

AGENDA ITEM: 7

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Meeting

Audit Committee

Date

09 December 2008

Subject

Corporate Risk Strategy

Report of

Director for Resources

Summary

In support of Decision 6 of the Audit Committee 18/06/2008 this report explains how corporate risks are reported and assessed by Corporate Directors Group and the process for risks moving between categories of high, medium and low.

Officer Contributors

Paul Lawrence – Head of Risk and Insurance
Nikki Adams – Corporate Risk Officer

Status (public or exempt)

Public

Wards affected

None

Enclosures

Appendix A – Corporate Risk Register

For decision by

Audit Committee

Function of

Council

Reason for urgency /
exemption from call-in (if
appropriate)

N/A

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1. RECOMMENDATIONS

1.1 That the committee note:

- i the process adopted by Corporate Directors Group in the assessment of corporate risk and the classification of and movement between risk categories of high, medium and low**
- ii the latest version of the Corporate Risk Register**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Audit Committee 18th June 2008, approval of the Council's refreshed Corporate Risk Management Strategy for 2008/9.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The presence of strong risk management policies and procedures is paramount to the authority achieving all of its corporate priorities and as such impacts on all the corporate objectives.
- 3.2 The requirement of a Risk Management Strategy and strong risk management processes and procedures underpins the Council's annual Use of Resources assessment which was integral to the old Comprehensive Performance Assessment framework and will continue to be a central part of the Comprehensive Area Assessment in the future.

4. RISK MANAGEMENT ISSUES

- 4.1 Failure to identify a risk management strategy will have a significant negative impact on the Authorities ability to demonstrate embedded risk management processes and procedures.
- 4.2 Without a strong risk management strategy within the Authority we will not be able to ensure consistent processes are in place for managing risk.
- 4.3 Poor risk management processes and procedures will have a direct negative impact on the Authority's external inspection and assessment ratings.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Effective management of risk gives assurance in the provision of services to the entire community on an equitable basis.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

6.1 Strong risk management processes and procedures protect the Authority from potential financial implications and enhance the control environment and governance requirements.

7. LEGAL ISSUES

7.1 None in the context of this report.

8. CONSTITUTIONAL POWERS

8.1 Constitution Part 3, Paragraph 2: Responsibility for Functions, details the purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

9 BACKGROUND INFORMATION

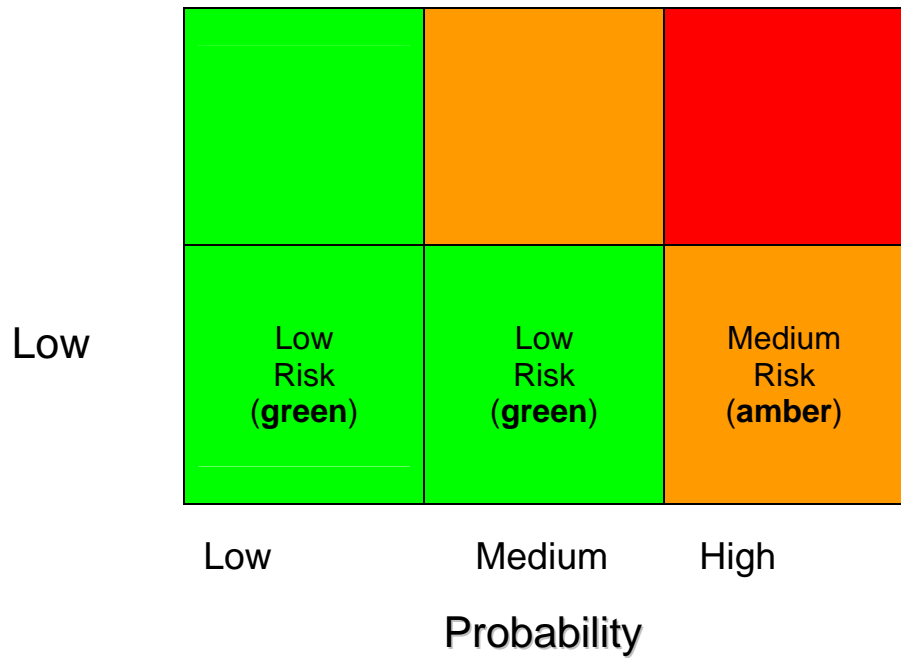
9.1 As part of best practice, and as recommended by External Audit, a review of the Risk Management strategy and guidelines was conducted and the refreshed Risk Management Strategy for 2008/9 was accepted by the Audit Committee in June 2008.

9.2 A fundamental element in the practice of Risk Management is the method by which risks are scored and ranked. This is reflected in a Risk Matrix.

9.3 Whilst there are many examples and variations of matrices in the market place, generally they all follow the general principal of independently scoring impact/consequence and likelihood/frequency. Scores for each category are then multiplied to give an overall risk score and either compared to a pre-agreed or plotted on a matrix table per example below.

Example of a 3x3 Matrix:

	High	Medium Risk (amber)	High Risk (red)	High Risk (red)
Impact	Medium	Low Risk (green)	Medium Risk (amber)	High Risk (red)



- 9.4 All matrices tend to follow this traditional traffic light system and the response and necessary mitigation of risks can be pre-determined based on whether the risk is red indicating areas of highest risk, amber may identify significant risk and green of a lesser risk.
- 9.5 There is however an inherent risk in adopting this method. If risks are ranked on the basis of a combined outcome, a risk of high impact but low likelihood will fall into amber or mid risk category and may reduce the importance attached to it.
- 9.6 In order to avoid this situation Barnet has chosen to maintain separate scores for both impact and likelihood. In this way the highest ranking risks are identified and described as a red/red risks e.g. high impact and high likelihood. The likelihood and impact assessment is revised when action has been taken against the risk and the register is updated to reflect this.

Example of LBB Risk Register Template

Corporate Priority	Objective	Risk Type	Risk Description	Risk Raised by	Date Raised	Controls in place	Initial Assessment		Mitigating Action Plan	Lead Officer	Last updated	Action taken	Current status	Revised Assessment	
							Likelihood	Impact						Likelihood	Impact
							Low	High							

- 9.7 Service risk registers are reviewed by Services' Senior Management Teams quarterly as a minimum standard. Through this review process any risks likely to impact on the Authority are proposed to be considered by CDG for inclusion in the Corporate Risk Register. Service risk registers are also subject to regular review. Lead Members and the Executive Management Team are provided with periodic updates on the status of significant risks by the service areas responsible officer as part of financial and performance monitoring reports. The monitoring process will seek to challenge the effectiveness of actions taken and to reconfirm the likelihood of planned outcomes.
- 9.8 There is no specific guidance in the determination and classification of whether impact or likelihood is considered low medium or high. It is very subjective and may be influenced by whether a risk owner is particularly risk averse. To counter this, all newly proposed corporate risks raised by a service is presented by that Director to Corporate Directors Group. CDG will discuss the risk, challenge the proposing Director, consider and advise on mitigating action and, if accepted by the group, record this in the corporate risk register.
- 9.9 CDG review the Corporate Risk Register on a quarterly basis to consider new proposed risks, to review amendments to existing risks and to ensure that risks are in line with corporate priorities and the corporate plan ensuring the register is truly representative of the whole organisation.
- 9.10 The Corporate Risk Register does not include specific financial or project risks which are reflected in separate risk registers and are managed by Services. The attached Corporate Risk Register was last reviewed and updated by Council Directors Group in November 2008.
- 9.13 Following acceptance the meeting of the Audit Committee on 18th June 2008, a programme of activity focussed on further embedding risk management across the Authority to ensure compliance is being delivered including the implementation of a computerised system to record, monitor and report on risk management; quarterly risk register reviews; further training to officers and Members; and assessments of the methodology and processes used to capture and record risk across the Authority.

10 LIST OF BACKGROUND PAPERS

- 10.1 The Corporate Risk Strategy reported to Audit Committee on 18 June 2008.

Legal:

CFO: JB

2008/9 Corporate Risk Register

Number	Corporate Priority	Objective	Risk Type	Risk Description	Risk Raised by	Date Raised	Controls in place	Initial Assessment		Mitigating Action	Lead Officer	Last updated	Action taken	Current status	Revised Assessment		Closing Authority
								Likelihood	Impact						Likelihood	Impact	
1	A successful suburb	Deliver the Three Strands approach of Protect, Enhance and Grow	Reputation	Deterioration in the quality of the suburbs, for example, a lack of enforcement or attention to quality of design	Directors Group	03/07	Strategic management liaison facilitated through 'Place' theme meeting. Enhanced PEPS performance management system based on monthly performance monitoring with senior service managers. Member challenge meetings used to track performance and ensure coordinated actions. Rigid managerial control processes to improve the quality of development management proposals and the quality of applications proposed to Committee. 23/01/08 Update - Contract in place to deliver Aerodrome Bridges project.	high	high	Making progress with the renewal of the Aerodrome Bridges project in Colindale utilising opportunity borough funding. Close monitoring of the trajectory of S.106 revenues, recruitment of dedicated S.106 revenues. Monitoring Technician to improve controls on S.106 finance generation, introduction of consistent, standardised S.106 clauses in planning approvals. Preparation of planning briefs for town centres subject to rapid change or large new development proposals to manage development in a structured way. Creation of Area Action Plans for very large areas of change in Mill Hill East and Colindale. 23/01/08 Update - Aerodrome Bridges project in Colindale underway, utilising opportunity borough funding.	Head of Strategic Development Unit \ Director of Planning, Housing and Regeneration / Director of Environment and Transport	17/06/2008	29/10/07 - Contractor has setup site offices and operations on site have started. We have obtained possession of network rail tenancies. The fabrication of bridges has started. The first closure of Aerodrome Road 19 October 2007. Update 23/01/08 - Fast / West bridge deck installed successfully during December. Slow / East bridge has been delivered and is being assembled. Installation due January 2008. 17/06/08 - Following the successful installation of the two bridge decks in December and January 08, progress is now being made in completing the other structural elements of the bridges and preparing for the Utility diversions and the reconstruction and lowering of Aerodrome Road. This project was always going to be high risk and some of the project specific risks previously identified at the outset have materialised and the are financial implications due to additional works, delays and contractor claims which will increase the project costs beyond the budget for the project. Officers are working on ways of mitigating these costs and identifying suitable additional fun	Open	High	high	
2	Clean, green and safe	Delivering waste reduction through waste management	Operational	Inability to achieve Government targets leading to financial penalty.	Directors Group	03/07	Implement Waste Prevention strategy Implement organic waste services	high	high	Waste Prevention Strategy ongoing. Service offered to all house with gardens January 2006. Continue to promote service through Web Site and media generally.	Chief Environmental Services Manager	18/06/2008	Update 18/06/08 - Waste prevention figures are reducing to target. Recycling targets are not being achieved to four quarter final information is being compiled. 25/10/07 - Significant reductions only possible by monitoring dry recyclables and other associated waste origins such as side waste. 13/06/2008 - Projecting that in 2007/08 will collect more household waste per head than in 2006/07. Recycling and composting rate has improved in 2007/08 compared to 2006/07, but did not meet the target. New recycling services contract has been procured, which will mean plastic bottles and cardboard will be collected from November 2008, which will improve the recycling and composting rate. NLWA has procured some additional composting capacity for 2008/09, however it is likely that Barnet will require more than this. Waste arisings - significant reductions only possible by monitoring dry recyclables (compulsory recycling) and other associated waste origins such as side waste.	Tolerated	High	Medium	
3	Clean, green and safe	To reduce the fear of crime.	Reputation	The fear of crime by members of the community remains high causing damage to the Authorities reputation.	Directors Group	03/07	Community Protection Group in place to co-ordinate work on reducing crime and the perceptions of crime. Implementation of Street lighting PFI	high	high	Communication/Publicity plan in place. Targets set and monitored. CPG group have set up a Priority Intervention Team specifically to provide community reassurance. Commence operational aspects of the contract to ensure delivery.	Director of Environment and Transport / Deputy Director of Corporate Governance	25/10/2007	Contract has been running for 15 months. Core Investment Programme is behind schedule. Action is being taken and targets set to bring the programme back in line by the end of October 2007. 25/10/07 - After initial slow start recent progress has been improving and catching up with programme, a real improvement on the Q1 position has been made.	Tolerated	High	Medium	
4	Strong and healthy	Delivering equality of service to all residents	Strategic	Differential needs of communities poorly understood or not addressed, thereby leading to poorer outcomes and missed targets.	Directors Group	03/07	Single Equalities scheme in place. Reviews at First Stat and F&PR	high	high	Six monthly assessment of actuals vs target with corrective actions introduced where necessary.	Executive Director for Communities	19/06/2007	Single Equalities scheme approved by Council. Working with Resources - Business Development Manager to include monitoring in the F& PR and First Stat reviews.	Open	medium	high	
5	Supporting the vulnerable	Maximise the independence of older people and those requiring care or support.	Operational	Insufficient range of social care services provided with poor choice of access and ineffective management of the change process.	Directors Group	01/03/2007	This is covered by the Adult Social Services Vision Action Plan	high	high	Regular reviews of the progress towards the actions identified in the Vision Action Plan will ensure close monitoring of this risk.	Director of Adult Social Services	25/05/2007	Vision Action Plan created and published. Clear roles and responsibilities defined.	Open	low	high	

2008/9 Corporate Risk Register

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								Likelihood	Impact						Likelihood	Impact		
6	Supporting the vulnerable	Deliver the Housing Strategy to increase the availability of affordable housing and provide real alternatives to homelessness.	Strategic	Low cost home ownership products developed that are not in demand or affordable	Directors Group	03/07	Regular monitoring of the individual schemes, products and of their take up, sales and prices	high	high	All low cost home ownership advertised on Home Connections Marketing list to gauge and quantify demand and to target marketing. Recently had a high number of shared ownership sales - demand is greater than supply. Open market homebuy programme which is a small in Barnet compared to shared ownership is struggling nationally and the Housing Corporation are looking to attract more financial institutions to be involved. Information on Open Market Home Buy sent to all Council tenants who were working in March 07.	Head of Housing and Environmental Health / Head of Strategic Development Unit	22/01/2008	Annual targets set to be taken forward in 2008 corporate plan	Open	Low	High		
7	A bright future for children and young people	Maintaining child protection	Strategic	Sustainability of the substantial progress made with respect to outcomes for our most vulnerable children.	Directors Group	03/07		high	high		Director of Children's Services	22/06/2007	Superseded by risk 12	Closed	low	low	22/06/2007	Gillian Palmer
8	More choice, better value.	Better outcomes for the Community through effective partnerships	Operational	Ineffective governance arrangements for partnerships. Poor services delivered through partnerships and low levels of satisfaction. Partnerships are not accountable, do not add value and objectives are not met.	Directors Group	03/07	Partnership Register includes partnership structures and membership and terms of reference for every partnership within LSP family Partnership agreements in place for members of partnerships to commit resources and their agreement to be challenged Partnership agreements in place for all relevant partners to commit to delivering LAA targets Performance management through quarterly performance updates to each Partnership Board, a quarterly exception report to the LSP and a full six monthly performance report to the Community Steering Group	high	high	Updating of partnership register Internal Audit to undertake Audit of partnership guidelines, partnership register, partnership agreements, governance and risk management arrangements	Policy and Partnerships Group Manager / Director of Corporate Governance	30/10/2008	30/10/08 Update Council approved 15 April 2008 new governance arrangements relating to partnerships and LSP formally signed off revised Terms of reference and constitution and risk register 20 May 2008. Each LSP member has now signed partnership agreement. Safer Communities Partnership Board adopted new governance document 22 Sept 2008. Partnership toolkit guidance has been updated collaboratively using Use of resources Project Board as sounding board and final version published on intranet. Visits have taken place to most SMT's for them to identify all partnership arrangements and workshop to be held late autumn.	Open	medium	high		
9	More choice, better value.	Effectively manage the change agenda to deliver fit for purpose services.	Strategic	Organisation resistant to change and services don't meet client needs.	Directors Group	03/07	An effective risk management approach at corporate, service and project level ensures that change risks are managed. A system of project and programme monitoring through the Project Support Team and the Capital and Assets Group is being put in place Budget and Performance Management systems identify and an early stage and seek to problem solve potential impact of change agenda on performance	high	high	An OD and Change Team has been established to provide support and development to service going through change programmes and share practice The project methodology implemented provides for better identification and management of change issues The Council's Managing Change policy provides an agreed framework for managing the HR aspects of change	Director for Resources	18/06/2008	Project management methodology now supplemented by business process and change management toolkit. Update 17/01/08: Directors Group agreement to new work on future of organisation Planning and consultation has commenced. Other change programmes now in delivery phase Updated 20/03/08 - Scoping phase of new organisation work commenced, work stream owners identified and programme management in place. Update 18/06/08 - Request to close this risk as Future Shape Programme Board is now set up to meet the existing and future strategic challenges facing the council.	Closed	medium	Medium	01/07/2008	Council Directors Group - action taken - Future Shape Programme Board has been set up to meet the existing and future strategic challenges facing the council.
10	More choice, better value.	Maximise residence satisfaction levels	Operational	Perception remains that "the Council doesn't do enough for people like me", and our lead over other London boroughs continues to erode.	Directors Group	03/07	Recommendations in Directors Group paper.	high	high	Paper going to CDG 02/05/07 with analysis and recommendations for approach and specific actions.	Assistant Director of Resources - Organisational Development and Customer Services / Communications and Consultation Director	29/10/2007	Focus groups undertaken by consultation demonstrated respondents did not understand the question and therefore the validity of the survey response is questionable. Corporate decision now taken to establish a project board to develop approaches to qualitative research to support quantitative research. update 20/03/08 - Research ongoing around different methodologies for more open conversations with residents	Open	Medium	Medium		

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11	More choice, better value.	Set Council Tax increases in line with the Medium Term Financial Strategy and maintain adequate reserves and balances.	Financial	Financial risks arising from council activities and projects, and factors outside the council's control (eg, Government grant levels and litigation).	Directors Group	03/07	Effective financial forward planning, incorporating financial risk register. Budget Board Corporate Assets Groups (CAG) Regular budget and debt monitoring, and reporting to CRC.	High	High	1. Inclusion of Financial Forward Plan in the Budget Report to Council in March 2007, which modelled different scenarios for service pressures. This sets the overall framework for 2008/09 budget development. 2. Reporting of a comprehensive corporate financial risk register in the Budget Report, and the inclusion of costed updates in monitoring reports to CRC. 3. Report to Council Directors Group on 3 May 2007, which reviews the 07/08 budget process and sets the scene for 2008/09. 4. Cabinet event planned for July 2007.	Deputy Director of Resources & Chief Finance Officer	10/06/2008	10/06/08 Update - achieved a council tax increase in line with the MTFS	Closed	Low	Low	01/07/2008	Council Directors Group - action taken achieved a council tax increase in line with the MTFS.
12	A bright future for children and young people	To improve outcomes for vulnerable children (to be healthy, safe, enjoy an achieve, make a positive contribution and achieve economic well being)	Strategic	Outcomes for vulnerable children do not improve.	Director of Children's Services	05/07	Clear priorities and performance measures to improve outcomes are agreed by CYPSPB and Cabinet and set out in Barnet's Children and Young People Plan/KPP	Medium	High	Priorities of CYPP embedded in service plan and team plans. Corporate and service level performance management cycle in place and fully operational.	Director of Children's Services	01/04/2008	Recent APA confirms decisive response to JAR recommendations and rigorous performance management within the service.	Closed	Low	High	01/04/2008	Council Directors Group - action taken has removed the risk to the authority and therefore this will be dealt with at service level
13	A successful suburb	To ensure strategies are in place to optimise regeneration delivery as quickly as possible and rehouse short life tenants into permanent homes	Financial	Housing market downturn delaying regeneration implementation resulting in increased temporary accommodation and costs to the council plus fall in tenant satisfaction.	DoHP&R	06/08	Continual monitoring of local housing market and housing regeneration projects with development partners.	High	High	Commissioned local housing market research and re-evaluating development agreements and phase in of regeneration projects to maximise delivery and reduce TA numbers To maximise various government and local initiatives to rehouse tenants into permanent accommodation, example Landlords Forum. TA reduction plan is now in place following discussions with CLG	Housing Strategy and Business Support Manager (in conjunction with Head of Regeneration).			Open				
14	More choice, better value	Set Council Tax increases for 2009/10 in line with the Medium Term Financial Strategy and maintain adequate reserves and balances.	Financial	Financial forward plan approved by Council in March identified a budget gap of £10m which needs to be bridged to deliver Council Tax in line with MTFS	Deputy Director of Resources & Chief Finance Officer	10/06/2008	Effective financial forward planning, incorporating financial risk register. Key Priorities Board Corporate Assets Group (CAG) Regular budget and debt monitoring, and reporting to CRC	High	High	Budget process reported to CDG. Key Priorities Board in place, all directors asked to identify the implications of having only 85% of their current budget	Deputy Director of Resources & Chief Finance Officer	07/10/2008	KPB met every three weeks including detailed away day reviewing all services. Updates taken to CDG. Further KPB meetings scheduled. Detailed proposals to CDG end October.	Open	Medium	High		
15	A bright future for children and young people	To provide better primary school accommodation to schools identified as being in a poor state of repair.	Financial	The project becomes unaffordable due to construction inflation rising higher than the proportionate increase in land value	Resources Management Team	12/06/2008	Educational Capital Programme Board	Low	High	Monitor the value of disposals sites against the BCIS index to inform the programme board. Decision points at key stages to confirm affordability and whether to progress to next stage.	Director of Major Projects			Open	Low	High		
16	More choice, better value	To ensure that our pay and grading system provides a transparent and fair mechanism in terms of remuneration and non-pay benefits	Financial	Failure to deal with pay and grading issues can have financial implications to the council in terms of claims under equalities legislation	Resources Management Team	12/06/2008	Pay and grading action plan has identified 9 major risks of which 2 have been resolved and work advanced on four others.	Medium	High	Continue actions identified in the pay and grading action plan to minimise or eliminate risks	Head of Strategic HR	19/09/2008	Another issue resolved in Adult Social Services, however a new major risk has been identified for staff formerly employed in Environment and Transport. This objective will remain a corporate risk for at least 18 months	Open	medium	High		
17	More choice, better value	To meet the existing and future strategic challenges facing the council	Strategic	Should the programme take a route which then fails the risk is that we no longer provide excellent services to citizens and customers and that our reputation as an excellent authority would be damaged	Future Shape Programme Director	12/06/2008	Future Shape Programme Board	Low	High	The programme board and Members will be engaged at each stage of the process to ensure that progress being made and direction taken is not likely to result in the authority making changes which would result in a damaged reputation	Future Shape Programme Director	19/09/2008	19/09/08 - time has been allocated on the programme plan and is in both CDG and Cabinet Members' diaries to assess the options being put forward by the programme team. The team is also working closely with the Trade Unions and has planned a series of workshops to engage staff, as well as having set up the online forum.	Open	Low	Medium		
18	Clean, green and safe	Secure Replacement Waste Disposal Facilities through the North London Waste Authority at Minimum Additional Cost to the Council	Financial	NLWA Procurement	Director of Environment and Transport	24/09/2008	Active engagement with NLWA procurement team to ensure proposals fully understood and all options considered.	High	High		Director of Environment and Transport			Open				

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19	More choice, better value	Set Council Tax increases in line with the Medium Term Financial Strategy and maintain adequate reserves and balances.	Financial	Loss of funds and investment interest arising out of deposits in Icelandic Banks	Treasury Manager/Assistant Director Resources (Strategic Services)	23.10.2008	Treasury Management Strategy	Medium	Medium	Refresh Treasury Management Strategy, Lobbying of Central Government directly and through LGA and London Councils, Joining the Creditors Committee with direct contact with the Administrators, Write off interest and principal, review capital programmes, review timing of large payments to reprofile cash flow, seek alternative external funding, review reserves and balances, review service budgets Opportunities to capitalise any loss indicated by government	Director of Resources			Open	Medium	Medium		