and to recommend to Cabinet that this risk be added to the Strategic Risk Register.

#### Background

At level 3 in the Audit Commission's Use of Resources Key Lines of Enquiry document there is an expectation that authorities have in place an assurance framework that maps strategic objectives to risks, controls and assurances. At Charnwood this is undertaken through the Corporate Planning, Service Delivery Planning and Risk Management processes.

In accordance with the Performance and Audit Scrutiny Committee's work plan, a progress report detailing how risks are being managed is submitted each quarter with a full report in relation to the Strategic Risk Register and any exceptions relating to operational risks being considered six monthly, and exception reports against the Strategic Risk Register being considered in intervening quarters. The report is a full report up to 30 September 2009, and a report by exception up to 31 December 2008.

## **Strategic Risk Register** **Existing Countermeasures**

The Strategic Risk Register for 2008/09 and details of the existing counter measures and mitigating actions are attached as Appendix I.

Assurance over the adequacy and appropriateness of the countermeasures in place to manage the Strategic Risks is achieved through the Annual Internal Audit Plan and the Performance Review Programme. Where appropriate, details of this assurance work are highlighted against each strategic risk in Annex I.

SMT receives quarterly exception reports from the Performance and Audit team on significant findings arising from audit or performance reviews and the impact of these on the risks and countermeasures set out in the Strategic Risk Register. As at the end of quarter 2 there were no significant findings affecting the adequacy of the existing countermeasures that need to be reported.

### **Strategic Risk Register: Matters to Highlight**

#### **SR/2 Lack or misallocation of capacity (staffing, funding etc) leading to failure to deliver key strategies and priorities resulting in declining customer satisfaction**

The Council has £1M invested in an Icelandic bank (Heritable), which has gone into administration. It is proposed to add an additional new strategic risk to the register to reflect the current banking and investment situation (see SR/17 below). Any loss arising from our £1m exposure to the Icelandic banking system will come out of our reserves - which are held at a level to cope with exactly a major financial shock such as this. The impact on funding for Council services will be the loss of interest on this balance. Whilst this is disappointing, in the context of our overall budget for services this loss of interest represents just a very small fraction (well below 1%) of the total budget.

#### **SR/4 Failure of Charnwood Neighbourhood Housing to attain 2 stars leading to not releasing additional government funding resulting in significant funding implications or not achieving the Decent Homes Standard and declining tenant satisfaction**

There are significant ongoing concerns relating to the performance and financial situation of Charnwood Neighbourhood Housing. Remedial plans are in place, and are being monitored regularly by senior Council officers (Director of Housing & Health, Deputy Chief Executive, and the Chief Financial Officer). An escalation meeting has been held with CNH re voids performance, and CNH will be moving resources from responsive repairs into void repairs and we expect to see a significant fall in the amount of time a normal property is vacant to under 40 days by May 2009.

**SR/5 Failure to adjust services to respond to an economic downturn leading to misalignment of services with residents' needs resulting in declining customer satisfaction**

The Corporate Management Team (CMT) have reported some potential initial patterns in demands on services, which could be attributed to the economic downturn. CMT have been asked to report back to ensure that corporately the Council is aware of any emerging trends and that appropriate action can be taken if required.

**SR/13 Failure to communicate and prepare for Comprehensive Area Assessment leading to poor assessment reports from the Audit Commission resulting in reputational damage**

Significant resources have understandably been deployed in preparing for the CPA re-inspection. However, once the inspection is over, there will be a need to assess and review the Council's readiness for CAA. Discussions with other Council's in Leicestershire indicate that we are more advanced than some other councils in our preparations to collect, report and monitor data for the new National Indicators. Work has now commenced on a 'gap-analysis' to assess our current position against the CAA Use of Resources KLOEs, and to determine what further work is needed before the end of the current financial year.

**SR/16 Ineffective emergency planning and business continuity arrangements leading to lack of resilience and preparedness in the event of a major event (eg. flooding, terrorist attack) resulting in inability to restore services promptly and/or harm to residents**

Concerns have been noted about there being no properly prioritised corporate list of IT software systems to be recovered following an incident affecting the Council's computer systems. It has also become apparent that further preparatory work is required to ensure that appropriate hardware (in the form of servers and other IT equipment) is available promptly following any incident affecting the ICS building.

**Proposed New Strategic Risk SR/17 The failure due to the global economic crisis of a bank or investment institution with whom the Council has a financial commitment, leading to financial loss and potential reputational damage**

This is a proposed additional strategic risk, following on from the Icelandic bank crisis, and the recent failure of other banks and investment institutions. The Deputy Chief Executive is monitoring the economic situation carefully, and instructions have been issued, as allowed for within the approved Treasury Management strategy, to narrow the list of approved investment counterparties for the time being to the highest possible rated financial institutions.

## **Operational Risk Registers: Matters to Highlight (By Exception)**

**OR/4 (Partnerships & Customer Services) The risk that major public relations problems arise that affect the Council's credibility leading to poor perception by customers**

There was recent press coverage of the eBay computer hard disk incident in national and local newspapers and local television news. A significant number of residents contacted the Council raising concerns about the security of their personal data, and a number of formal complaints have been received. Whilst the Council acted promptly to deal with press and residents' enquiries, to recover the hard disk, and to report the matter to the Police once internal investigations revealed suspicions that the incident was due to criminal activity, there will undoubtedly have been some adverse impact on the Council's reputation. There has also been recent adverse local press publicity relating to the Council's £1m Icelandic Bank investment.

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## APPENDIX I: STRATEGIC RISK REGISTER UPDATE

Ref	Description & Risk Owner	Inherent Risk (Impact & Likelihood)		Current Countermeasures	Residual Risk (Impact & Likelihood)		Sources of Assurance
		Med	Med		Med	Low	
SR/1	<p>Failure to deliver services in the most efficient and effective way resulting in ineffective service delivery models leading to declining customer satisfaction and lack of value for money.</p> <p>DIRECTOR OF PROGRAMMES &amp; RESOURCES</p>	Med	Med	Service Delivery Planning Process	Med	Low	<p>Performance Review Programme – covers key services and processes over a 3 year cycle.</p> <p>Corporate Plan monitoring processes</p> <p>Performance Management Framework</p> <p>Benchmarking</p>
SR/1 Update: the Council has joined the Daventry Benchmarking Group, which should allow further benchmarking of services against other similar District Councils. The Service Review Programme has now replaced the Performance Review Programme, and is targeted more directly at value for money savings.							
SR/2	<p>Lack or misallocation of capacity (staffing, funding etc) leading to failure to deliver key strategies and priorities resulting in declining customer satisfaction.</p> <p>DIRECTOR OF PROGRAMMES &amp; RESOURCES</p>	Med	Med	<p>Service Delivery Planning Process</p> <p>Budget Processes</p> <p>Workforce Planning</p>	Med	Low	<p>Performance Review Programme – covers key services and processes over a 3 year cycle</p> <p>Accountancy &amp; Budgetary Control - Audit</p> <p>HR Recruitment &amp; Selection - Audit</p>
SR/2 Update: the Council has £1M invested in an Icelandic bank (Heritable), which has gone into administration. However, there should be no significant impact on services arising from this. See also the comments under SR/1 relating to the Service Review Programme.							
SR/3	<p>Failure to identify key demographic changes leading to misalignment of services with residents' needs resulting in declining satisfaction.</p> <p>DIRECTOR OF PARTNERSHIPS &amp; CUSTOMER SERVICES</p>	Med	Med	<p>Service Delivery Planning Process</p> <p>Customer Performance &amp; Information Management Project</p>	Med	Low	Customer Satisfaction – Performance Review
SR/3 Update: no issues or concerns to report.							

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		High	High		High	Med	
SR/4	<p>Failure of Charnwood Neighbourhood Housing to attain 2 stars leading to not releasing additional government funding resulting in significant funding implications or not achieving the Decent Homes Standard and declining tenant satisfaction.</p> <p>DIRECTOR OF HOUSING &amp; HEALTH</p>	High	High	<p>ALMO Management Agreement</p> <p>ALMO Performance Monitoring Arrangements</p>	High	Med	ALMO Financial & Performance Monitoring - Audit
SR/4 Update: there are some significant concerns over both the performance and financial situation of Charnwood Neighbourhood Housing.							
SR/5	<p>Failure to adjust services to respond to an economic downturn leading to misalignment of services with residents' needs resulting in declining customer satisfaction.</p> <p>DIRECTOR OF PARTNERSHIPS &amp; CUSTOMER SERVICES</p>	High	High	<p>Service Delivery Planning Process</p> <p>Customer Satisfaction Monitoring</p> <p>Complaints Monitoring</p>	High	Med	Customer Satisfaction – Performance Review
SR/5 Update: the corporate management team have been asked to monitor the situation closely, and report back on any emerging patterns or concerns re service demands arising from the economic downturn.							
SR/6	<p>Failure to ensure access to decent and affordable housing in the public and private sectors leading to declining health and resulting in a lessening of the attractiveness of the Borough as a place to live.</p> <p>DIRECTOR OF HOUSING &amp; HEALTH</p>	Med	Med	<p>ALMO Performance Monitoring</p> <p>Planning &amp; Building Control Processes, including LDF</p> <p>Private Sector Housing Grants</p>	Med	Low	<p>ALMO Financial &amp; Performance Monitoring - Audit</p> <p>Building Control (Fee Income) - Audit</p>
SR/6 Update: the audit of Building Control (fee income) made a recommendation relating to the generation and application of surpluses arising from charges.							

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SR/7	<p>Failure to deliver key improvement in Priority Neighbourhoods leading to continued deprivation and declining health of residents resulting in declining customer satisfaction.</p> <p>DIRECTOR OF PARTNERSHIPS &amp; CUSTOMER SERVICES</p>	Med	High	<p>Neighbourhood Management Processes</p> <p>Charnwood Grants Scheme</p> <p>Community Safety processes and arrangements</p>	Med	Med	Charnwood Grants Scheme - Audit
SR/7 Update: the audit of the Charnwood Grants Scheme has resulted in some recommendations to further improve procedures.							
SR/8	<p>Failure to achieve joint outcomes due to lack of cooperation from partners resulting in non-delivery of key objectives leading to reputational damage and inefficiencies.</p> <p>DIRECTOR OF PARTNERSHIPS &amp; CUSTOMER SERVICES</p>	High	Med	<p>Partnership Management Processes</p> <p>LSP –Charnwood Together</p>	High	Low	Partnership Working – Performance Review
SR/8 Update: no issues or concerns to report.							
SR/9	<p>Failure to respond to or manage customer expectations resulting in a decline in customer satisfaction ratings leading to reputational damage.</p> <p>DIRECTOR OF PARTNERSHIPS &amp; CUSTOMER SERVICES</p>	Med	High	<p>Consultation on development of key strategies, plans and policies</p> <p>Corporate Complaints Process</p> <p>Customer Performance &amp; Information Management Project</p>	Med	Med	Customer Satisfaction – Performance Review

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SR/9 Update: no issues or concerns to report.							
SR/10	<p>Failure to meet political expectations for intervention due to insufficient capacity leading to misallocation of resources on a 'first come first served' basis rather than a prioritised programme resulting in reputational damage and lack of value for money.</p> <p>DIRECTOR OF PROGRAMMES &amp; RESOURCES</p>	Med	High	<p>Service Delivery Planning Process</p> <p>Member Training &amp; Development</p> <p>Capital Programme Allocation Process</p> <p>Use of CRM system to drive work programme for reactive resources</p>	Med	Low	Capital Programme – Audit
SR/10 Update: no issues or concerns to report.							
SR/11	<p>Failure to redefine the Council and to have a clear direction resulting in misdirection of resources leading to decline in staff morale and reputational damage.</p> <p>DIRECTOR OF PROGRAMMES &amp; RESOURCES</p>	High	Med	<p>'One Charnwood' Programme</p> <p>Staff Training &amp; Development (PDR Process)</p>	High	Low	<p>Staff Development &amp; Training – Performance Review</p> <p>Employment Monitoring Statistics re Staff Turnover and Sickness</p>
SR/11 Update: no issues or concerns to report.							
SR/12	<p>Inability to harness employees' energy and creativity leading to ineffective use of resources and resulting in loss of talent and overall poor performance.</p> <p>DIRECTOR OF PROGRAMMES &amp; RESOURCES</p>	High	High	<p>'One Charnwood' Programme</p> <p>Staff Training &amp; Development (PDR Process)</p>	High	Low	<p>Staff Development &amp; Training – Performance Review</p> <p>Employment Monitoring Statistics re Staff Turnover and Sickness</p>
SR/12 Update: no issues or concerns to report.							

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		Med	Med		Med	Low	
SR/13	<p>Failure to communicate and prepare for Comprehensive Area Assessment leading to poor assessment reports from the Audit Commission resulting in reputational damage.</p> <p>DIRECTOR OF GOVERNANCE &amp; PROCUREMENT</p>	Med	Med	Audit Commission Assessments Project	Med	Low	<p>Key Financial Systems – Audits (Salaries &amp; Wages, Debtors, Creditors, Income Collection, Treasury Management, Accountancy &amp; Budgetary Control, Capital Programme, Council Tax, NNDR, Housing Benefits)</p> <p>Data Quality – Audit</p>
<p>SR/13 Update: discussions with other councils in Leicestershire indicate that we are more advanced than most in our preparations to collect data for the new National Indicators. However, once the CPA inspection is over, there will be an urgent need to assess the Council's general preparations for CAA. A 'gap-analysis' is now underway to assess our preparedness for CAA Use of Resources.</p>							
SR/14	<p>Failure to lead by example on the climate change agenda leading to not achieving LAA targets and poor results against National Indicators resulting in reputational damage.</p> <p>DIRECTOR OF HOUSING &amp; HEALTH</p>	Med	Med	<p>Zero Waste Strategy</p> <p>Environmental Management System</p> <p>Performance Monitoring Processes</p>	Med	Low	<p>Sustainability &amp; Climate Change – Performance Review</p> <p>Climate Change - Audit</p>
<p>SR/14 Update: no issues or concerns to report.</p>							
SR/15	<p>Failure to work effectively with the County Council and other Districts leading to fragmented and inefficient service delivery resulting in not achieving LAA targets and reputational damage,</p> <p>DIRECTOR OF PARTNERHIPS &amp; CUSTOMER SERVICES</p>	High	Med	<p>LAA Working Groups and Monitoring Arrangements</p> <p>Shared Services Arrangements</p>	High	Low	<p>Partnership Working – Performance Review</p>
<p>SR/15 Update: no issues or concerns to report. The performance review of Partnership Working has been commenced.</p>							

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		High	Med		High	Low	
SR/16	<p>Ineffective emergency planning and business continuity arrangements leading to lack of resilience and preparedness in the event of a major event (eg. flooding, terrorist attack) resulting in inability to restore services promptly and/or harm to residents.</p> <p>DIRECTOR OF PROGRAMMES &amp; RESOURCES</p>	High	Med	<p>Emergency Plan and Exercises</p> <p>Business Continuity Plan</p>	High	Low	Emergency Planning & Business Continuity Exercises
<p>SR/16 Update: concerns have recently been raised about there being no properly prioritised corporate list of IT software systems to be recovered following an incident affecting the Council's computer systems. It has also become apparent that further preparatory work is required to ensure that appropriate hardware (in the form of servers and other IT equipment) is available promptly following any incident affecting the ICS building.</p>							
SR/17	<p>The failure due to the global economic crisis of a bank or investment institution with whom the Council has a financial commitment, leading to financial loss and potential reputational damage.</p> <p>DEPUTY CHIEF EXECUTIVE</p>	High	High	Narrowed investment criteria as per CFOs instructions (within existing Treasury Management framework)	High	Med	Treasury Management - Audit
<p>SR/17 Update: NEW RISK – this is a proposed new strategic risk, following on from the Council's £1M investment in one of the troubled Icelandic banks. The circumstances surrounding this investment are currently under investigation. The Chief Financial Officer is monitoring the economic situation carefully, and has issued instructions, as allowed for within the approved Treasury Management strategy, to narrow the list of approved investment counterparties for the time being to the highest possible rated financial institutions.</p>							