

## **AUDIT COMMITTEE**

### ***Committee Report***

**Public**

**Date of Meeting:** 8<sup>th</sup> April 2009

**Title:** Corporate Risk Management

**Report of:** Deputy Chief Executive

**Report reference:** CE 09/09

**Summary:** The purpose of this report is to give members of the Audit Committee an update on the Council's Corporate Risk Register.

**Recommendations:**

The Committee is asked to note the Corporate Risk Register as an indication of the continuing commitment to sound governance arrangements for corporate risk management.

**Contact Officer:** Carolyn Mitchell

**Ext:** 7306

## CITY OF CARLISLE

To: Audit Committee

Date: 8<sup>th</sup> April 2009

### **1. Background**

In accordance with the Council's Risk Management Policy, the draft Corporate Risk Register is submitted to Corporate Resources Overview and Scrutiny Committee (CROS) for consideration on a quarterly basis.

This Report contains the Risk Register (see appendix 1) and summary of changes (appendix 2) that was presented to CROS on 2<sup>nd</sup> April 2009 and is the one to which the CROS minutes from April 2009 refer. Subsequent amendments and scores, discussed and agreed by the Senior Management Team and Corporate Risk Management Group, will be presented to CROS in July 2009.

### **2. Comments on the Corporate Risk Register**

Members will note that any change in the scored status of a risk is shown by a symbol in the movement column.

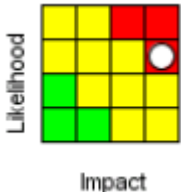
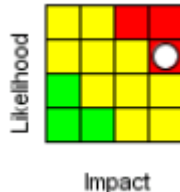
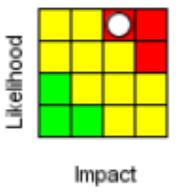
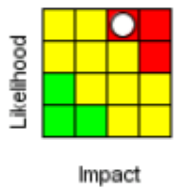
Current Action Status / Control Strategy sections are addressed and the scoring of risks amended accordingly and revisions consolidated on a quarterly basis.

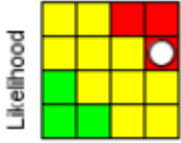
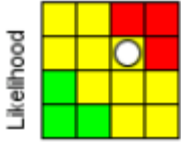
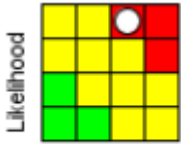
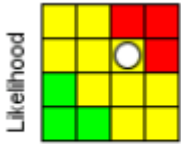
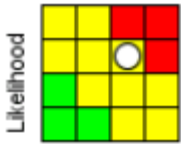
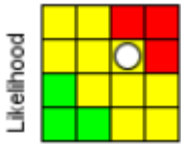
### **3. Recommendations**

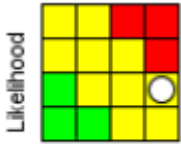
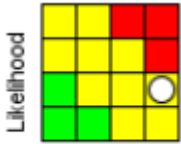
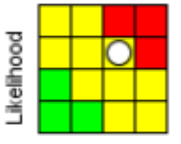
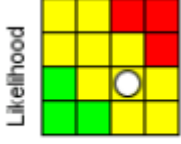
The Committee is asked to note the Corporate Risk Register as an indication of the continuing commitment to sound governance arrangements for corporate risk management.

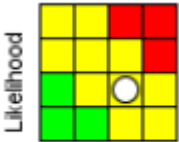
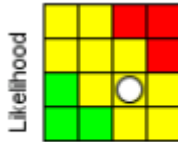
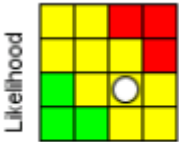
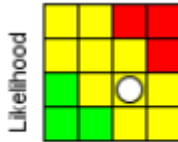
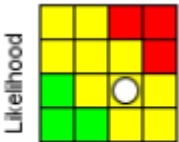
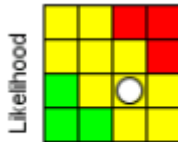
## Appendix 1 - Corporate Risk Register last updated 23<sup>rd</sup> March 2009

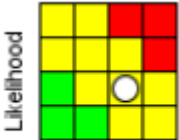
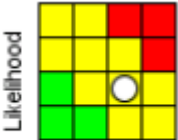
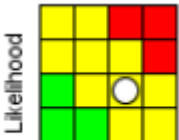
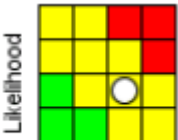
Note: Amendments in the last quarter are marked in **red italics** (or italics only on the printed version)

| Risk                              | Description  | Previous Risk Matrix<br>Jan 2009  | Current Risk Matrix<br>Mar 2009  | Current Risk Rating | Rating Description  | Current Action Status/ Control Strategy   | Managed By                               |
|-----------------------------------|--|---|--|---------------------|---|---|--|
| <b>Medium-Term Financial Plan</b> | <p><i>There is a risk that the medium-term financial plan projections will not be met leading to:</i></p> <ul style="list-style-type: none"> <li>- Failure to deliver savings assumptions approved as part of the budget that could result in significant overspends</li> <li>- Failure to achieve balanced budget through the budgetary process</li> <li>- Failure to match future commitments and aspirations compared to funding available</li> </ul> |    |    | 12=                 | <b>Impact</b><br>Catastrophic<br><br><b>Likelihood</b><br>Reasonably probable | <p>The MTFP and Capital Strategy were approved by Council on 9th September 2008 for a five year period. The 2009/10 budget has recently <i>been approved</i> by Council on 3rd February. There are significant and growing ongoing pressures on the budgets. As predicted the RSG settlement was well below inflation. The economic downturn and the impact this will have on income streams in particular that the Treasury Management forecasts is also a growing concern. There is also a specific risk in failing to achieve the identified savings to offset the spending pressures identified. The Strategic Planning Group is monitoring all of these aspects regularly prior to reporting formally through the Committee process and throughout the next budget process. Work will continue to ensure resource allocation to corporate priorities is further developed. The work of the Corporate Projects Board will support the improvements to financial and performance improvements regarding the capital programme.</p> | Director of Corporate Services<br>Mar 09 |
| <b>Recession Planning</b>         | <p>Economic data suggests that the economy will experience a sharp recession in 2008/09 (2.5%) and 2009/10 (2.8%). The impact of the recession on the Council needs to be quantified. The recession will impact on:</p> <ul style="list-style-type: none"> <li>- Service income – car parking, land charges, licensing, and rentals</li> </ul>   |  |  | 12=                 | <b>Impact</b><br>Critical<br><br><b>Likelihood</b><br>Probable                | <p>The early impact on income has been included in Medium term financial plan projections. Further impact from income streams not yet affected by the recession is yet to be factored into MTFP including a £70,000 reduction in recycling income <i>and the impact of the last two 0.5 % reduction in interest rates (only marginal impact on income)</i>. Additional actions to be determined particularly in respect of service provision and additional service costs eg £50,000 cost</p>   | Chief Executive<br>Mar 09                |


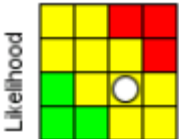
| Risk                       | Description   | Previous Risk Matrix<br>Jan 2009  | Current Risk Matrix<br>Mar 2009  | Current Risk Rating | Rating Description  | Current Action Status/ Control Strategy  | Managed By                               |
|----------------------------|---|---|--|---------------------|---|--|--|
| Pay and Workforce Strategy | <ul style="list-style-type: none"> <li>- Investment income</li> <li>- The cumulative cost in loss of income could be well over £1m in 2009/10</li> <li>- Service provision in respect of residents, housing, Benefits, Customer Contact Centre</li> <li>- Businesses cash flow eg. Creditors, business rate discretions and rent arrears on Council owned commercial premises</li> </ul>                    |   |  |                     |   | to Council of putting homeless into bed and breakfast accommodation. However, planning to pay local businesses earlier by the creditors system is progressing. <i>The Government have provided an additional grant to assist the Council meeting the costs of the recession ie. £68,000 benefits grant and £198,000 LABGI.</i> To identify a set of local performance indicators to monitor the impact of the recession and mitigation identified/taken. <i>These have been reported to SMT on 3rd February and Executive on 16th February 2009 and will be included in the year end performance report.</i> |  |
|                            | Failure in the implementation of PWS <ul style="list-style-type: none"> <li>-Financial impact</li> <li>-Impact on staff including               <ul style="list-style-type: none"> <li>-Low morale/demotivation</li> <li>-Retention difficulties</li> <li>-Increased call on resources</li> </ul> </li> <li>-Impact on business/productivity</li> <li>-Failure to implement succession planning</li> </ul>  |    |    | 9↓                  | <b>Impact</b><br>Critical<br><br><b>Likelihood</b><br>Reasonably probable | A final negotiated position has been reached with the Unions. <i>UNISON have identified some concerns that are to be discussed.</i>  | Deputy Chief Executive<br>Mar 09         |
|                            | There is a risk that the vacancy management target will not be met with a consequent impact on the council's ability to manage the budget deficit.  |   |   | 9↓                  | <b>Impact</b><br>Critical<br><br><b>Likelihood</b><br>Probable            | Alternative plans for substantial business change should be developed as a matter of urgency in order to deliver the required savings. These plans should be linked to the recurring impact of job evaluation as estimates for the forecast budget deficit will be refined once pay-modelling is complete. To be considered as part of the 2009/10 budget.   | Deputy Chief Executive<br>Mar 09         |
|                            | <i>There is a risk that the Improvement and Efficiency Programme will not be achieved resulting in:</i> <ul style="list-style-type: none"> <li>- Promised savings of 3% (shared services) 5% (internal efficiency reviews) not realised</li> <li>- <i>Service delivery improvements not achieved</i></li> <li>- Insufficient resources to deliver the programme of efficiencies / shared service</li> </ul> |  |  | 9=                  | <b>Impact</b><br>Critical<br><br><b>Likelihood</b><br>Reasonably probable | An internal Improvement and Efficiencies Working group (Members and Officers) advises on and oversees shared services and improvement/efficiencies reviews within the Council. There are currently 16 efficiency reviews being progressed. Corporate Services has set up a dedicated team to oversee the Council's shared services and efficiencies agenda and provide progress reports to SMT, SPG and Members.   | Director of Corporate Services<br>Mar 09 |

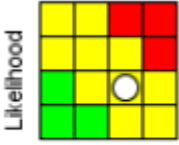
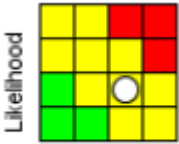
| Risk  | Description  | Previous Risk Matrix<br>Jan 2009  | Current Risk Matrix<br>Mar 2009  | Current Risk Rating | Rating Description   | Current Action Status/ Control Strategy   | Managed By                                 |
|---|--|---|--|---------------------|--|---|--|
| <b>Carlisle Renaissance</b>                       | <p>There is a strategic risk associated with withdrawal of the support of key partners at a sub-regional, regional and national level, loss of momentum and resultant loss of confidence within the local resident and business community.</p> <p>Capacity and the availability of resources are critical to this as well as effective engagement and communication mechanisms.</p> <p>Failure will be expressed in</p> <ul style="list-style-type: none"> <li>- Reputational – failure to achieve stated objectives</li> <li>- Financial – failure to secure and utilise funds appropriately</li> <li>- Delivery – failure to manage a programme of growing scale and diversity.</li> </ul> |    |    | 8 =                 | <b>Impact</b><br>Catastrophic<br><br><b>Likelihood</b><br>Remote | <p><i>Financial - The Core Costs funding agreement issued by the Northwest Development Agency has been subject to a Change Control request which was considered by NWDA in January and approval given to the realignment of expenditure to better reflect the direction set by the CR Board. A Deed of Variation has been issued by the NWDA for signature by the City Council.</i></p> <p><i>County Council approved financial support of CR in their Budget for 2009/10. English Heritage also approved their grant funding in support of the Core Costs Programme.</i></p> <p><i>Support of Partners - The Collaboration Agreement that underpins the functions of the Board and the relationship to the founding partners, (which includes the City Council) has now been agreed and signed off by all founding partners.</i></p> <p><i>Carlisle Renaissance Action Plan approved by Board has now been adopted by the Founding Partners- Cumbria County Council, the NWDA and by Carlisle City Council at its meeting on 3/3/09.</i></p> <p><i>Capacity / Delivery - Recruitment of new team members is underway with three posts due to be filled by the end of March'09 (Marketing &amp; Communications Manager, Programme Manager &amp; Development Manager).</i></p> <p><i>Communication - A communication strategy is under development with the new Marketing &amp; Communications Manager now in post (16.02.09).</i></p> | Director of Carlisle Renaissance<br>Mar 09 |
| <b>Absence/Sickness monitoring and management</b> | <p>Absence/Sickness monitoring and management</p> <ul style="list-style-type: none"> <li>- Failure to comply with indicators</li> <li>- Impact on business/productivity</li> </ul>   |  |  | 6 ↓                 | <b>Impact</b><br>Critical<br><br><b>Likelihood</b><br>Remote     | <p>Sickness Action Plan produced and reported on quarterly to Members at CROS.</p> <p>Monitoring and management of absences - procedures reviewed and instigated.</p> <p>Directorate action plans in place.</p> <p>Data quality being investigated.</p>   | Deputy Chief Executive<br>Mar 09           |

| Risk  | Description   | Previous Risk Matrix<br>Jan 2009  | Current Risk Matrix<br>Mar 2009  | Current Risk Rating | Rating Description  | Current Action Status/ Control Strategy   | Managed By                               |
|---|---|---|--|---------------------|---|---|--|
| Financial Management Information                              | <p>There is a risk that financial management information <i>may not</i> be accurate, robust &amp; timely to enable Budget Holders to manage. Failure leading to:-</p> <ul style="list-style-type: none"> <li>- <i>Overspends against budget</i></li> <li>- Poor management decisions</li> <li>- Not linked to performance management</li> <li>- Failure to adopt best practice and achieve value for money</li> <li>- Specific risks identified associated with Contractor Plus system</li> <li>- <i>Service Heads fail to use the information to manage their budgets</i></li> </ul> |  <p>Likelihood</p> <p>Impact</p>   |  <p>Likelihood</p> <p>Impact</p>   | 6 =                 | <p><b>Impact</b><br/>Critical</p> <p><b>Likelihood</b><br/>Remote</p> | <p>The Council's Financial Management arrangements have been assessed as adequate in the Audit Commission's Use of Resources judgement. An action plan has been developed to tackle the areas that need improving to raise the score. Work is ongoing with the Policy and Performance and Finance Teams to further improve linkages between use of resources and performance.</p> <p>A risk remains to the Council from the existing system utilised by the Community Services Directorate for ex DSO work and the ability to easily reconcile the system to the Councils core financial management system. A budget has been allocated and work is progressing to replace the Community Services system.</p> <p>A significant financial training programme has now been launched to improve the financial management standards throughout the authority.</p> | Director of Corporate Services<br>Mar 09 |
| Failure to focus on clear Corporate Priorities                | <p>Failure to focus on clear Corporate Priorities leading to:-</p> <ul style="list-style-type: none"> <li>- Resources wasted on lesser priorities</li> <li>- Key objectives not achieved</li> </ul>   |  <p>Likelihood</p> <p>Impact</p>   |  <p>Likelihood</p> <p>Impact</p>   | 6 =                 | <p><b>Impact</b><br/>Critical</p> <p><b>Likelihood</b><br/>Remote</p> | <p>New Corporate Priorities now determined :- Greener, Cleaner and Safer The Learning City Carlisle Renaissance</p> <p>Further work is in place to ensure that these are the drivers for focussing activity and expenditure.</p> <p>Refresh of Corporate Plan scheduled for April 2008.</p> <p>This was carried out by the Executive and Senior Management Team and the Priorities remain the same.</p>   | Chief Executive<br>Mar 09                |
| Protection of IT E-records and data and hard copy information | <p><i>There is a risk that</i> IT E-records and data and hard copy information <i>is not adequately backed up and protected:-</i></p> <ul style="list-style-type: none"> <li>- Failure will have business/financial impact</li> <li>- Inability to meet legal/other obligation</li> <li>- Impact on resources / cost of re-establishment</li> </ul>   |  <p>Likelihood</p> <p>Impact</p> |  <p>Likelihood</p> <p>Impact</p> | 6 =                 | <p><b>Impact</b><br/>Critical</p> <p><b>Likelihood</b><br/>Remote</p> | <p>Work <i>is ongoing</i> as part of the shared service with Allerdale which will, when implemented, result in a more robust and resilient service.</p>   | Director of Corporate Services<br>Mar 09 |

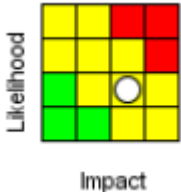
| Risk   | Description   | Previous Risk Matrix<br>Jan 2009  | Current Risk Matrix<br>Mar 2009  | Current Risk Rating | Rating Description   | Current Action Status/ Control Strategy  | Managed By                               |
|--|---|---|--|---------------------|--|--|--|
| <b>Failure to implement an effective IT Strategy</b> | Failure to implement an effective IT Strategy: -<br>- Failure to maximise benefits of e-business and e-procurement<br>- Increased security risks  | <br>Likelihood<br>Impact | <br>Likelihood<br>Impact | 6 =                 | <b>Impact</b><br>Critical<br><br><b>Likelihood</b><br>Remote | A new security policy was considered by Council on 4th November 2008 and accepted. <i>The new strategy will</i> now be co-ordinated with the Shared ICT service work which is being developed with Allerdale.  | Director of Corporate Services<br>Mar 09 |
| <b>Financial Reporting</b>                           | <i>There is a risk that financial reporting standards will drop below minimum standards</i><br>Failure will:<br>- Lead to reputational damage<br>- Have an impact on overall <i>CAA/Use of Resources</i> assessment | <br>Likelihood<br>Impact | <br>Likelihood<br>Impact | 6 =                 | <b>Impact</b><br>Critical<br><br><b>Likelihood</b><br>Remote | The Audit Commission has judged the Council's financial reporting standard for 2007/08 as part of the Use of Resources judgement to be adequate. Work will shortly commence on the 2008/09 closedown. A Risk remains from the Implementation of International Reporting Standards <i>and in particular the new requirement for the identification of assets.</i> | Director of Corporate Services<br>Mar 09 |

### The following risks can be removed from the Corporate Risk Register

|  |   |   |  |  |  |   |  |
|--|---|---|--|--|--|---|--|
| <b>Carlisle Northern Development Route</b> | The risk is that the Route is not built or substantially delayed, which will prevent the benefits from being achieved.  | <br>Likelihood<br>Impact  | Closed   |  |  | Environmental works have commenced on the route of the road. Funding has been disrupted due to the economic climate. It is understood that the Government has provided gap funding and a decision from the preferred Contractors funders is anticipated in early 2009.<br>In addition to the construction of the CNDR the 30 year concession includes the management and maintenance of: -<br>A7 (Junction 44 to Scottish Border)<br>A689 (Junction 44 to Brampton Bypass)<br>A595 from Newby West, south<br>A6071 (Brampton Bypass to Scottish Border)<br>The completion of the CNDR would reduce pollution on Scotland Road to below the threshold level. | Director of Community Services<br>Mar 09 |
| <b>Performance Management challenges</b>   | Performance Management challenges:<br>Failure to embed performance management in the culture of the Council at all levels<br>- Inefficient and ineffective management -<br>misdirected/wasted resources | <br>Likelihood<br>Impact | Maintain on Policy & Performance Operational Risk Register |  |  | Performance Management included in Directorate's Service Plans. Performance Management Framework was published March 2007. New Performance Management system (Covalent) is now live and training is being delivered to officers. Covalent is now operational.   | Deputy Chief Executive<br>Mar 09         |

| Risk  | Description   | Previous Risk Matrix<br>Jan 2009  | Current Risk Matrix<br>Mar 2009           | Current Risk Rating | Rating Description | Current Action Status/ Control Strategy   | Managed By                               |
|---|---|---|---|---------------------|--------------------|---|--|
|   | - Failure to meet target/<br>continuous improvement   |   |   |                     |                    |   |  |
| <b>Health &amp; Safety management and systems failure</b> | Health & Safety management and systems failure could lead to:-<br>- Exposure to legal action<br>- financial impact of failing to ensure recovery of all<br>- Reputational impact on Council<br>- Increased exposure of staff to H&S risks<br>- Creation of image of non-proactive employer<br>- Lack of understanding of Health and Safety Manager's role |    | Maintain on PPP Operational Risk Register |                     |                    | <p>Council's Health and Safety Policy fully adopted</p> <p>Qualified H&amp;S Manager employed in a corporate role</p> <p>Clear H&amp;S management systems installed across the Council</p> <p>Health and Safety action plan regularly updated and ongoing auditing of current practices</p> <p>Developing local Performance Indicators which will be reported on in the Council's performance management reports to Corporate Resources Overview &amp; Scrutiny Committee</p> <p>Continuing training of staff as appropriate including mandatory training for newly appointed employees</p> <p>Role of Health and safety to be included in Service plans</p> <p>H&amp;S strategy under development.</p>   | Deputy Chief Executive                   |
| <b>Flooding</b>   | The risk is the delay of construction of the defences and adequacy of contingency measures, until such time as the projects are completed.  |  | Closed                                    |                     |                    | <p>The flood defence project on the Eden is now substantially completed and will provide increased protection for properties in the Warwick Road area from river flooding.</p> <p>Work on the Caldew/ Eden scheme is progressing ahead of programme and at the moment it is envisaged works will be substantially completed in late 2009.</p> <p>There is some disruption during the works, particularly to some car parks.</p> <p>The major sewerage upgrade in the Willowholme area has now been completed. This will substantially reduce the risk of sewer flooding in the area and to the McVities factory. Works have started in the Lismore Place/ Warwick Road phase of improvements and United Utilities are making a presentation to Members in April 2009.</p> <p>Regular and effective communication and co-ordination are extremely beneficial, and Members/ Officers are updated regularly.</p> <p>The "Making Space for Water" group meets on a regular basis and flood response arrangements are reviewed regularly to provide an integrated response to incidents.</p> | Director of Community Services<br>Mar 09 |



| Risk                | Description  | Previous Risk Matrix<br>Jan 2009  | Current Risk Matrix<br>Mar 2009                          | Current Risk Rating | Rating Description | Current Action Status/ Control Strategy   | Managed By                               |
|---------------------|--|---|--|---------------------|--------------------|---|--|
| <b>Partnerships</b> | <p>Partnerships (including framework agreement &amp; collaborative working arrangements)</p> <p>Existing partnerships and New and proposed partnerships, failure to ensure compliance with existing arrangements leading to:-</p> <ul style="list-style-type: none"> <li>- Failure to meet stated objectives</li> <li>- Reputational and financial impact</li> <li>- Onerous terms and conditions, and inadequate exit strategy</li> <li>- Increased exposure to risk</li> <li>- Major review of compliance with partnership agreements or evidence of agreements not undertaken on a regular or structured basis</li> </ul> |  | Maintain on Corporate Services Operational Risk Register |                     |                    | <p>The Partnership policy has been approved by full Council which sets out responsibilities. Corporate Services Efficiency and Procurement team is responsible for the monitoring arrangements, this includes the update of the central register, completion of annual reviews of all significant partnerships, annual reports to members and quarterly progress reports to SMT. One to one assistance is given to officers when setting up new partnerships.</p> <p>Senior Management Team will ensure that their individual risks from partnership working arrangements should be included in Operational Risk Registers.</p> <p>The Use of Resources (good) 2008/09 score has highlighted the significant improvements in the Council's Partnership working arrangements. However, the new harder test Use of Resources KLOE's to be introduced in 2009/10 will require further work to be undertaken on our Partnership arrangements.</p> | Director of Corporate Services<br>Mar 09 |

## Appendix 2 - Corporate Risk Register 23<sup>rd</sup> March 2009

Summary of changes since Jan 2009

For consideration by Corporate Resources Overview and Resources Committee

| Risk   | Score | Comments  |
|--|-------|---|
| Medium-term financial planning   | 12=   | Description and control strategy/action updated |
| Recession planning   | 12=   | Control strategy/action updated                 |
| Pay and Workforce strategy   | 9↓    | Risk reduced                                    |
| Vacancy management   | 9↓    | Risk reduced                                    |
| Improvement and efficiency programme                                   | 9=    | Description and control strategy/action updated |
| Carlisle Renaissance   | 8=    | Control strategy/action updated                 |
| Absence/sickness monitoring and management                             | 6↓    | Risk reduced                                    |
| Financial management information                                       | 6=    | Description updated                             |
| Corporate priorities   | 6=    | No change                                       |
| Protecting IT records  | 6=    | Description and Control strategy/action updated |
| Implementing effective IT strategy                                     | 6=    | Control strategy/action updated                 |
| Financial reporting  | 6=    | Description and Control strategy/action updated |
| The following risks are to be removed from the Corporate Risk Register |       |   |
| Carlisle Northern Development Route                                    |       |   |
| Performance management challenges                                      |       |   |
| Health and Safety  |       |   |
| Flooding   |       |   |
| Partnerships   |       |   |