

# Taunton Deane Borough Council

## Corporate Governance Committee – 26 September 2011

### Risk Management Update

#### Report of the Performance & Client Lead

(This matter is the responsibility of Executive Councillor Vivienne Stock-Williams)

#### 1. Executive Summary

- 1.1 This report provides an update on progress with Corporate Risk Management.
- 1.2 The Corporate Risk Register (attached as Appendix A) has undergone a scheduled six-monthly review on 5 September by the Corporate Management Team (CMT).
- 1.3 The overall Risk Exposure (shown in the Summary Risk Profile) remains unchanged from the last review in February, however some minor changes and additions have been made to the Risk Register.

#### 2. Background

##### 2.1 Introduction

*Risk Management* is an important element of management and in planning and providing the safe delivery of economic, efficient, and effective Council services. It is recognised as an integral part of good management practice. To be most effective, risk management should become part of the Council's culture. It should be part of the philosophy, practices and service planning rather than viewed as a separate initiative. When this is achieved, risk management becomes the business of everyone in the organisation and therefore is embedded

##### 2.2 Definitions

*Risk Management* - is the systematic approach and process by which risks are identified, evaluated and controlled and is one of the key elements of the Corporate Governance framework.

*Risk* – is an uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives. A risk is measured by the combination of the probability of a perceived threat or opportunity occurring and the magnitude of its impact on objectives.

## 2.3 Roles and responsibilities

### 2.3.1 The role of the Corporate Governance Committee

The Corporate Governance Committee is responsible for monitoring the corporate governance of the authority. It will receive regular reports on the way risk is being managed in the authority.

Members' key tasks in relation to Risk Management are:

- Approving the Risk Management Strategy and implementation plan.
- Monitoring the effectiveness of the Council's risk management and internal control arrangements.
- Reviewing the Corporate Risk Register

## 3. Risk Management progress update

### 3.1 Corporate Risk Register

3.1.1 The annual review of the Corporate Risk Register was completed in February 2011 by the Corporate Management Team (CMT) – the revised risk register was reported to the Corporate Governance Committee 14<sup>th</sup> March 2011.

3.1.2 A six-monthly review of the Corporate Risk Register was conducted on 5 September by CMT. Changes and additions are identified in the document by the use of *italics*; however a summary of the key changes is below:

- A risk that was previously included – “The Growth Agenda is not delivered” has been merged with Corporate Aim 2: Regeneration (risk no 2b)
- A new sub-element of Risk 1 (Failure to deliver effective leadership during a period of change & uncertainty) has been added - 1f) *‘Failure to manage Member & staff expectations if resource/capacity changes as a result of the Budget Review’*
- A new sub-element of Risk 3 (Failure to agree sustainable MTFP) has been added – 3g) *‘Failure to deal with 2011/12 in-year projected budget overspend’*
- A ‘movement’ column has been included in the Risk Register – this is intended to identify where a risk (score) has increased (↑), decreased (↓), or remained the same (↔) since the last review.

3.1.3 A copy of the current Corporate Risk Register can be found in **Appendix A**. It is recommended that the Committee review the risks and control measures, making particular note of the high risk areas, identified by a score of 15 or higher (also highlighted in red).

#### 3.1.4 Summary Risk Profile

A simple technique for providing a visualisation of the total risk is to use a Summary Risk Profile to position individual risks on a map. This shows the combined probability and impact assessment so that Members and Managers may gain an overall impression of the total exposure to risk. The Summary Risk Profile is found in Appendix A (at the start of the Risk Register).

3.1.4 'Risk Response Action Plans' for the highest level risks have been developed. These contain:

- details of the actions and controls in place (or planned)
- the 'actionee' (the Officer with responsibility for the action)
- progress monitoring (ie 'Green', 'Amber' or 'Red' status alert)
- Post-response target risk score (where appropriate)

These action plans have not been included in this report, however Members may be reassured that the Performance & Client Lead is monitoring progress of the actions, and updating the action plan as part of the on-going Risk Management process and recent CMT review.

### 3.2 Operational Risk Registers

3.2.1 Risk Registers have been produced for each Theme as part of the 2011/12 service planning process. Copies have been issued to the Performance & Client Lead (responsible for corporate risk management) and are being reviewed for consistency and compliance with the TDBC Risk Management Strategy, Policies & Guidance. A quarterly review of these risk registers is now included on the Theme Manager meeting forward plan.

### 3.3 Project Risk Registers

3.3.1 A summary of key corporate project risk registers in place is as follows:

Corporate Project	Owner	Date / version
LDF Core Strategy	SL	June 2011 (Strategy Unit Service Plan 2011/12 v1)
SAP implementation & re-launch	RS / PH	Dec 2010 (Performance & Client team service plan 2011/12)
DLO internal transformation	BC	Nov 10 (v1.2) NB - This is being refreshed in light of the decision to approve the internal transformation
Procurement transformation	PH	Client team risk & issues log – monthly review at Procurement Steering Group & Procurement Client Management meetings
Priority Areas Strategy	ML	Nov 2010
Halcon Regeneration Project	TB / AN	Feb 2011
Budget Review programme	SL/DW	July 2011
HRA Reform Project	JB	June 2011

3.4 **Risk Management Improvement Plan 2011/12** – the key areas of focus to further improve and embed Risk Management during 2011/12 are:

- Review and refresh the Corporate Risk Management Strategy, Policy and Procedures (in accordance with the Office of Government Commerce 'Management of Risk' framework and approach 2010)
- Ensure joint risk reviews are conducted / updated with all key partners (ie Southwest One, Tone Leisure, Somerset Waste Partnership)
- Deliver training on Risk Management to the Corporate Governance Committee (and other Members and Managers as appropriate)

#### **4. Finance Comments**

4.1 Financial risk is explained in the Risk Management Strategy and considered within the Corporate Risk Register.

#### **5. Legal Comments**

5.1 Legal risk is explained in the Risk Management Strategy and considered within the Corporate Risk Register.

#### **6. Links to Corporate Aims**

6.1 As this report covers the Council-wide approach to managing risk, all Corporate Priorities are affected

#### **7. Environmental and Community Safety Implications**

7.1 These areas are considered within the Corporate Risk Register.

#### **8. Equalities Impact**

8.1 An Equalities Impact Assessment is not required. Equalities issues are considered within the Risk management process.

#### **9. Risk Management**

9.1 This report outlines all aspects of corporate Risk Management.

#### **10. Partnership Implications**

10.1 Partnership risk management is referred to in the Risk Management Strategy, Action Plan, and Corporate Risk Register.

#### **11. Recommendations**

11.1 It is recommended that the Corporate Governance Committee:

- Review the updated Corporate Risk Register (Appendix A)
- Note progress with Risk Management

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## Corporate Risk Register



### Summary Risk Profile (Sept 2011)

		IMPACT (B)				
		Insignificant 1	Minor 2	Significant 3	Major 4	Critical 5
LIKELIHOOD (A)	Very Likely 5					
	Likely 4				5	
	Feasible 3			2	4	1
	Slight 2				6, 7	3
	Very Unlikely 1					
			Insignificant 1	Minor 2	Significant 3	Major 4

Risk No.	Risk & descriptions	Responsible CMT Member	Consequences	Existing Control Measures	Current Score		Score	Movement ↓ ↑ ↔
					Impact	Probability		
1	<b>Failure to deliver effective leadership during period of change &amp; uncertainty (Political &amp; Managerial)</b>	<b>Shirlene Adam</b>	<ul style="list-style-type: none"> <li>• Organisation not fit for purpose, and cannot meet the demands of the Government</li> <li>• Organisation unable to identify &amp; capture tangible benefits of change projects</li> <li>• Organisation fails to drive full benefits from SAP &amp;/or Procurement</li> <li>• Potential impact on staff morale, leading to increased: staff sickness absence; industrial unrest / strikes; grievances / disciplinaries / complaints</li> </ul>		Critical	Feasible	15	↔
a)	Change Programme does not achieve objectives and the organisation has no obvious Plan B			<ul style="list-style-type: none"> <li>- Budget Review Programme (inc 'Plan B').</li> <li>- Theme 5 restructure (CMT).</li> <li>- SAP Task &amp; Finish.</li> <li>- Increased challenge on Procurement by CMT</li> </ul>				
b)	Members do not embrace the changes and resist proposals			<ul style="list-style-type: none"> <li>- Members Change Steering Group.</li> <li>- Regular briefings by the Chief Exec to Group Leaders.</li> </ul>				
c)	Lack of clarity on the programme of changes to fit the future			Hub reports to CMT				
d)	Staff are not supported on changes implemented from the Budget Review programme			<ul style="list-style-type: none"> <li>- Staff briefings.</li> <li>- Budget Review Programme &amp; communications strategy.</li> <li>- Unison Forum.</li> <li>- Members induction programme.</li> <li>- Staff care &amp; support plan.</li> <li>- Reports to Leads group.</li> <li>- Extra HR resources engaged to support the Budget Review Programme</li> </ul>				
e)	Failure to address the issues arising from the 2010 Staff Survey			<ul style="list-style-type: none"> <li>- Organisation Development plan.</li> <li>- H &amp; S committee consultation.</li> </ul>				
f)	<i>Failure to manage Member &amp; staff expectations if resource/capacity changes (as a result of the Budget Review)</i>			Budget Review Project 'Internal Stakeholder Engagement' workstream & Communications Strategy				

Risk No.	Risk & descriptions	Responsible CMT Member	Consequences	Existing Control Measures	Current Score		Score	Movement ↓ ↑ ↔
					Impact	Probability		
<b>2</b>	<b>Failure to deliver the corporate aims ('TRAC')</b>				<b>Significant</b>	<b>Feasible</b>	<b>9</b>	↔
a)	<b>Corporate Aim 1: Tackling Deprivation &amp; Sustainable Community Development</b> - Failure to produce coherent programme / lack of strategic vision & planning to address/mitigate - Lack of awareness (outside of 2 areas in Taunton) of the other "rising hotspots" within the Deane	<b>Shirlene Adam</b>	<ul style="list-style-type: none"> <li>• Areas of deprivation remain</li> <li>• Communities in these areas are not given the support and priority they need to improve and activity may be misdirected</li> <li>• Potential for further areas to slip into deprivation</li> </ul>	- 'Priority Areas Strategy' - project team in place. - Engagement with Multi-Agency Groups. - TD Partnership 'buy-in'				
b)	<b>Corporate Aim 2: Regeneration</b> - Failure to produce coherent strategy and delivery plan - Failure to deliver a sound Core Strategy within reasonable timescales - Unsustainable development proposals permitted due to lack of 5 year land supply - Members and/or Community resist growth agenda - TDBC organisationally is not resourced to support this growth and the place shaping agenda - Failure to exploit opportunities from Local Enterprise Partnerships (new funding, & making our case nationally for regional infrastructure) - Lack of market appetite for growth	<b>Joy Wishlade / Tim Burton</b>	<ul style="list-style-type: none"> <li>• Failure to deliver sustainable economic and housing growth targets</li> <li>• Loss of external funding</li> <li>• Reputation damaged</li> <li>• Inappropriate development (in the wrong places)</li> <li>• TDBC becomes a dormitory region - with residents working and finding recreational activities outside of the Deane</li> <li>• Local economy does not develop - lack of quality jobs created / redundancies</li> <li>• Transport infrastructure becomes more gridlocked</li> <li>• TDBC will not be able to compete with other regions in terms of attracting business growth</li> </ul>	- Taunton Advisory Board. - Regeneration Steering Group - Core Strategy work programme & specialist team in place - 5 year review period of land supply - Briefings with the community / business community / Members. Monkton Heathfield community engagement pane - 'Memorandum of understanding' with developers - TDBC heads up Local Investment Plan process. - Employment land working group. - Leading role with Local Development Partnership				
c)	<b>Corporate Aim 3: Affordable Housing</b> - Failure to produce coherent strategy and delivery plan	<b>Shirlene Adam</b>	<ul style="list-style-type: none"> <li>• Failure to deliver Affordable Housing targets</li> </ul>	Affordable Housing Steering Group				
d)	<b>Corporate Aim 4: Climate Change</b> - Failure to have coherent programme to address impact of climate change - No plans in place to reduce carbon footprint of the organisation or the community - Failure to gain LSP partners' support	<b>Kevin Toller</b>	<ul style="list-style-type: none"> <li>• Carbon footprint continues to grow</li> <li>• No community leadership on green issues (energy management/recycling improvements/sustainable buildings)</li> </ul>	- Climate Change Steering Group. - '10% less' energy campaign. - Carbon Management Action Plan (approved Aug 11)				
e)	<b>Failure to effectively deploy resources to deliver priorities (capacity)</b> - Insufficient resources to meet expectations - Inappropriate use of resources	<b>Penny James</b>	<ul style="list-style-type: none"> <li>• Council priorities not delivered</li> <li>• Negative impact on delivery of corporate priority outcomes</li> </ul>	Budget Review Programme				
f)	Lack of engagement with staff & partners and poor visibility / low priority given to Corporate Aims	<b>Penny James</b>	<ul style="list-style-type: none"> <li>• Council priorities not delivered</li> <li>• Negative impact on delivery of corporate priority outcomes</li> </ul>	- Review of Corporate Aims included within Budget Review Programme (Member briefings/Scrutiny)				

Risk No.	Risk & descriptions	Responsible CMT Member	Consequences	Existing Control Measures	Current Score		Score	Movement ↓ ↑ ↔
					Impact	Probability		
<b>3</b>	<b>Failure to agree sustainable MTFP</b>	<b>Shirlene Adam</b>	<ul style="list-style-type: none"> <li>Potential budget shortfall in 2012/13</li> <li>Potential adverse impact on Council's limited reserves &amp; financial standing</li> <li>Potential loss of staff &amp; knowledge in key service areas</li> <li>Potential service closure / reduced service quality</li> <li>Inability to deliver customer expectations</li> <li>Adverse impact on remaining staff</li> <li>Adverse impact of local elections in 2011</li> <li>Adverse impact of HRA self-financing not finalised</li> <li>Adverse impact of Partner's budget changes</li> <li>Members will be required to make difficult budget decisions</li> </ul>	Budget Strategy / Budget Review Programme. Core Council Review (Themes 3 & 5). Housing self-financing.	<b>Critical</b>	<b>Slight</b>	<b>10</b>	↔
a)	Less Central Government funding							
b)	Insufficient capital resources to fund Corporate Strategy objectives							
c)	Impact of Project Taunton on revenue streams from car parks to be resolved							
d)	Unclear on impact of economic downturn on Council's finances, including arrears position							
e)	Failure to exploit new funding & borrowing opportunities							
f)	Failure to have coherent plan for dealing with Council's assets moving forward		<ul style="list-style-type: none"> <li>Insufficient management information on Council's assets and the influence they have on corporate priorities</li> <li>No clear property strategy for TDBC public buildings and depots</li> </ul>	<ul style="list-style-type: none"> <li>Asset management Group / Asset Management Plan.</li> <li>Budget Review Programme - Capital / Asset review workstream</li> </ul>				
g)	Failure to deal with 2011/12 in-year projected budget overspend		Insufficient reserves to deal with strategic changes needed (ie resulting from Budget Review Programme)	CMT analysis & review of Quarter 1 - in-year budget saving options considered. Further review in Q2				

<b>4</b>	<b>Failure to effectively manage the impact of Government Reforms</b>	<b>Simon Lewis</b>	<ul style="list-style-type: none"> <li>Elected Members &amp; staff unsighted on changes ahead</li> <li>Potential intervention / action by Central Govt</li> <li>Community not engaged in conversations re service changes</li> <li>Increased demand &amp; pressure on resources</li> <li>Increased referendums &amp; legal work</li> <li>Increased role of the community / impact on elected Members' role?</li> <li>Different role for LAs when dealing with welfare support</li> </ul>	<ul style="list-style-type: none"> <li>Hub reports provided for CMT &amp; Scrutiny as appropriate.</li> <li>Strategy Team / Theme &amp; Service managers are monitoring changes.</li> <li>Links to Budget review Programme.</li> <li>TDBC involvement in consultation on changes &amp; reforms.</li> <li>Attendance to briefings / network events - reports to CMT.</li> <li>Budget Review Programme 'High Level Principles' agreed re devolving services where appropriate (work on-going)</li> </ul>	<b>Major</b>	<b>Feasible</b>	<b>12</b>	↔
a)	Failure to be aware of, understand and adequately address the implications on Services, the Community, & Partners from Govt policy reform, including: <ul style="list-style-type: none"> <li>New Homes Bonus</li> <li>Homes &amp; Community Agency</li> <li>Supporting People programme</li> <li>Rents reforms</li> <li>Welfare reforms</li> <li>HRA reforms</li> <li>Localism Bill</li> <li>Health white paper</li> <li>Open Public Services white paper</li> </ul>							
b)	Failure to adequately address the implications or exploit opportunities of increased working with the 'Third Sector'		<ul style="list-style-type: none"> <li>Voluntary organisations unable or unwilling to deliver increased outcomes</li> <li>TDBC expected to close gaps left from Partners' cuts</li> </ul>					



Risk No.	Risk & descriptions	Responsible CMT Member	Consequences	Existing Control Measures	Current Score		Score	Movement ↓ ↑ ↔
					Impact	Probability		
5	<b>Key partnerships fail to deliver Council's objectives (SW1, TLL, SWP)</b>	<b>Richard Sealy</b>	<ul style="list-style-type: none"> <li>Potential breakdown in relationships between partners</li> <li>Impact on customers of service failure</li> <li>Contract renegotiation</li> <li>Financial implications (inc imposing penalties)</li> <li>Impact on staff</li> <li>Adverse impact on day-to-day service delivery (during SCC negotiations with SW1)</li> </ul>	<ul style="list-style-type: none"> <li>Governance processes in place for different partners</li> <li>Client Team monitor partner</li> <li>Contractual arrangements in place</li> <li>Regular Member scrutiny</li> <li>Regular briefings re SW1 with Group Leaders in place</li> <li>Legal advice re SW1 obtained when necessary</li> <li>Indemnity in place for SW1 Board Members</li> <li>Contingency planning</li> </ul>	Major	Likely	16	↔
a)	Differing priorities by Administrations at TDBC & SCC							
b)	Partners fail to deliver required performance levels							
c)	Lack of clarity on objectives							
d)	Changes instigated by SCC							
6	<b>Failure to have comprehensive &amp; effective Business Continuity Plans &amp; arrangements in place for TDBC</b>	<b>James Barra</b>	<ul style="list-style-type: none"> <li>Negative impact on corporate support services (eg: IT; Communications; Data Security)</li> <li>Essential services may be reduced / not delivered</li> <li>General services may be reduced / not delivered</li> <li>May not be compliant with civil contingencies requirements / obligations on TDBC</li> <li>Failure to respond effectively to local/major civil emergency or incident</li> <li>Adverse impact on Council reputation</li> <li>Unable to deliver IT support during emergencies</li> </ul>	<ul style="list-style-type: none"> <li>CMT rota in place</li> <li>Recent Rest Centre exercise</li> <li>Draft BCPs in place</li> <li>Progress monitored with service BCPs (near 100%)</li> <li>Housing &amp; DLO rotas in place</li> <li>Contractual arrangements in place (Sw1, TLL)</li> <li>Kilkenny has reciprocal arrangements with other authorities</li> <li>Somerset Civil Contingencies partnership</li> <li>DLO in discussions with Sedgemoor re shared depot</li> </ul>	Major	Slight	8	↔
a)	No detailed plan for how the Council would operate in terms of major emergencies							
b)	No awareness of plan by staff / management / members							
c)	Inadequate IT disaster recovery plan							
7	<b>Inadequate Health &amp; Safety arrangements in place</b>	<b>Kevin Toller</b>	<ul style="list-style-type: none"> <li>Loss of life</li> <li>H &amp; S incidents occur that could have a negative impact on the Council's reputation, management and staff involved.</li> <li>Negative impact on relationship with Unison &amp; staff.</li> <li>Financial loss</li> </ul>	<ul style="list-style-type: none"> <li>H &amp; S committee</li> <li>Reports to Corp Gov Cttee</li> <li>Safety Reps</li> <li>H &amp; S training programme in place</li> <li>Dedicated H &amp; S advisory resource</li> <li>IOSHH qualified competent persons at Depot</li> <li>H &amp; S action plan (&amp; quarterly monitoring)</li> </ul>	Major	Slight	8	↔