

# Wolverhampton City Council

## OPEN INFORMATION ITEM

### Audit Committee

Date **12 MARCH 2012**

Originating Service Group(s)	<b>DELIVERY</b>
Contact Officer(s)/	<b>TOM RENNIE</b>
Telephone Number(s)	<b>4500</b>
Title/Subject Matter	<b><u>DELIVERY DIRECTORATE – RISK MANAGEMENT AND GOVERNANCE</u></b>

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### Summary

Members are asked to note the content of the report which sets out the key high level risks for the Delivery Directorate.

## **1. PURPOSE**

- 1.1 To set out for members the key high level risks facing the directorate and how they are being addressed

## **2. DETAILS**

- 2.1 The Assurance Framework is a key element in the Council's system of internal control and is designed to identify, evaluate the impact of and manage the high-level risks to the delivery of the Corporate Objectives
- 2.2 The high-level risks outlined in the Framework have been identified by the Strategic Director and lead Officers for each of the principal priorities/objectives.
- 2.3 It should be noted, in line with best practice guidance, that:
- high-level risks should cover the full range of principal objectives
  - these are risks that are likely to require ongoing control and are unlikely to be fully resolved
  - the Assurance Framework is not a detailed risk register – it is intended to reflect most significant risks facing the organisation – the details of all risks identified are reported in Service Group and other operational risk registers.
- 2.4 All Directorates maintain operational risk registers that summarise the risks to the achievement of directorate objectives. This process ensures that risks are captured and monitored and that appropriate actions are taken to manage them within individual service areas.
- 2.5 Where operational risks become so entrenched or so severe as to pose a threat to the achievement of the Corporate Objectives there is a process by which they can be escalated for inclusion on the Assurance Framework.

## **3. FINANCIAL IMPLICATIONS**

- 3.1 The financial implications in the management of the Corporate Risks are individually identified in the Risk Control plans.  
(DM/16012012/S)

## **4. LEGAL IMPLICATIONS**

- 4.1 The legal implications in the management of the Corporate Risks are individually identified in the Risk Control plans (MW/19012012/S)

## **5. EQUAL OPPORTUNITIES IMPLICATIONS**

- 5.1 The equal opportunity implications in the management of the Corporate Risks are individually identified in the Risk Control plans

## **6. ENVIRONMENTAL IMPLICATIONS**

- 6.1 The environmental implications in the management of the Corporate Risks are individually identified in the Risk Control plans

## Delivery Directorate - Review of Risk Management & Governance Arrangements

Key Issues	Summary of Responses
<p><b>What are the key functions that the service is required to deliver?</b></p>	<p><b><u>Corporate Services</u></b></p> <ul style="list-style-type: none"> <li>• Strategic Financial Services</li> <li>• Operational Finance</li> <li>• Revenues and Benefits</li> <li>• Audit Services</li> <li>• Risk Management and Insurance</li> <li>• Corporate Procurement</li> <li>• Human Resources</li> </ul> <p><b><u>Governance</u></b></p> <ul style="list-style-type: none"> <li>• Legal Services</li> <li>• Electoral Services</li> <li>• Democratic and Member Services</li> <li>• Health and Safety</li> <li>• Business Continuity</li> <li>• Emergency Planning</li> </ul> <p><b><u>City Services</u></b></p> <ul style="list-style-type: none"> <li>• Catering and Cleaning Services</li> <li>• Markets</li> <li>• Street Scene Services</li> <li>• Highways and Transportation</li> <li>• Facilities Management and Property Maintenance</li> <li>• Car Parking and Parking Enforcement</li> <li>• Registrars and Bereavement Services</li> <li>• Fleet Services</li> <li>• Waste Management</li> <li>• Construction Design and Commissioning</li> <li>• City Direct</li> <li>• ICTS and Corporate Programme Office</li> <li>• Document Centre</li> </ul>

Key Issues	Summary of Responses
	<p><b><u>Projects</u></b></p> <ul style="list-style-type: none"> <li>• Shared Service Transformation</li> <li>• Revenue and Capital Budget and Medium Term Financial Strategy</li> <li>• Wholly Owned Company - Joint Venture Subsidiary</li> <li>• Procurement Transformation</li> <li>• Customer Services Strategy</li> <li>• Disaster Recovery Capability</li> <li>• HR Improvement Programme</li> <li>• Accelerated Asset Review</li> <li>• Constitution and Scrutiny Review</li> <li>• Single Status and Equal Pay</li> </ul>
<p><b>What arrangements are in place to ensure that key functions are properly delivered?</b></p>	<p>Key projects/initiatives are subject to detailed delivery plans which are regularly reviewed and progress reported to the Corporate Programme Office. Part of the delivery mechanisms followed includes Risk Workshops at appropriate points through the life of the projects.</p> <p>In respect to core functions Service Plans are used to effectively plan the delivery of key services and ensure that there are links to key corporate priorities where applicable. Service Plans are monitored on a quarterly basis through divisional management team arrangements, and more frequently by Service Managers/Assistant Directors where appropriate.</p>
<p><b>What are the main risks that the service group has to manage and how are these risks being managed?</b></p>	<p>For an overview of the main risks affecting the service this year please see below.</p> <p>Each service area also completes within their Service Plans a more detailed register of all key risks affecting their service area and the mitigating actions to be taken. In addition to this, as part of the service plan monitoring process service managers identify specific risks to achieving targets on an on-going basis and report these and identify mitigating actions.</p>
<p><b>What external assurance is available e.g. external inspection reports?</b></p>	<p>An annual audit programme is agreed with Audit Services and a programme of Risk Workshops with the Head of Risk Management and Insurance.</p> <p>In all cases the respective Assistant Directors/divisional management teams are responsible for progressing any recommendations/actions.</p>

Key Issues	Summary of Responses
<b>What significant problems have occurred in the past year and what arrangements have been made to avoid such problems reoccurring?</b>	The report following the Axon review has been considered.  In line with the Chief Executive's commitment to its recommendations we are ensuring that these are incorporated into our project planning and operational practice.

## ASSURANCE FRAMEWORK REPORT

### DELIVERY DIRECTORATE

<b>Principal Objectives</b>	<b>Principal Risks</b>	<b>Key Controls</b>	<b>Assurances on Controls</b>	<b>Positive Assurances</b>	<b>Gaps in Control</b>	<b>Gaps in Assurance</b>
<i>What the organisation aims to deliver</i>	<i>What could prevent this objective being achieved</i>	<i>What controls/systems do we have in place to minimise the risk</i>	<i>Where can we gain evidence that tells us whether the controls exist and are working</i>	<i>Where is the evidence that shows we are reasonably managing our risks and objectives are being met</i>	<i>Where are we failing to put controls in place and/or they are not effective</i>	<i>Where are there gaps in the evidence that control mechanisms are working</i>
Shared Service Transformation Programme	The delay in the provision of a new systems platform impacts on other programmes.  Resultant delays in benefits realisation.	Dependency review to be carried out and individual action plans devised.	Monthly update reports, reviews and actions by the Project Board  Individual project work stream to scope and resolve any potential issues	Reports, reviews and recommendations by the Member Reference Group.  Update reports to Cabinet		
Shared Service Transformation Programme	Without a mainframe replacement within the original timescale of the SCC partnership, current systems will no longer be supportable.  Any mainframe system failure could not be resolved and newer business requirements would not be satisfied	Alternative applications support resources to be engaged.	Monthly update reports, reviews and actions by the Project Board  Individual project work stream to scope and resolve any potential issues  Additional resources in ICTS have been trained in mainframe support technologies, in particular around payroll.	Reports, reviews and recommendations by the Member Reference Group.  Update reports to Cabinet		

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Shared Service Transformation Programme	Programme financial benefits are delayed in the short term.  MTFS projections not being fully delivered. Potential for other services to make increased savings.	Alternative potential savings areas to be identified as contingency.	Monthly monitoring at Service level  Mainframe Replacement Board minutes	Budget monitoring reports		
Shared Service Transformation Programme	Insufficient sum set aside for the implementation of replacement mainframe system	Governance arrangements in place for the project to implement replacement mainframe systems, including working with external advisors.	Monthly monitoring at Service level  Mainframe Replacement Board minutes  Business Case covering anticipated implementation costs is a key deliverable from the current stage of the project and will be confirmed at the end of the current OJEU process in Autumn, 2012	Budget monitoring reports		
Revenue and Capital Budget and Medium Term Financial Strategy	Further reduction to government grant in year or unplanned expenditure results in overspend against budget requiring either in	As part of the budget process income and expenditure budgets are regularly reviewed	Monthly monitoring at Service level	Formal budget monitoring reports, including  Quarterly budget reports to service		

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	year savings or use of general fund balances.	and revised accordingly.  In addition due to the risk associated with the budget a contingency reserve has been established.  This is underpinned by well-established budget governance and monitoring arrangements		DMTs and SEB  Quarterly budget reports to Cabinet (resources) Panel  Quarterly risk assurance reports to Audit (Final Accounts) Sub-Committee  Quarterly monitoring reports to Performance, Governance & Support Services Scrutiny Panel;		
Service Provision	Increased demand for services including the impact of social and demographic pressures on demand for services, these pressures can be compounded in an economic downturn	As part of the budget process, budgets were reviewed and revised accordingly taking account of known and anticipated increases in demand.  Due to the risk associated with the	Monthly monitoring at Service level	Budget monitoring reports		



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		budget a contingency has been established				
Revenue and Capital Budget and Medium Term Financial Strategy	<p>Third parties and suppliers cease to trade or withdraw from the market - short term expensive solutions may be necessary.</p> <p>Requirements to undertake tender exercise.</p> <p>Increased ongoing cost due to reduced competition.</p>	Departments using external service suppliers work closely with them and are kept abreast of their service and business situation.	Monthly monitoring at Service level	<p>Any issues are reported as soon as they are identified in the regular Corporate Procurement and Budget monitoring reports to Cabinet (Resources) Panel.</p> <p>ICTS are currently in discussions with suppliers regarding extensions to current mainframe support contracts in case of an implementation later than December 2013. Support costs reduced when this exercise was last conducted by ICTS in 2008/9</p>		

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Revenue and Capital Budget and Medium Term Financial Strategy	<p>An organisation that the Council has provided a pension fund guarantee for ceases to exist</p> <p>Required to fund any resulting shortfall in the pension fund of that organisation.</p>	<p>Register of such organisations has been established by Internal Audit</p> <p>The Council will work closely with such organisation when any indications concerning financial viability come to light in order to stabilise the financial standing of the organisation.</p> <p>Agree with the Pension Fund that any shortfall can be absorbed within the Council's existing deficit</p>	Monthly monitoring at Service level	Any issues are reported as soon as they are identified in the regular Budget monitoring reports to Cabinet (Resources) Panel.		

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Revenue and Capital Budget and Medium Term Financial Strategy	There are changes to Government policy that have in year service and budget impact. Eg free personal care at home.	Due to the risk associated with the budget a contingency reserve has been established	Monthly monitoring at Service level	Any issues are reported as soon as they are identified in the regular MTFS update reports to Cabinet.		
Revenue and Capital Budget and Medium Term Financial Strategy	Treasury Management Activity, including increases in the cost of borrowing and/or reductions in the return on investments	Robust Treasury Management Strategy.  Established and experienced Treasury Management function.  Proactive approach to the management of the council's cash flow on a daily basis.  External Treasury Management Advisors who provide a proactive and timely service and advice	Monthly monitoring at Service level  Regular internal audit reviews.	Any issues are reported as soon as they are identified in the regular Treasury Management monitoring reports to Cabinet (Resources) Panel and Full Council.		

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Wholly Owned Company- Joint Venture Subsidiary	<p>Political support for the Project is withdrawn and the Project is stopped or the full extent of service reconfiguration is withdrawn is not supported which results in:</p> <p>Projected savings are not realised resulting in an increased savings demand placed on other areas.</p> <p>Reputational impact of abandoning the Project in the public eye.</p> <p>Service developments and improvements are foregone and the JV does not come into being with the regeneration benefits lost.</p>	<p>Regularly communicate the need to establish a new delivery model for City Services that will result in efficiency savings and protect the quality of frontline services</p> <p>Ensure that Members understand the aims, objectives and dependencies of the project and remain committed to the project.</p> <p>Briefings at respective political party group meetings.</p> <p>Updates reported in Members newsletter</p>	<p>Monthly update reports to Project Board</p> <p>Communication work stream plan</p>	<p>Reports, reviews and recommendations by the Member Reference Group.</p> <p>Update reports to Cabinet and Scrutiny Panel</p> <p>Outline Business Case is currently being developed which will indicate the anticipated service quality and cost base resulting from the implemented WOC / JV</p>		

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Wholly Owned Company- Joint Venture Subsidiary	<p>Outcome of the 'Single Status' strategy for claimants and underlying groups affects the salary levels of a significant number of staff in the transferred services Impact on the base financial model.</p> <p>Impact on terms and conditions of WOC</p> <p>Potential ongoing liability of the WOC for future Equal Pay claims</p>	Management agreement to ensure that changes in T & Cs are 'pass through' costs	<p>Monthly update reports, reviews and actions by the Project Board</p> <p>Individual project work stream to scope and resolve any potential issues</p>	<p>Reports, reviews and recommendations by the Member Reference Group.</p> <p>Update reports to Cabinet and Scrutiny Panel</p>		
Wholly Owned Company- Joint Venture Subsidiary	<p>Changes in pay and grading as a result of Single Status implementation. Impact on the ability to ring fence T &amp; Cs within the WOC in order to increase flexibility around payments to reflect increased productivity</p> <p>Full achievement of projected savings not realised.</p>	Management agreement to ensure that changes in T & Cs are 'pass through' costs	<p>Monthly update reports, reviews and actions by the Project Board</p> <p>Individual project work stream to scope and resolve any potential issues</p>	<p>Reports, reviews and recommendations by the Member Reference Group.</p> <p>Update reports to Cabinet and Scrutiny Panel</p>		

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	Improvements in performance not achieved					
Wholly Owned Company- Joint Venture Subsidiary	The requirements of the Project team are in conflict with other Corporate projects iro HR resource demands.  Project is delayed – impact of service change and savings potential not fully realised in year 2012/13	Project Board needs to kept informed and will raise the issues with SEB, CDB and the Programme Office to determine corporate priorities.	Monthly update reports, reviews and actions by the Project Board	Reports, reviews and recommendations by the Member Reference Group.		
HR Improvement Programme – including a service restructure and comprehensive review of employee terms and conditions and HR policies.	Lack of capacity and appropriate skills within HR to complete all elements of the programme.	Prioritisation of the HR restructure so that appropriately skilled and/or professionally skilled staff are recruited to key roles to deliver the changes.	Reports into DMT/SEB, Cabinet as to the establishment of the business case and project plan	Reports into DMT/SEB, Cabinet		

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HR Improvement Programme – including a service restructure and comprehensive review of employee terms and conditions and HR policies.	Proposed revised operational model – a reversion to 'Directorate' focused teams does not achieve the improvement required	<p>Consultation with existing HR personnel and Directorates to establish their preferred operational structure.</p> <p>Ensure that the operating model is adequately staffed by professionally qualified/skilled personnel</p>	<p>Reports into DMT/SEB as to progress on consultation and outcomes.</p> <p>Established and robust recruitment process.</p>	<p>Reports into DMT/SEB, Cabinet</p> <p>Some comparisons will be made with other Local Authorities T&amp;C's to ensure WCC is neither too generous or mean</p>		
Procurement Transformation Programme – including targeted review of key contracts to realise efficiency savings plus establishment of more effective contract management and monitoring arrangements.	<p>Lack of capacity and appropriate skills within the Corporate Procurement Team to complete all elements of the programme.</p> <p>Competing demands of other initiatives on the team.</p>	Provision of expert support from external advisors to ensure that appropriate skills and capacity exist.	Reports to SEB as to the appointment of external advisors.	Reports into Corporate Programme Office and SEB as to progress against targets agreed and built into the MTFS.		