

# **APPENDIX D**

## **WAVERLEY BOROUGH COUNCIL**

**EXECUTIVE - 31 MARCH 2009**

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**Title:**

**RISK MANAGEMENT FRAMEWORK**

[Portfolio Holder for Risk: Cllr Mike Band]

[Wards Affected: N/A]

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**Summary and purpose:**

This report considers the continued effectiveness of the current Risk Management Policy and Process Document. Summaries of the key risks currently facing the Council are also shown for Members to consider. The report was considered by the Audit Committee and its comments are set out at the end of the report.

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**How this report relates to the Council's Corporate Priorities**

Good management of risk helps to ensure that Waverley achieves its objectives and minimises loss and damage which has a positive impact on the Borough's environment.

**Equality and Diversity Implications:**

The community benefit from Waverley's services being provided in an effective, safe manner.

**Resource/Value for Money and Legal Implications:**

There are no direct resource or legal implications arising from this report.

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**Introduction and Background**

1. All organisations face risks in undertaking their business. Local authorities, with their wide-ranging responsibilities and duties, face a significant number of risks. A risk is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives. Clearly Waverley has been, and always will be, faced with many potential risks in all areas of its business. Each year Waverley updates its framework that sets out its approach to the management of these risks.
2. The effective management of risks is an essential element in the overall operation of the Council and the delivery of its services and should not be seen as a separate task or function. In recent years local authorities have been required to do more to demonstrate to the community that managing risk is at the heart of their governance framework and that they have effective arrangements in place to identify and respond to the risks that they face. Last year the Audit Commission considered that the measures in place at Waverley are good.

## **The Risk Management Policy and Strategy**

3. The policy and process document, that was revised in March 2008 and approved by the Council in April 2008, is included at Annexe 1. Officers consider that this framework continues to be effective and it is not necessary to revise it. The Policy sets out why it is necessary to have a corporate approach to managing risks and the Strategy provides the details of the processes and actions required to implement the Policy objectives.
4. It is good practice for Audit Committees to ensure that proper arrangements are in place to identify and manage risks and for the Executive to ensure that these risks are being actioned effectively. The Risk Management Officer Group, comprising senior officers from each department, is responsible for overseeing the implementation of Waverley's Risk Management Strategy and to report to the Corporate Management Team, and Members if necessary, on any areas of concern.

## **The Key Risks**

5. Waverley identifies and evaluates its risks under four categories:
  - a) Key Business Risks - those which affect the whole Council or Borough and could impact on the achievement of the Corporate Plan objectives in the Council term
  - b) Operational Risks – those that are more service-specific or in control of particular groups of officers.
  - c) Project Risks – Risks associated with a specific project or key decision eg. Leisure Strategy, new IT systems etc.
  - d) Partnership Risks – Risks inherent in partnership arrangements that need to be considered by all parties and addressed in the governance arrangements.
6. In Jan/Feb 2008, with the assistance of an external facilitator, Waverley's Senior Managers, Members of the Executive and the Audit Committee considered the Key Business Risks currently facing the Council in relation to the new Corporate Plan. A number of risks were identified and the inherent risk evaluated. The Executive has since reviewed these risks in July 2008 in accordance with the Policy. CMT has also reviewed the key business risks and updated the schedule and evaluations as appropriate. The main changes to the key business risk since the July 2008 review are:

<b>Key Business Risk</b>	<b>Change to</b>
Achieving a balanced budget	Description changed to - Maintaining a sustainable budget whilst facing severe financial pressures  Inherent risk 'likelihood' increased from significant to high
Workforce planning and people resource	Inherent risk 'likelihood' reduced from high to significant
Failure to respond effectively to an emergency	Inherent risk 'likelihood' reduced from high to significant
Failure to have an effective	New risk added in 2008

information management strategy	
Failure to ensure the community has sufficient resilience to withstand the impact of the economic downturn	New risk added in 2008

7. The update of the evaluation of the risks identified has enabled officers to determine which issues currently require the greatest or most urgent management attention. A summary of each of the Key Business Risks identified is attached at Annexe 2, along with an explanatory note on the assessment categories at Annexe 3.
8. When Key Business Risks are identified, these are considered in terms of inherent risk and residual risk. The evaluation of inherent risk considers the risk scenario before taking account of the impact of any mitigating measures in place. The evaluation of residual risk 'updates' the judgment after considering the effectiveness of these measures. Annexe 2 presents the updated evaluation of the inherent risk and indicates with an 'X' the latest estimated residual risk exposure.
9. The Key Business Risks identified are concerned with the achievement of Waverley's corporate objectives in the medium-term. Therefore the evaluation of residual risk takes account of current and proposed actions as well as the impact of any measures already in place. Annexe 2 shows, for each risk, the controls currently in place and the action plan to reduce the exposure further.

### **Comments from the Audit Committee**

10. Members of the Audit Committee have considered these risks, the measures currently in place and the further actions identified to manage these risks, and agreed to make the following recommendations to the Executive, that:-
  - a. in view of the current difficult financial situation with regard to the Housing Revenue Account and meeting the Decent Homes Standard, urgent consideration should be given to undertaking a housing options appraisal; and
  - b. the risk profile for the East Street Development (R/KBR004) and the Leisure Centres Management Contract and Capital Refurbishment (R/KBR008) should be revisited to ensure that the impact rating is appropriate.

### **Recommendation**

It is recommended that the Executive:

1. approve the Risk Management Policy and Process Document set out in Annexe 1; and,
2. consider the risk matrix included at Annexe 2 for the Key Business Risks and pass any comments or instructions to officers; and,
3. support the view of the Audit Committee in relation to the Housing Revenue Account key business risk concerning the achievement of the Decent Homes

Standard, as detailed at paragraph 8a above, and instruct officers to commence the necessary action to commence a housing options appraisal process.

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Background Papers (DCEX)

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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