COUNCIL MEETING – 29 JULY 2008

AUDIT AND PERFORMANCE COMMITTEE

26 June 2008

MINUTES of a meeting of the Audit and Performance Committee held at Swanspool House, Wellingborough on Thursday 26 June 2008 commencing at 7:30pm and concluded at 9:07pm.

Present: Councillor Callnon (Chairman), Councillor Allebone (Vice-Chairman), Councillors Morrall and Sharp

Councillors G Lawman and L Lawman also attended the meeting.

1 APOLOGIES FOR ABSENCE

RESOLVED to note that apologies were received from Councillor Bigley.

2 DECLARATIONS OF INTEREST

RESOLVED to note that the following Councillors declared interests in the minutes specified in accordance with the Code of Conduct:

<table>
<thead>
<tr>
<th>Councillor</th>
<th>Minute</th>
<th>Subject</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allebone</td>
<td>4</td>
<td>Annual statement of accounts</td>
<td>Both he and wife were members of Castle Theatre Board: personal</td>
</tr>
<tr>
<td>Sharp</td>
<td>5</td>
<td>Call-in from Resources Committee 3 June</td>
<td>Member of Resources Committee that considered the item called in: personal and prejudicial</td>
</tr>
</tbody>
</table>

3 CONFIRMATION OF MINUTES

RESOLVED that the minutes of the meeting held on 10 June 2008 be confirmed and signed.

4 ANNUAL STATEMENT OF ACCOUNTS

The Head of Financial Services attended the Committee to present the Statement of Accounts for 2007-08, contained within the appendix to the report, and seek approval for it before the statutory deadline of 30 June.

Representatives from KPMG, the Council’s external auditors, also attended to listen to the debate.
It was noted that an external audit of the accounts was scheduled to commence in July. Members of the public had a right to question the auditor about the accounts, and a date for this would be advertised shortly. It was noted that the accounts had been posted on the Council’s website. A report on the outcome of this audit would be presented to the Committee before the statutory deadline of 30 September. After that the accounts would be published with the auditor’s certificate.

The Head of Financial Services advised that the presentation of the Statement of Accounts had been amended this year in line with revised requirements. The main areas of change during 2007-08 were noted as:

- various amendments to the accounts for 2007-08 required by the Statement of Recommended Practice (SORP);
- transfer of the Council’s housing stock and related assets to Wellingborough Homes in December 2007;
- other adjustments to the accounts.

It was noted that the Statement of Accounts contained the following:

- Explanatory foreword;
- Annual governance statement;
- Statement of responsibilities for the Statement of Accounts;
- Statement of accounting policies;
- Core financial statements: income and expenditure account, statement of the movement on the general fund balance, statement of total recognised gains and losses, balance sheet, cash flow statement;
- Supplementary financial statements: housing revenue income and expenditure account, statement of movement on the housing revenue account, collection fund.

In the future the Committee would have sight of the annual governance statement prior to signing, to enable it to review effectiveness of governance.

It was further noted that comparison of the revenue budget to outturn was provided at item 4 of the foreword to the statement of accounts: a report would be submitted to Resources Committee on 1 July providing detail about the variation between the budget and outturn for 2007-08.

The Head of Financial Services responded to the Committee’s questions and comments, which included the following:

- **Income and expenditure account**: It was noted that there had been a 50% increase in the cost of the cultural, environmental and planning services. This was due to an impairment review valuation which included a devaluation of the depot (this had cost £2.2m to build, but was valued now at £1.5m), and the depreciation in value of a number of commercial properties, together with a change in the amount of LABGI funding received (compared to that received in 2006-07).
- **Statement of total recognised gains and losses**: It was noted that there was an actuarial loss on pension fund assets and liabilities. This
was linked to the pension reserve: further detail could be found in notes to the core statements, item 16f.

- **Income and expenditure account:** It was noted that the housing stock transfer had to be written out of the accounts through the income and expenditure account: £9.3m had been written off by government to ensure that the Council was in no worse a position than if it had continued to run the housing revenue account. It was noted that the Council had retained a small number of dwellings, together with several other properties for strategic purposes: these were valued at £138,000.

- **Repairs to housing stock:** Councillors asked why £2m needed to be set aside for repairs to the housing stock. It was noted that this was one of a specific revenue reserve, detailed in notes to the core statements item 39, and had to be maintained while the housing revenue account was still in operation. It was noted that the interest on this was added to the general fund, as was interest on all balances.

- **Investments:** The Committee noted that the Council had investments in both banks and building societies, and suggested that currently the latter were more reliable. The Head of Financial Services informed the meeting that the Council had a treasury management strategy and received advice from brokers: this was monitored weekly.

- **Collection fund deficit:** It was noted that county finance officers had closely monitored the collection fund, as there had been a £750,000 balance at the end of the previous year. It was noted that this fluctuated from year to year.

**RESOLVED** that the Statement of Accounts 2007-08 be approved.

5 CALL-IN FROM RESOURCES COMMITTEE 3 JUNE 2008: TOWN CENTRE PROJECT PROGRAMMING AND MATERNITY COVER FOR GROWTH AND DEVELOPMENT MANAGER

The Committee Chairman noted that the report had been called in from Resources Committee held on 3 June 2008. The 4 signatories were Councillors Hollyman, G Lawman, Pursglove and Sharp.

Councillor G Lawman, as spokesperson, was invited to speak for 5 minutes prior to presentation of the report and additional information.

Councillor Sharp requested permission to speak independently, prior to leaving the meeting as he had declared a personal and prejudicial interest in the item, as he was also a member of the Resources Committee. His reasons for requesting call-in of the report included the following:

- He stated that no alternative options had been presented or considered at Resources Committee, and that no proper examination of the officer recommendation had taken place.
- He was concerned about the budget for the maternity cover, should it exceed 6 months.
- He requested a wider examination of the Council’s use of consultants.
- He was concerned about using consultants also used by neighbouring local authorities, and therefore potentially the Council’s competitors.
He noted that the Council had been criticised by the Audit Commission for not having robust value for money processes.

He stated that the public relied on the Council to use funds efficiently and effectively to deliver the best possible outcomes.

Councillor Sharp then left the meeting during the consideration and voting on the item.

Councillor G Lawman asked the Committee to consider appendix 2 of the report which contained a summary of points raised in respect of the call-in of the report to Resources Committee. He specifically drew attention to items 5, 6 and 8 in the list, and the key points which were:

- the report combined and confused 2 separate issues – the requirement for specialist advice on town centre project programming matters, and the requirement for cover for maternity leave;
- justification was needed for the use of consultants and for the specific need for the suggested consultancy firm;
- explanation was needed for the proposed use of LABGI funding;
- alternative solutions should be considered for the cover of maternity leave;
- a longer term review should be made of the resources and capacity needed for delivery of this Council’s response to the growth agenda for this region.

The Chairman asked Councillor G Lawman what outcome he hoped for in respect of this call-in. He replied that he hoped for resolution of the specific matters raised in connection with this individual report in the short term, and in the longer term an audit of the Council’s report production process.

The Committee received the Corporate Director’s report providing further information and alternative options in response to the call-in of this item from Resources Committee. It was noted that the Resources Committee had recommended that £40,000 be approved to support the town centre project programming and provide cover for the maternity leave of the Growth and Development Manager. It was noted that although the two elements of request for additional funding were separate, they were closely inter-related.

As the Council moved from developing a policy position for the town centre, through the Town Centre Area Action Plan, to implementation of schemes, via GAF and other funding, greater forward planning and a system of monitoring and control were required to ensure that all funding stakeholders had confidence that the wider programme of projects was being properly coordinated. That would ensure the current set of projects succeeded and also that further public investment was secured in future years. A list of current town centre projects was attached as appendix 1.

A variety of options to support the town centre project programming was provided in paragraph 5.1 of the report, together with options to cover the maternity leave of the Growth and Development Manager in paragraph 5.2. The Corporate Director and Chief Executive responded to the Committee’s questions and observations which included the following:
• The Corporate Director acknowledged that confusion had been caused by the combination of the 2 issues – the town centre programming work, and the provision of cover necessitated by the Growth and Development Manager’s maternity leave. It was noted that, although separate, they were related issues: the Growth and Development Manager currently was leading all the town centre programming projects. It was further noted that requests for maternity cover provision were not usually brought to committee, but that this was an integral aspect of the town centre programming work.

• It was noted that the town centre project programming was well underway and referred the Committee to appendix 1 – the list of current projects: it was a highly complex process and the Council already had been working with NNDC in connection with the town centre “healthcheck” thorough the Town Centre Advisory Group.

• Councillors expressed concern that Wellingborough was in competition with the 2 other towns in north Northamptonshire and therefore required independent advice and consultancy. Councillors suggested that alternative separate consultants could be brought up to speed.

• It was noted that NNDC were working with all north Northamptonshire districts to ensure a complementary development programme for the area as a whole: Wellingborough’s town centre regeneration was a part of the growth agenda for the area, dependent on it and not in competition with it.

• NNDC had been established to support the 4 north Northamptonshire districts, none of which had the capacity to undertake this sort of growth area project management and monitoring, and to help deliver policy through the core spatial strategy (CSS) alongside the Joint Planning Unit (JPU).

• It was noted that the officer recommendation was to use MACE consultancy in conjunction with NNDC and other north Northamptonshire districts. This would ensure best value and cost effectiveness; MACE had expert and detailed knowledge of the area, and had national credibility and government recognition having been involved in the regeneration of cities such as Manchester and Sheffield; the use of MACE for the “healthcheck” would contribute towards funding stakeholders’ confidence in the programme. It would also enable a collective north Northamptonshire dialogue with government about the funding case for infrastructure in the area as well as highlighting resource gaps that may exist within the Council which could feed into a wider review of capacity.

• The Committee acknowledged the general lack of capacity in regeneration expertise and planning, and agreed that better joint working across north Northamptonshire would be to the benefit of all districts.

• It was noted that officers were informed of the requirement for maternity cover in March. Due to the committee cycle, with no meetings in April or May, the earliest opportunity to bring this forward was the June meetings. It was further noted that it was not possible to put this requirement into budgets for this financial year, as the budget was closed in February.

• The Corporate Director suggested that option 2, contained in paragraph 5.3.4 of the report was the most appropriate solution. This would mean
backfilling of the Growth and Development Manager’s post through acting-up positions for the 2 job share posts of Technical Support Officer, with support from the Head of Built Environment. It was noted that the Head of Built Environment post had been offered and accepted.

- It was noted that approximate costs for this would be about £17,000; this included backfilling of the Technical Support Officer role (approximately £14-15,000 if agency staff were to be used), plus honoraria for the job share posts acting-up (approximately £2-3,000).
- It was further noted that new funding would not be required; it would be taken from LABGI monies, already initially approved by Resources Committee as a draw down facility for growth related projects and issues once they became apparent.
- It was noted that the Council’s policy was not to hold contingency budgets in specific service areas: budgets were set around planned expenditure, any additional funds were placed in balances – as the LABGI monies had been. As part of its prudent financial management arrangements, the Council did make a general contingency provision of £50,000 in its annual budget, part of which could be used to meet any additional costs incurred should the Growth and Development Manager’s maternity leave extend beyond 6 months.
- Councillors expressed concern that the maternity cover possibly could extend longer than the 6 months scheduled. It was noted that employees’ rights to maternity leave could not be restricted, and that employers had an obligation to keep posts open to enable return to work.

RESOLVED that the following be recommended to Resources Committee:

(i) a revised supplementary estimate of £40,000 be approved for growth and development to allow for provision of a “healthcheck” of all town centre projects and the implementation of a monitoring framework to coordinate and plan for the future regeneration,

(ii) a temporary Technical Support Officer be appointed to backfill this post and the application of an acting-up provision to provide sufficient capacity during the maternity leave of the Growth and Development Manager until February 2009.

Councillor Sharp returned to the meeting.

6 URGENT ITEMS

RESOLVED to note that there were no urgent items.
COMMERCIAL RENT COLLECTION POLICY

1 Purpose of Report
To present for scrutiny the policy in respect of the management of rent due from the Council’s commercial property portfolio.

2 Executive Summary
The Property Service is responsible for managing the commercial property investment portfolio and outsources the management of rent collection to Messrs Underwoods LLP as part of their duties to manage external tenancies under the Active Property Management contract. The purpose of this report is to assure members that appropriate policy and procedure is in place for the correct management of rents and any debts arising therefrom.

3 Proposed Action
The Committee is invited to Resolve to report to Resources Committee for noting that appropriate policy and practice is in place for the management of rent from the Council’s commercial property portfolio.

4 Background
4.1 At Resources Committee on 3rd June 2008 under item 12 (confidential) entitled Irrecoverable Bad Debt Write-Off the question arose as to the existence of appropriate policy in respect of the management of rent and debts.
4.2 It was agreed that the policy matter should be scrutinised by the Audit & Performance Committee.

5 Discussion
5.1 Prior to 2004, the Council managed the rent collection in-house and the procedure in respect of rent collection was largely dictated by the capability of the financial service software. The financial software issued a rent demand 14 days prior to the due date and then automatically issued a reminder 14 days later then a final demand 7 days after that. Any rent arrears cases were discussed at a monthly working group comprising officers from Finance, Property and Legal and a set of actions then agreed. An officer in Finance was the primary contact for initially chasing-up non payment.
5.2 The financial software dealt with all types of debt with the same pattern and could not be modified to manage rents differently.
5.3 In 2003 it was recognised that management of rent collection could be improved and particularly with more emphasis focussed on preventing arrears from arising and escalating.

5.4 A policy was agreed in 2003, as set out in the paper appended to this report, within the powers delegated to the Director of Technical & Leisure Services (para 3.5.63 Estate Functions) and noted at the Property Working Group. The policy emulates modern practice of leading financial institutions and property companies.

5.5 The policy is effectively a practice statement for a fair but sensitively firm policy in managing rent collection. Although not written out, the key management of tenant contact for rent arrears collection was transferred from Finance to the Property Service. The rationale for that was to prevent tenants playing off one side with the other and better awareness the Property Service had of the tenant’s business affairs together with the ability to visit and discuss issues face to face.

5.6 The management of rent was outsourced at the end of 2004 to Messrs Nelson Bakewell and contractual responsibility today sits with Messrs Underwoods. The Active Property Management contract has since twice been audited by Consortium Audit (subsequently reported to Scrutiny Committee) with a particular focus on rent management and no recommendations were made requiring any alteration to the Rent Collection Policy.

5.7 The practices originally set out in the policy are still in place but the restrictions then noted as caused by the Council’s financial software are no longer relevant as Underwoods utilise a modern system named Qube.

5.8 The Property Service maintains a regular dialogue with Underwoods regarding rent management and presents reports each month to the Property Working Group: Rent Collection Performance; Budget Reforecast and any arrears matters of significant concern.

5.9 Although the Policy seeks to prevent arrears escalating to an irrecoverable position there are inevitably a few tenants each year whose business fails. For all new tenancies the Council requires a performance deposit, usually equal to about 3 months rent however, this can sometimes be insufficient to cover all liabilities, for instance when there is a significant claim for dilapidations or reinstatement.

5.10 The Council takes appropriate legal action against companies and individuals to seek rent recovery but such action has to be balanced against the considerable cost of enforcement and the likelihood of actually being able to recover any money. When appropriate, investigative inquiries are made against companies and individuals. If any debt is judged by the Property Service to be irrecoverable, then the position is presented to the Head of Financial Services who as Section 151 Officer has delegated power to right-off debts due to bankruptcy, liquidation, deeds of arrangement and also other debts under £1000.

5.11 It should be noted that the Government is minded to remove the existing rights
for Landlords to use distraint on goods at the premises for purpose of recovering rent and this may lead to some minor revision of Rent Collection Policy and potentially a minor increase in arrears.

6 Legal Powers
n/a

7 Financial and value for money implications
n/a

8 Risk analysis and Implications
n/a

8.1 Implications for Resources
n/a

8.2 Implications for Stronger and Safer Communities
n/a

8.3 Implications for Equalities
n/a

9 Author and Contact Officer
Robert Vaughan FRICS, Property Manager

10 Consultees
R Wilton, Head of Financial Services
C Pittman, Corporate Director, Business

11 Background Papers
none
MANAGEMENT OF RENT COLLECTION AND ARREARS

Policy and procedure in relation to lettings within the commercial estate.

Robert Vaughan FRICS
Property Manager
Policy

It is the duty of the Council to ensure financial prudence in the effective usage of resources and it has resolved to carry out its affairs with integrity, fairness, courtesy and openness.

These principles shall be applied to the management of rent (including Licence and other similar fees) collection and arrears.

1.0 Procedures

1.10 Rent Demands

1.11 Each tenant shall be provided with a written invoice between 15 and 5 days in advance of each rent due date as specified in the lease agreement.

1.12 The rent statement should clearly show:

- The premises concerned
- The tenants name
- The period and amount calculation for which payment is due (Note: present technology only generates invoices for the new amounts due, not arrears).
- Arrears with clear calculation detail (Note: present technology only generates a standard 14 day arrears report which is used to despatch standard letters).
- Relevant credits – with clear calculation detail (Note: as above, does not happen presently).
- Relevant interest charges – with clear calculation detail (Note: as above, does not presently happen).

1.13 Written demands shall be provided whether or not a tenant is in credit or pays by automatic means.

1.14 Written demands shall also be provided at appropriate intermediate intervals where a formal scheme of payment exists for payment at periods other than as specified in the lease. (Note: does not presently happen),

1.15 Demands shall be addressed to the tenant name and tenant address specified in the Lease unless there is appropriate written authority from the tenant to do otherwise.

1.2 Receipt

1.2.1 Unless requested by the tenant it shall not be usual practice to issue a receipt for payment made by any means through the banking systems.

1.2.2 An intermediate written receipt shall always be given for payments by cash.

1.2.3 An immediate advice shall be issued for any payment taken or received from performance deposits or guarantor.
1.3 **Reminders**

1.3.1 For any tenant not subject to accelerated procedures defined below, a written reminder shall be issued on the 5\(^{th}\) day following the normal due date if: (Note: present technology generates reminder at 14\(^{th}\) day only).

- no payment has been made
- only an unauthorised part-payment has been made
- the tenant claims to have made payment but receipt cannot be established.

1.3.2 For any tenant failing to make an agreed intermediate payment, a written reminder shall be issued on the 5\(^{th}\) day following the due date. (Note: present technology generates reminder at 14\(^{th}\) day only).

1.3.3 For any tenant failing to make an agreed arrears stage payment, a written reminder shall be issued if appropriate on the 5\(^{th}\) day following the due date. (Note: present technology generates reminder at 14\(^{th}\) day only).

1.3.4 Fair Practice Note. The timing of reminders takes into account current limitations within the banking system. This will be subject to appropriate amendment as systems improve.

1.4 **Late Payment**

1.4.1 For tenants not subject to accelerated procedures, non-payment means non-receipt of due payment 10 days after the due rent date. (Note: due to present technology limitations this has to be 14 days for the time being).

1.4.2 Fair Practice Note. The timing of reminders takes into account current limitations within the banking system. This will be subject to appropriate amendment as systems improve.

1.4.3 Upon non-payment, the tenant shall be immediately contacted by telephone or by visit (with a copy of the demand and reminder) to request immediate payment:

- A written record shall be made of the telephone conversation, visit, discussion and events
- Receiving a cheque upon visiting is permitted but a written receipt to be issued from a standard Wellingborough Borough Council receipt book.
- Receiving cash upon visiting is not permitted but the tenant shall be advised to make such a payment at a bank or the Council’s cash desk.

1.4.4 Fair Practice Note. It is permissible to attend with the tenant when making such cash payment so as to facilitate the correct recording of the current status within Property Management ledgers. However, this must only happen in accordance with the tenant’s wishes and must not be forced or in any way be seen as coercion.
1.4.4 Appropriate management systems shall be maintained to record where tenants are subjected to late payment procedures.

1.4.5 Fair Practice Note. Upon the first instance of late payment, at Officer discretion, it may be appropriate to restore the relationship with the tenant by writing to acknowledge payment and thanking them for prompt co-operation.

1.4.6 If full or proper payment is not made then proceed to enforcement.

1.4.7 Fair Practice Note. It is recognised that tenants may be withholding rent as an expression of some grievance. Discussion with a Senior Property Officer may be appropriate to agree a modification to standard procedures. This must always be agreed and recorded in writing.

1.4.8 Fair Practice Note. It is recognised that some tenants may experience temporary difficulties with their business and so a formal modification to the payment frequency may be appropriate in order to help sustain a viable business and respected tenant. Such proposals must be discussed and agreed with a Senior Property Officer.

1.5 **Formal Modification to Payment Frequency**

1.5.1 Fair Practice Note. It is good estate management practice to only set leases up on a sustainable basis. So quarterly rents should not be agreed where small businesses cannot viably manage the rent otherwise than on a monthly basis.

1.5.2 Modification to rent payment frequency may be undertaken by prior agreement with a Senior Property Officer where proved appropriate. Consider whether it will indeed solve the problem of non-payment or is it just deferring default on the lease.

1.5.3 Formal modification shall be within this framework:

- A written document approved by Legal Services countersigned by the tenant and placed with the deeds.
- Payments due under the new terms must be made up-to-date at the time of signing.
- A single payment default under the new agreement automatically cancels the payment agreement and all money is due immediately with interest payable.
- Seek to amend the lease through Legal Services to include an interest payment clause.
- Seek agreement and performance on any other outstanding estate management issues.
- To consider whether appropriate to have a time limited agreement rather than open ended.

1.6 **Frequent Late Payer**
1.6.1 - where a tenant makes 2 late payments within 2 calendar years then they shall be classified as a Frequent Late Payer and subject to an accelerated procedure.

1.6.2  Fair Practice Note. The purpose of the accelerated procedure is to seek to change the tenant’s behavior by firmly reminding them of their obligations and a more rapid enforcement of Landlord’s rights. It is recognised that late payment if left uncontrolled can lead to more serious non-payment and loss of the lease. It is recognised that some leases do allow up to 14 days grace before enforcement can take place.

1.6.3  Upon classification, the reminder letter to the tenants shall explain that due to having again been late within payment (specify the occasions) the Council will operate more strict procedures:

- reminders and enforcement will happen much sooner
- interest (if applicable) will be strictly applied

Arrears

A tenant shall be regarded as in arrears upon failure to collect all monies due under procedures so far.

1.6.4  - If the system permits and if it is appropriate, future rent demands should be endorsed to remind of the policy to charge interest on late payment. (Note: present technology does not permit this for payment by Standing Order).

1.6.5  - The tenant shall be telephoned on the rent due date or the next working day to enquire about payment.

1.6.6  - If permissible, interest shall be charged on late payment.

1.6.7  - Reminders shall be issued on the day after the rent due date. (Note: not possible with present technology).

1.6.8  - Where a tenant subsequently makes proper payment for 1 year they shall be declassified as a frequent later payer. This period may be reduced at the discretion of a Senior Property Officer.
1.7 **Bad Payer**

1.7.1 A tenant shall be regarded as in default and a Bad Payer upon failure to pay all monies due under procedures so far by the requisite dates and allowing for any period of grace defined by the lease.

1.7.2 Fair Practice Note. By this stage the Council is at risk of permanent loss of all or part of its due rent and it is obliged to take firm steps towards enforcement.

1.7.3 A telephone call to the tenant should advise that enforcement procedures will be taken upon failure to pay within 48 hours and that interest if applicable will be charged.

1.7.4 A letter sent by recorded delivery to both the premises and the registered office should state that payment is demanded within the 48 hours period otherwise further steps shall be taken without further notice which may include:

- Advice to a former tenant now liable for the arrears
- Bailiff action to recover arrears
- Court Order for arrears
- Forfeiture of the lease

1.7.5 The letter must also include a statement of arrears and record of noted history of poor payment and written warnings.

1.7.6 The letter shall also include a requirement to pay interest where permitted by the Lease.

1.7.7 Upon any failure of the tenant to pay the arrears and or interest, ratification shall be sought by a Senior Property Officer for further action which shall be prosecuted without undue delay.

1.7.8 Where matters are resolved with the tenancy still in place, a letter by recorded delivery to the premises and registered office should state that for the future a more rigid enforcement of lease terms shall be required.

- Reminders and enforcement will happen much sooner
- Interest (where applicable) will be strictly applied
- The use of Bailiff recovery or forfeiture may be used without prior warning.
- If the system permits and if it is appropriate, future rent demands should be endorsed to remind of the policy to charge interest on late payment.
- The tenant shall be telephoned on the rent due date or the next working day to enquire about payment.
- If permissible, interest shall be charged on Late Payment.
- Where a tenant subsequently makes proper payment for 1 year they shall be declassified as a Bad Payer. This period may be reduced at the discretion of a Senior Property Officer.
INTERNAL AUDIT UPDATE REPORT 2007/2008

1 Purpose of Report

1.1 To provide Members with an update of the work undertaken so far on the 2008/09 audit plan by ConsortiumAudit. This is in accordance with the Council’s objective in relation to the effective use of resources.

2 Executive Summary

2.1 The Internal Audit reviews are completed in accordance with the annual Internal Audit Plan, agreed by this committee. This programme of reviews are identified through the completion of a risk assessment of the Council’s systems and activities, with appropriate consultation and input from the Head of Financial Services.

3 Proposed Action

3.1 The Committee is invited to recommend that the Internal Audit Update Report for 2008/2009 be received.

4 Background

4.1 Internal Audit is responsible for reviewing the Council’s systems of internal controls with a view to reporting any weaknesses identified and making practical recommendations to management to assist with the following:
   i. Providing assurance that the internal control systems in place are adequate to meet the achievement of the Council’s objectives;
   ii. Safeguarding the assets against the risks of material fraud and error;
   iii. Achieving where possible, value for money.

5 Discussion

5.1 The table below lists the audit reports that have been finalised since the last progress report to committee in June 2008. The table also shows the audit opinion given for each of the systems reviewed. Information relating to the status, level of assurance and recommendations made for each report can be found in Appendix A of this report.
<table>
<thead>
<tr>
<th>Audit Review</th>
<th>Audit Assurance Level</th>
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<tbody>
<tr>
<td><strong>2007/2008</strong></td>
<td></td>
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<tr>
<td>Fraud NFI</td>
<td>Acceptable</td>
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<tr>
<td>Follow Ups</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>2008/09</strong></td>
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</tr>
<tr>
<td>Accounting Systems &amp; Budgetary Control – Agresso Pre-Implementation</td>
<td>Limited</td>
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<tr>
<td>Follow up – Disability Discrimination Act</td>
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<tr>
<td>Follow up – Freedom of Information</td>
<td>n/a</td>
</tr>
<tr>
<td>Follow up – Industrial Property Management</td>
<td>n/a</td>
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</tbody>
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5.2 Recommendations arising from the finalised reports have been discussed and agreed with management. Implementation of the agreed recommendations is monitored by the Head of Financial Services as part of on-going performance and risk management arrangements. In addition ConsortiumAudit carries out follow up reviews by seeking responses from staff and performing audit testing to confirm that agreed actions have been undertaken.

5.3 At the date of this report the following reviews were in progress:

<table>
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<tr>
<th>Audit Review</th>
<th>Status (as at 25/6/08)</th>
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<tr>
<td><strong>2007/08</strong></td>
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<tr>
<td>Risk Management</td>
<td>Draft Report issued</td>
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<tr>
<td>Contract Audit – Stock Transfer</td>
<td>Draft Report issued</td>
</tr>
<tr>
<td><strong>2008/09</strong></td>
<td></td>
</tr>
<tr>
<td>BVPI Checks</td>
<td>Draft Report issued</td>
</tr>
<tr>
<td>Computer Audit – IT Partnership with East Northants</td>
<td>In Progress</td>
</tr>
<tr>
<td>Contract Audit – Leisure Services – Monitoring of Contract</td>
<td>In Progress</td>
</tr>
<tr>
<td>Corporate Governance Arrangements</td>
<td>In Progress</td>
</tr>
<tr>
<td>Follow Up - External Audit Recommendations</td>
<td>In Progress</td>
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<tr>
<td>Petty Cash</td>
<td>Draft Report issued</td>
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<tr>
<td>Section 106 Arrangements</td>
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</tr>
<tr>
<td>The Castle</td>
<td>Draft Report issued</td>
</tr>
<tr>
<td>Travel Concessions</td>
<td>In Progress</td>
</tr>
</tbody>
</table>

6 **Legal Powers**

6.1 Internal Audit is a statutory function as detailed in the following:
   i. Audit and Accounts Regulations 2003 (England).
7 Financial and value for money implications
7.1 There are no direct financial implications as a result of this report. Value for money is a consideration integral to the audit requirement.

8 Risk analysis and Implications

<table>
<thead>
<tr>
<th>Nature of risk</th>
<th>Consequences if realised</th>
<th>Likelihood of occurrence</th>
<th>Control measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk dependant on activity subject to audit in audit plan.</td>
<td>There could be fraud, financial or reputational loss to the Council.</td>
<td>Varies depending upon nature of risk.</td>
<td>Sound internal control and management processes including regular monitoring and review of audit reporting.</td>
</tr>
</tbody>
</table>

8.1 Implications for Resources
i. There are no implications on resources as a result of this report.

8.2 Implications for Stronger and Safer Communities
i. There are no implications for stronger and safer communities as a result of this report.

8.3 Implications for Equalities
i. There are no implications regarding equalities as a result of this report.

9 Author and Contact Officer
Rob Wilton – Head of Financial Services, ext 1650
Kim Phillips – Audit Manager, Consortium Audit, ext 1671

10 Consultees
Not applicable

11 Background Papers
Internal Audit Reports
Internal Audit Files and Working Papers
## Summarised Information from Audit Reports 2008/09
(Reports issued since last update to committee in June 2008)

<table>
<thead>
<tr>
<th>Audit Description</th>
<th>Level of Assurance</th>
<th>Status</th>
<th>Summary of Audit Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>High Priority</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Made</td>
</tr>
<tr>
<td><strong>2007/08</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fraud NFI</td>
<td>Acceptable</td>
<td>Complete</td>
<td>1</td>
</tr>
<tr>
<td>Follow ups</td>
<td>N/A</td>
<td>Complete</td>
<td></td>
</tr>
<tr>
<td><strong>2008/09</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting Systems &amp; Budgetary Control – Agresso Pre-Implementation</td>
<td>Limited</td>
<td>Complete</td>
<td>4</td>
</tr>
<tr>
<td>Follow up – Disability Discrimination Act</td>
<td>N/A</td>
<td>Complete</td>
<td></td>
</tr>
<tr>
<td>Follow up – Freedom of Information</td>
<td>N/A</td>
<td>Complete</td>
<td></td>
</tr>
<tr>
<td>Follow up – Industrial Property Management</td>
<td>N/A</td>
<td>Complete</td>
<td></td>
</tr>
</tbody>
</table>

Note: Follow-up reports are not given an overall assurance level as this will have been stated in the original report.
1 Purpose of Report
1.1 This report presents to Members for their consideration the action plan proposed to address the recommendations contained in the Annual Audit and Inspection Letter for 2006/07 ("the Letter").

2 Executive Summary
2.1 The report summarises the recommendations contained in the Letter, sets out the actions being taken or proposed in respect of each recommendation and identifies an implementation programme.

3 Proposed Action
3.1 The Committee is invited to RESOLVE that the action plan identified in the report be approved.

4 Background
4.1 The Audit Commission has a duty to provide the Council with an Annual Audit and Inspection Letter each year.

4.2 The Letter for 2006/07 was considered by the Committee at its meeting on 10 June 2008. At that meeting the Committee instructed officers to bring forward an action plan to address the recommendations in the letter, hence this report.

5 Discussion
5.1 The Letter identified four ‘Action(s) needed by the Council’. These are reproduced below:
   (a) Ensure the Council has a clear understanding of how its services perform their costs and the rate of improvement compared to other councils in order to drive and focus improvement activity and improve value for money.
   (b) Strengthen and embed corporate systems and processes to ensure a clear focus on the delivery of plans and of service improvements particularly in the weakest areas.
   (c) Tackle sickness and vacancy levels that are impacting on the Council’s capacity to deliver its plans.
   (d) Ensure the Council begins to prepare for the implementation of the International Financial Reporting Standards and Comprehensive Area Assessment in 2009/10.
5.2 What is already being done or proposed to be done in respect of each issue is set out below, with the actions summarised in Appendix 1. It should be noted that the Council was alive to these issues prior to receipt of the Letter and had been taking steps to address them. For example, the Council’s Business Transformation Plan initiated last year indicated a need to focus actions on further improving the Council’s efficiency to enable performance improvement and achievement of wider targets within the Local Area Agreement.

5.3 In order to test the Council’s capacity and capability for action and the feasibility of its actions within the Business Transformation Plan, an Efficiency Peer Review was commissioned from IDeA with funding support from the East Midlands Improvement Programme. This review was completed during the period 30 January to 1 February 2008 and the findings from this were used to inform the Efficiency Improvement Plan approved by the Resources Committee at its meeting on 18 March 2008.

Action 1: Ensure the Council has a clear understanding of how its services perform etc.

5.4 At its meeting on 18 March 2008 the Resources Committee approved an Efficiency Improvement Plan. One element of this Plan was the adoption of a more strategic approach to improvement activity.

5.5 At its meeting on 3 June 2008 the Resources Committee adopted an Improvement and Efficiency Strategy for the Council. Under this Strategy the Council will focus its efficiency activities in the four key areas of procurement, business process improvement, collaborative working and better utilisation of assets, and utilise the savings achieved to deliver improvement in three priority areas:

- Capacity
- Innovation and transformation
- Partnerships

5.6 To deliver the efficiencies:

- A medium term Efficiency Programme will be developed
- Heads of Service will be required to carry out value-for-money reviews of two of their service areas or aspects of their services each year. This process obliges Heads of Service to compare the costs, performance and the rate of improvement of their services with other Councils
- Existing budgets and services will be challenged during the service planning and budget setting processes

5.7 An Efficiency Board has been established to amongst other things establish and monitor a coordinated programme for the delivery of the Improvement and Efficiency Strategy and this shall report periodically to the Audit and Performance Committee.
Action 2: Strengthen and embed corporate systems and processes etc.

5.8 As the letter notes, the Council has a number of corporate systems and processes designed to facilitate the delivery of plans and service improvements. The main systems and processes used for this purpose are:

- The Committee structure which has been realigned to effect a more streamlined decision making process. The Council has also established an Audit and Performance Committee to improve its governance arrangements in this area and created the post of Head of Performance to enhance performance management arrangements.
- The Ward Survey scheme
- The service planning framework - which was revised and strengthened in 2007 for use by services from 2008/09 and beyond
- The value for money strategy contained in the Improvement and Efficiency Strategy
- The risk management system – a refreshed and updated Risk Policy and Strategy is before this meeting of the Committee
- The Asset Management Plan
- The Procurement Strategy
- The Project Management Framework

5.9 Updated versions of the Procurement Strategy and Project Management Framework have been prepared are out for consultation with relevant Officer teams. These activities are elements of the Efficiency Improvement Plan.

5.10 The annual update of the Asset Management Plan is underway and revised local code of governance is in preparation

5.11 In addition Services were issued with revised Business Continuity guidance in June 2007 and a Business Continuity exercise was held in February 2008.

5.12 A job-related competencies scheme has been developed and consultation with employee representatives on the various elements of this is underway.

5.13 At its meeting on 1 July 2008, the Resources Committee approved further support to a Business Transformation Programme project aimed at developing and improving communications with people within the Borough and carrying out research on patterns of customer/citizen needs. This will complement the existing Ward Survey scheme, which itself is being further developed to ensure clearer focus on the Council’s priorities at Ward level.

5.14 The Council is also introducing a new financial management system to underpin the quality of financial data used as part of the performance management arrangements.

5.15 As there are many changes being made to established systems and procedures to strengthen them and reflect the implications of CSR07 and the new local performance framework, it is recognised that action is required to embed the revised corporate systems and processes.
**Action 3: Tackle sickness and vacancy levels etc.**

5.16 As a result of action taken by the Council, sickness absence has been on a downward trend since 2002/3, when the average number of working days lost was 16.93. The outturn for 2007/8 was 10.88.

5.17 To support its efforts, the Council has since 2005 had an arrangement with Active Health Partners (AHP). AHP provide an absence reporting and monitoring arrangement. The service is provided by experienced occupational health nurses able to provide employees with appropriate medical advice. In addition, the Council has expanded its range of health screening available to employees and has ensured that employees continue to have free use of Council owned leisure centres.

5.18 During 2008/9 the Council will reinforce its absence management policy and put in place new initiatives to contribute to the health and wellbeing of employees.

5.19 To address the issue of staff turnover the Council has carried out an interim pay and grading review which did result in enhanced pay scales for some professionally qualified employees. In addition, a market supplement scheme has been introduced and this has already been deployed to address recruitment and retention issues in the planning and development control services.

5.20 Further activity is planned in this area and at its meeting on 1 July 2008 the Resources Committee approved a fundamental review of the Council’s pay and grading structure.

5.21 Two of the drivers of the Council’s shared services agenda are resilience and capacity and successful shared services have been created for business rates, internal audit, legal services, licensing, strategic planning and IT. Work is underway to take forward shared services for building control, financial services and planning.

**Action 4: Prepare for IFRS and CAA**

5.22 Due to the amount of technical work required to some of the standards, the timetable for adoption has been changed. The start date of 2009/10 has now been delayed to 2010/11. Although not all reporting requirements for local government have been explicitly defined preparations have been made by updating the financial management system which will allow existing data and information to be more easily used to meet the new standard.

5.23 In addition, the external auditors will be able to help the Council identify the issues it will need to consider and address and to comment on the arrangements that the Council has in place to manage the transition to IFRS, although this support will necessarily be of only a general nature until such time as individual standard-setters have issued their more detailed guidance. However, there are professional constraints on what auditors are able to do.

5.24 It is recognised that meeting the IFRS deadline will require a robust project plan, drawing on guidance soon to be issued by CIPFA. Although it is too early at this
stage to produce detailed action plans, the following areas have been identified as having the most significant impact on financial reporting in local authorities:

- **Leases - IFRS** requires property leases to have separate leases for the land element from that of the building. The two leases could also require different accounting treatment in that one could be classed as a finance lease and the other an operating lease. Private sector experience shows that undertaking a detailed review of leases is very time-consuming.

- **Tangible fixed assets - measurement/valuation** - the current minimum requirement is that revaluations are carried out every 5 years. This will change to as and when necessary. Investment properties will need to be valued at fair value and any movement taken to the Income and Expenditure Account. Infrastructure assets will change to a management plan based approach.

- **PFI** - we have no PFI schemes at present.

- **Financial statements** - will require changes to the current format. Changes will include a statement of movements in equity, significant changes to the cash flow statement and accounting policies.

- **Disclosure requirements** - disclosure notes will need to be modified and are expected to increase significantly. Additional disclosure requirements currently identified are to fixed assets, related party disclosures and employee benefits.

- **Employee benefits** - it will be necessary to accrue for all employee benefits (both short and long term) such as carry forward of holiday entitlement, long service awards etc.

5.25 Detailed preparations will commence once detailed CIPFA guidance is available, and it is proposed to produce, and present for approval, a detailed report and action plan to the Audit and Performance Committee, which will sets out a proposed approach to adopting IFRS requirements for approval.

5.26 The Council is fully engaged with the LAA and its Priorities and objectives have been informed by the LAA objectives. In addition, the Council’s Improvement and Efficiency Strategy identifies expressly the Council’s proposals for contributing to the collective efficiency target for the LAA.

6 **Legal Powers**

6.1 Local Government Acts 1972 and 2000. In addition, the Local Government Act 1999 places a duty on the Council to secure continuous improvement in the exercise of all functions undertaken by the Council, whether statutory or not, having regard to a combination of economy, efficiency and effectiveness.

7 **Financial and value for money implications**

7.1 There are no direct financial implications arising from this report but value for money is an inherent criterion of the assessment.
## Risk analysis and Implications

<table>
<thead>
<tr>
<th>Nature of risk</th>
<th>Consequences if realised</th>
<th>Likelihood of occurrence</th>
<th>Control measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor performance and ineffective use of resources.</td>
<td>Poor services to local people in comparison to other councils. Intervention by the Audit Commission leading to lower CPA and loss of control by the Council.</td>
<td>Existing controls provide a level of assurance on these issues.</td>
<td>Corporate governance and performance management arrangements in place.</td>
</tr>
</tbody>
</table>

### 8.1 Implications for Resources

(a) None directly.

### 8.2 Implications for Stronger and Safer Communities

(a) None directly.

### 8.3 Implications for Equalities

(a) None directly.

## 9 Author and Contact Officer

Chris Pittman, Corporate Director

## 10 Consultees

Corporate Directors and Senior Management Team

Rob Wilton, Head of Financial Services

## 11 Background Papers

Annual Audit and Inspection Letter for 2006/07
<table>
<thead>
<tr>
<th>Letter recommendation</th>
<th>Action</th>
<th>Responsibility</th>
<th>By when</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure the Council has a clear understanding of how its services perform their costs and the rate of improvement compared to other councils in order to drive and focus improvement activity and improve value for money.</td>
<td>Develop Efficiency Programme  Efficiency Programme update and review  Heads of Service to carry out value-for-money reviews of two of their service areas or aspects of their services each year.  Existing budgets and services will be challenged during the service planning and budget setting processes.  Efficiency Programme report to the Audit and Performance Committee.</td>
<td>Efficiency Board  Efficiency Board  Heads of Service  OMT  CMT  Estimates Working Party  Efficiency Board</td>
<td>December 2008 Quarterly  April each year  Sept each year  Oct each year  Nov and Dec each year  June each year</td>
</tr>
<tr>
<td>Strengthen and embed corporate systems and processes to ensure a clear focus on the delivery of plans and of service improvements particularly in the weakest areas.</td>
<td>Update Asset Management Plan  Finalise Procurement Strategy  Finalise Project Management Framework  Finalise local code of governance  Business Continuity exercise  Systems and procedures workshops  Communications improvement project</td>
<td>Corporate Director  Corporate Director  Corporate Director  Corporate Director  Corporate Director  Corporate Director  Head of Community Services</td>
<td>July each year  September 2008  September 2008  September 2008  December 2008  March 2008  April 2009</td>
</tr>
<tr>
<td>Letter recommendation</td>
<td>Action</td>
<td>Responsibility</td>
<td>By when</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------</td>
<td>---------------------------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Introduce enhanced Ward Survey scheme</td>
<td>Head of Neighbourhood Development</td>
<td>November 2008</td>
<td></td>
</tr>
<tr>
<td>Introduce job related competencies scheme</td>
<td>Head of Organisational Development</td>
<td>April 2009</td>
<td></td>
</tr>
<tr>
<td>Tackle sickness and vacancy levels that are impacting on the Council's capacity to</td>
<td>Reinforce absence management policy</td>
<td>Head of Organisational Development</td>
<td>April 2009</td>
</tr>
<tr>
<td>deliver its plans.</td>
<td>Introduce new health and wellbeing initiatives</td>
<td>Head of Organisational Development</td>
<td>April 2009</td>
</tr>
<tr>
<td></td>
<td>Review of pay structure</td>
<td>Head of Organisational Development</td>
<td>January 2010</td>
</tr>
<tr>
<td>Ensure the Council begins to prepare for the implementation of the International</td>
<td>Project Plan</td>
<td>Head of Resources</td>
<td>October 2008</td>
</tr>
</tbody>
</table>
RISK MANAGEMENT POLICY AND STRATEGY

1 Purpose of Report
1.1 To present to Members for approval a revised and updated Risk Management Policy and Strategy.

2 Executive Summary
2.1 The policy statement recognises the Council's responsibility for the management of both external and internal risks and sets out its commitment to embed risk management into the daily operations of the Council from the setting of objectives, to service planning through to operational processes.

2.2 The strategy identifies the Council's objectives for risk management and sets out how the Council will carry out the process of risk management.

3 Proposed Action
3.1 The Committee is invited to RESOLVE that the Risk Management Policy and Strategy be adopted.

4 Background
4.1 Risk management is one of the key planks of effective corporate governance. Risk Management is the identification, analysis and economic control of those risks which might prevent an organisation achieving its objectives.

4.2 Corporate governance is concerned with “…both the functioning of the organisation and the distribution of power between different stakeholders”. It is “concerned with structures and processes for decision-making and accountability, controls, and behaviour, at the top of organisations”. Corporate governance determines whom the organisation is trying to serve and how the purposes and priorities of the organisation should be decided.

4.3 The role of effective risk management is to manage risk in the most appropriate way rather than to eliminate it. Other ways of managing risk include transferring it to third parties (e.g. buying insurance), sharing risk, contingency planning and withdrawal from unacceptably high risk activities. Risk can also be accepted.

5 Discussion
5.1 The Council’s Corporate Risk Management Group has updated the Council’s Risk Management Policy and Strategy in the light of the implications of CSR07 and the new local performance framework as part of its ongoing work to improve the Council’s risk management arrangements.
5.2 The purpose of this policy statement is to recognise the Council’s responsibility for the management of both external and internal risks and to set out its commitment to embed risk management into the daily operations of the Council from the setting of objectives, to service planning through to operational processes.

5.3 The overarching objective of the policy is to embed risk management within the Council’s planning and business processes and into its organisational culture, creating an environment in which the Council can successfully meet its objectives and achieve continuous improvement in service delivery. The policy seeks to achieve a balance between realising opportunities for gains and minimising losses.

5.4 The objectives of the Risk Management Strategy are:

- To clearly identify objectives, roles and responsibilities for managing risk
- To introduce a consistent approach to identifying the Council’s risk tolerance level at any time
- To introduce a structured framework for the identification, evaluation and control of risks
- To introduce a consistent approach to prioritising risks and determining resulting actions
- To improve co-ordination of risk management activity throughout the Council
- To reduce duplication between Services in managing overlapping risks
- To provide opportunities for shared learning on risk management across the Council
- To provide a framework for allocating resources to identified priority risk areas, but with clear reference to the Council’s other priorities
- To reinforce the importance of risk management as part of the everyday work of Council employees
- To ensure senior management and Members can obtain necessary assurance that the Council is making every effort to reduce/eliminate risks of not achieving its objectives.

5.5 The Head of Resources will be responsible for the initiative and for supporting the Council in the effective development, implementation and review of the Risk Management Strategy.
5.6 In order to support this role, a corporate risk management structure has been established as described in the Risk Management Strategy.

6 **Legal Powers**
6.1 Local Government Act 1972 & 2003; Accounts and Audit Regulations

7 **Financial and value for money implications**
7.1 There are no direct financial implications arising from this report but value for money is an inherent criterion of effective risk management.

8 **Risk analysis and Implications**

<table>
<thead>
<tr>
<th>Nature of risk</th>
<th>Consequences if realised</th>
<th>Likelihood of occurrence</th>
<th>Control measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor risk management</td>
<td>Poor services to local people in comparison to other councils. Poor corporate governance</td>
<td>Existing controls provide a level of assurance on these issues.</td>
<td>Adopt improved risk management arrangements.</td>
</tr>
</tbody>
</table>

8.1 **Implications for Resources**
(a) None directly.

8.2 **Implications for Stronger and Safer Communities**
(a) None directly.

8.3 **Implications for Equalities**
(a) None directly.

9 **Author and Contact Officer**
Chris Pittman, Corporate Director

10 **Consultees**
Corporate Directors and Senior Management Team
Rob Wilton, Head of Financial Services
David Seabrooke Head of Policy
Consortium Audit and other members of the Corporate Risk Management Group.

11 **Background Papers**
None
BOROUGH COUNCIL OF WELLINGBOROUGH

RISK MANAGEMENT POLICY

1.1 The purpose of this policy statement is to recognise the Council’s responsibility for the management of both external and internal risks and to set out its commitment to embed risk management into the daily operations of the Council from the setting of objectives, to service planning through to operational processes.

1.2 Risk is defined as being the threat that an event or action will adversely affect an organisation’s ability to achieve its objectives and to successfully execute its strategies. Risk management is defined as being the process by which risks are identified, evaluated and controlled. (Audit Commission “Worth the Risk – Improving risk management in Local Government” 2001).

1.3 The overarching objective of the policy is to embed risk management within our planning and business processes and into our organisational culture, creating an environment in which we can successfully meet our objectives and achieve continuous improvement in service delivery.

1.4 Our risk management policy seeks to achieve a balance between realising opportunities for gains and minimising losses.

1.5 In exploring opportunities that arise from uncertainty, we will consider higher risk strategies and manage risks intensively, if we believe we can provide positive opportunities to deliver better outcomes for Wellingborough. We may also tolerate risks, for example by reducing investment in control measures, if it allows us to add value by applying resources in a priority area.

---

1 In this respect, over performance in an area may be regarded as a threat. For example, the Council may have a strategy to increase take-up in a particular area. The level of take-up may considerably exceed expectation with the result that the Council’s ability to provide the affected services and other services to the desired standard might be adversely affected.
1.6 Accordingly, the Council’s aims with respect to risk management are as follows:

- To integrate risk management into the culture of the Council
- To manage risk in accordance with best practice
- To anticipate and respond to changing social, environmental and legislative requirements
- To prevent injury, damage and losses and reduce the cost of risk
- To raise awareness of the need for risk management by all those involved in the delivery of the Council’s services
- To take actions to minimise the likelihood of risks occurring and/or reducing severity of consequences should risks occur
- To ensure that risks are monitored on an ongoing basis and reported annually to Members to inform the annual governance statement on the effectiveness of the arrangements for risk management

1.7 These objectives will be achieved by:

- Establishing clear roles, responsibilities and reporting lines within the Council for risk management
- Providing opportunities for shared learning on risk management across the Council
- Maintaining effective communication about risk and the Council’s approach to risk taking
- Dissemination of good practice on risk management
• Offering a framework for allocating resources to identified priority risk areas

• Financing or transferring the impact of risk, both by internal and external means

• Reinforcing the importance of effective risk management as part of the everyday work of employees by offering training

• Incorporating risk management considerations into the Member decision making process

• Monitoring arrangements on an on-going basis

• Incorporating risk management into the service planning process

1.8 The Head of Resources will act as a day-to-day sponsor for the initiative and is responsible for supporting the Council and its Services in the effective development, implementation and review of the Risk Management Strategy.

1.9 In order to support this role, a corporate risk management structure has been established as specified in the attached Risk Management Strategy.

The policy statement will be reviewed regularly and updated as necessary in order to meet changing demands. To ensure its acceptance within the Council, the document will be signed on an annual basis by the Leader of the Council, the Chairman of the Audit and Performance Committee and the Chief Executive, and brought to the attention of all employees and councillors.

Signed

........................................... ........................................... ...........................................
Councillor John Bailey Councillor Lesley Calnon Lyn Martin-Benison
Leader of the Council Chairman of the Audit & Chief Executive

Risk Management Policy and Strategy V5
29.06.08
CEP
35
BOROUGH COUNCIL OF WELLINGBOROUGH

RISK MANAGEMENT STRATEGY

1. Objectives

1.1 The objectives of this risk management strategy are:

- To clearly identify objectives, roles and responsibilities for managing risk
- To introduce a consistent approach to identifying the Council’s risk tolerance level at any time
- To introduce a structured framework for the identification, evaluation and control of risks
- To introduce a consistent approach to prioritising risks and determining resulting actions
- To improve co-ordination of risk management activity throughout the Council
- To reduce duplication between Services in managing overlapping risks
- To provide opportunities for shared learning on risk management across the Council
- To provide a framework for allocating resources to identified priority risk areas, but with clear reference to the Council’s other priorities
• To reinforce the importance of risk management as part of the everyday work of Council employees

• To ensure senior management and Members can obtain necessary assurance that the Council is making every effort to reduce/eliminate risks of not achieving its objectives

2 Definitions

2.1 **Risk** is the threat that an event or action will adversely affect an organisation’s ability to achieve its objectives and to successfully execute its strategies. This will include both external and internal risks.

2.2 **Risk management** is the process by which risks are identified, evaluated and controlled. This is achieved by eliminating or reducing risks, transferring risks or living with risks.

Risk management must be integral to policy, planning and operational management. It cannot be a ‘bolt on’ but must be embedded in the Council. The risk management process set out in this Strategy will ensure that strategic and service planning is based on informed decisions about the appropriateness of adopting policy or service delivery options.

2.3 **Risk tolerance** (sometimes referred to as risk appetite) is a term used to describe the amount of risk exposure, or potential adverse impact from an event, that an organisation is willing to accept/retain in order to achieve its objectives.

Innovation and opportunities to improve public services requires well-managed risk taking. There is a tendency however to emphasise the adverse impact of failure rather than the gains from success and so encourage excessive risk aversion.

By establishing clear guidance on the Council’s tolerance for risk we avoid excessive risk aversion and ensure that the risks attaching to our
improvement activities are identified and managed appropriately. Once the risk tolerance threshold has been breached, risk management treatments and business controls are implemented to bring the exposure level back within the tolerated range.

2.4 **Corporate Governance** (sometimes referred to as **Internal control**) is the whole system of financial and other controls established in order to provide assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations. Internal controls form part of a risk management process and play a significant part in the management of significant risks to the fulfilment of business objectives.
3 Categories of risk

3.1 There are principally three types of risk that organisations face: Strategic, Operational and Project. These can be defined as follows:

Strategic Risks
“…concern the long-term strategic objectives of the organisation. They can be affected by such areas as capital availability, sovereign and political risks, legal and regulatory changes, reputation and changes in the physical environment”. (Institute of Risk Management)

In essence, these risks are those that could have the greatest impact upon the Council, and are those that would affect medium to long-term decisions. These risks are therefore owned and managed by the most senior managers (The Corporate Management Team) and are recorded and managed in a corporate risk register.

Operational Risks
“These concern the day-to-day issues that the organisation is confronted with as it strives to deliver its strategic objectives”.
(Institute of Risk Management)

Since the day-to-day issues are managed by service managers, the operational risks are also managed at this level. Each service manager therefore needs to consider what risks could threaten service delivery, and the achievement of objectives at the service level.

The risks are recorded in a risk assessment prepared for each Service, and are managed and monitored as part of the delivery of that Service’s service plan. This helps to embed risk management at the organisation because it becomes integral to service delivery planning, and performance management.

Project Risks
These are specific to the delivery of a particular project. They are identified and managed as part of the corporate project management methodology. Since the Council now has a robust project methodology with specific arrangements for risk management, project risks are not covered under this strategy.

3.2 Generic examples for the areas of strategic and operational risk are shown below. Many risks may be associated with changes made to strategic direction and in response to strategic issues.

<table>
<thead>
<tr>
<th>STRATEGIC</th>
<th>OPERATIONAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The following are generic examples of the areas of strategic risk</strong></td>
<td><strong>The following are generic examples of the areas of operational risk</strong></td>
</tr>
<tr>
<td><strong>Political</strong></td>
<td><strong>Professional</strong></td>
</tr>
<tr>
<td>Wrong strategic priorities</td>
<td>Failure to recruit / retain qualified staff</td>
</tr>
<tr>
<td>Not meeting Government or local agendas (e.g. the aspirations of the new local performance framework, the growth agenda etc)</td>
<td>Lack of training and development</td>
</tr>
<tr>
<td>Too slow to innovate / modernise</td>
<td>Over reliance on key officers</td>
</tr>
<tr>
<td>Decisions based on incomplete or faulty information</td>
<td>Inefficient or ineffective management processes</td>
</tr>
<tr>
<td>Unfulfilled promises to electorate – reputation damage</td>
<td>Inability to manage change</td>
</tr>
<tr>
<td>Image management</td>
<td>Lack of employee motivation / efficiency</td>
</tr>
<tr>
<td></td>
<td>Bad management of partnership working</td>
</tr>
<tr>
<td></td>
<td>Employee health and well-being</td>
</tr>
<tr>
<td><strong>Economic</strong></td>
<td><strong>Financial</strong></td>
</tr>
<tr>
<td>General economic problems</td>
<td>Failure of major project(s)</td>
</tr>
<tr>
<td>Regional economic problems</td>
<td>Failure to prioritise, allocate appropriate budgets and monitor</td>
</tr>
<tr>
<td>High cost of capital</td>
<td>Failure to control expenditure</td>
</tr>
<tr>
<td>Treasury management risk</td>
<td>Inefficient/ineffective processing of documents</td>
</tr>
<tr>
<td>Misuse of financial resources</td>
<td></td>
</tr>
<tr>
<td>Occurrence of fraud</td>
<td></td>
</tr>
<tr>
<td>Breakdown of accounting system</td>
<td></td>
</tr>
<tr>
<td>Unrecorded liabilities</td>
<td></td>
</tr>
<tr>
<td>Unreliable accounting records</td>
<td></td>
</tr>
<tr>
<td>STRATEGIC</td>
<td>OPERATIONAL</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>The following are generic examples of the areas of strategic risk</td>
<td>The following are generic examples of the areas of operational risk</td>
</tr>
<tr>
<td>Social</td>
<td>Legal</td>
</tr>
<tr>
<td>Failure to understand the changing needs of our customers/citizens</td>
<td>Not meeting statutory duties / deadlines</td>
</tr>
<tr>
<td>Impact of demographic changes</td>
<td>Failure to implement legislative change</td>
</tr>
<tr>
<td>Employment challenges</td>
<td>Inadequate response to legislative and regulatory demands affecting the Council (e.g. data protection, health and safety, employment protection, procurement, equalities etc)</td>
</tr>
<tr>
<td>Lack of development</td>
<td></td>
</tr>
<tr>
<td>Failures in partnership working</td>
<td></td>
</tr>
<tr>
<td>Crime and disorder</td>
<td></td>
</tr>
<tr>
<td>Civil unrest</td>
<td></td>
</tr>
<tr>
<td><strong>Technological</strong></td>
<td><strong>Physical</strong></td>
</tr>
<tr>
<td>Obsolescence of technology</td>
<td>Attacks on personnel</td>
</tr>
<tr>
<td>Security policies: prevention of hacking, denial of use, corruption of data</td>
<td>Loss of intangible assets</td>
</tr>
<tr>
<td>Breach of confidentiality</td>
<td>Non-compliance with Health and Safety legislation</td>
</tr>
<tr>
<td>Failure in communications</td>
<td>Loss of physical assets or physical injury or death as a result of a work-based incident</td>
</tr>
<tr>
<td></td>
<td>Breakdown of operational equipment (e.g. vehicles or machinery)</td>
</tr>
<tr>
<td><strong>Legislative</strong></td>
<td><strong>Partnership/Contractual</strong></td>
</tr>
<tr>
<td>Breach of law – judicial review / Human Rights Actions</td>
<td>Over reliance on key suppliers / contractors</td>
</tr>
<tr>
<td>Intervention by the Best Value Inspectorate etc.</td>
<td>Failure of contractors to deliver services or products to the agreed cost and specification</td>
</tr>
<tr>
<td></td>
<td>Non-compliance with procurement policies</td>
</tr>
<tr>
<td></td>
<td>Partnership failure/under-performance</td>
</tr>
<tr>
<td>STRATEGIC</td>
<td>OPERATIONAL</td>
</tr>
<tr>
<td>-----------</td>
<td>-------------</td>
</tr>
<tr>
<td><strong>The following are generic examples of the areas of strategic risk</strong></td>
<td><strong>The following are generic examples of the areas of operational risk</strong></td>
</tr>
<tr>
<td>Environmental</td>
<td>Technological</td>
</tr>
<tr>
<td>Local sustainability policies</td>
<td>Failure of large technology related project</td>
</tr>
<tr>
<td>Noise, contamination and pollution</td>
<td>Crash of IT systems affecting service delivery</td>
</tr>
<tr>
<td>Impact of planning policies</td>
<td>Breaches of security of network and data</td>
</tr>
<tr>
<td></td>
<td>Inability to manage change</td>
</tr>
<tr>
<td></td>
<td>Bad management of intranets and websites</td>
</tr>
<tr>
<td></td>
<td>Loss of data</td>
</tr>
<tr>
<td>Competitive</td>
<td>Environmental</td>
</tr>
<tr>
<td>Take-over of services by Government / Agencies</td>
<td>Sustainability issues</td>
</tr>
<tr>
<td>Failure to show Best Value</td>
<td>Crime &amp; Disorder Act implications</td>
</tr>
<tr>
<td>Failure of bids for Government funds</td>
<td>Noise, contamination and pollution</td>
</tr>
<tr>
<td></td>
<td>The environmental consequences of ongoing service operations</td>
</tr>
<tr>
<td>Customer/Citizen</td>
<td>Information</td>
</tr>
<tr>
<td>Lack of appropriate consultation</td>
<td>Systems and management data not up to date</td>
</tr>
<tr>
<td>Impact of social policies</td>
<td>Ineffective prediction of trends and forecasting of service needs</td>
</tr>
<tr>
<td>Bad public and media relations</td>
<td></td>
</tr>
<tr>
<td>Poor perception of and confidence in the Council</td>
<td></td>
</tr>
</tbody>
</table>

3.3 These categories of risk are neither prescriptive nor exhaustive, but do provide a framework for identifying and categorising a broad range of risks facing each service. The application of this framework is described in part 5 of this strategy.
4 The Council’s attitude to risk

4.1 An organisation’s approach to risk is defined by the extent to which it tolerates risks as described by performance indicators, operational parameters and process controls. It is a complex concept which is also defined through informal ‘custom and practice’. (Zurich Strategic Risk)

4.2 Accordingly risk tolerance cannot be defined solely by a few simple metrics. It must be defined taking into account all of the above factors and modified as a business develops.

4.3 The challenge is for the strategic risk perspectives to be communicated and understood by others at all levels of the organisation such that combined, there is sufficient information to reflect the overall attitude to risk and to determine whether or not risks should be accepted, mitigated or avoided. The development of our attitude to risk will be an important part of this learning process as our expertise develops.

4.4 A common approach to the evaluation of business risks is to carry out a quantitative or semi-qualitative rating of those risks with regard to their potential impact and likelihood. This is the approach adopted by the Council.

4.5 Each key risk is compared in relative terms on a matrix, as illustrated below, such that an order of priority can be produced. At this stage, risks are only being considered at a “gross” or “inherent” level. This means that the risk is evaluated without consideration to any controls which may, or may not be in place to mitigate it. A “net” or “residual” risk assessment may later be carried out when mitigating controls have been established.

4.6 Taking this approach a stage further, a risk tolerance boundary can be drawn on the same matrix thereby defining the appetite in relation to each of the key risks. The risk tolerance boundary identifies where the Authority is prepared to live with a risk without expending resources in mitigating the risk down any further. The matrix below illustrates the point, with Risk Z appearing below the tolerance boundary, and Risk G falling outside. Thus action is required to mitigate the potential effects of Risk G, as the organisation does not have the
appetite to tolerate it at present. One way this could be achieved is by reducing mitigation efforts on risks below the tolerance boundary, such as Risk Z, in order to release resources to mitigate Risk G. If the residual risk following management actions remains outside the risk tolerance boundary, it indicates that further actions are required.

4.7 This approach therefore not only enables the risks to be graded relative to each other and relative to the tolerance for risk, it also ensures that management resources are directed towards those risks which have the greatest importance.

Risk Matrix and Tolerance Boundary

<table>
<thead>
<tr>
<th>Risk Impact</th>
<th>6 - Very High Impact</th>
<th>5 - High Impact</th>
<th>4 - Medium Impact</th>
<th>3 - Low Impact</th>
<th>2 - Very Low Impact</th>
<th>1 - Nil Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td>Impact</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td>Impact</td>
<td>Low</td>
<td>Low</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td>Impact</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Medium</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td>Risk Z</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Medium</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td>Risk G</td>
<td>High</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>Risk Likelihood</td>
<td>1 - Almost impossible</td>
<td>2 - Very Low</td>
<td>3 - Low</td>
<td>4 - Medium</td>
<td>5 - High</td>
<td>6 - Very High</td>
</tr>
</tbody>
</table>

4.8 The Council has an ‘open’ approach to risk and the risk tolerance boundary has been set accordingly and is represented by the heavy line on the table above. Therefore, any risk which sits below this line is tolerated. Any risk above would need further consideration, and a decision taken as to how to the risk should be treated. An ‘open’ approach to risk means the Council is willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc.).

4.9 There are aspects of risk tolerance implied in other areas of a business. These are reflected by the extent to which normal management controls and
procedures influence, govern or restrict the making of business decisions. Examples include:

- safety procedures
- environmental policy
- procurement strategy
- project approval parameters
- financial controls
- operating standards

4.10 Alignment of these controls with the key risks and with the strategic objectives of the organisation is critical in ensuring that the risk tolerance is understood and consistent with the broader corporate goals. Having done this, risk tolerance can be realistically communicated through direct performance measurement and management controls.
4. **Roles and responsibilities**

4.1 In order to ensure the successful implementation of this strategy, clear roles and responsibilities for the risk management framework and process have been established as detailed below.

<table>
<thead>
<tr>
<th>Group/individuals</th>
<th>Role/responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Councillors</td>
<td>Oversee the effective management of risk by officers. This will include:</td>
</tr>
<tr>
<td></td>
<td>• Agree on Member structures for managing and monitoring risks across the authority</td>
</tr>
<tr>
<td></td>
<td>• Approve and adopt a risk management policy and strategy, framework and process</td>
</tr>
<tr>
<td></td>
<td>• Receive reports on the management of risk</td>
</tr>
<tr>
<td></td>
<td>• Approve (with Corporate Management Team) an annual statement on the risk management processes in place and their ongoing effectiveness or details of improvements required.</td>
</tr>
<tr>
<td>Chief Executive and Directors</td>
<td>• Recommend to Councillors a risk management strategy, framework and process and ensure its achievement</td>
</tr>
<tr>
<td></td>
<td>• Take a lead in identifying and managing the strategic risks and opportunities facing the council.</td>
</tr>
<tr>
<td></td>
<td>• Review corporate and cross cutting risks associated with new policies and service delivery methods</td>
</tr>
<tr>
<td></td>
<td>• Determine specific risk tolerances and priorities for action</td>
</tr>
<tr>
<td></td>
<td>• Ensure Service management teams can provide assurance of effectiveness of controls to mitigate risks within service areas</td>
</tr>
<tr>
<td></td>
<td>• Approve an annual statement to stakeholders</td>
</tr>
<tr>
<td>Group/individuals</td>
<td>Role/responsibilities</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>on the effectiveness of the risk management framework, strategy and process.</td>
</tr>
<tr>
<td>Head of Resources</td>
<td>• Manage the implementation of the integrated framework, strategy and process on behalf of the Council and the Directors.</td>
</tr>
<tr>
<td></td>
<td>• Ensure the processes are implemented and offer guidance and advice</td>
</tr>
<tr>
<td></td>
<td>• Chair a Corporate Risk Management Group to co-ordinate risk management activity across the Council</td>
</tr>
<tr>
<td></td>
<td>• Ensure staff across the Council are adequately trained to undertake risk assessments as required</td>
</tr>
<tr>
<td></td>
<td>• Annually review and update the risk management strategy to take into account external and internal changes as well as experience</td>
</tr>
<tr>
<td></td>
<td>• Ensure continual review, update and reporting of risk assessment to the Directors.</td>
</tr>
<tr>
<td></td>
<td>• Communicate results of risk assessments to all staff and provide/arrange risk awareness training</td>
</tr>
<tr>
<td></td>
<td>• Collate Service risk registers and controls assurance statements for consideration at the Corporate Risk Management Group</td>
</tr>
<tr>
<td></td>
<td>• Report to the Audit and Performance Committee on progress of risk management framework, corporate issues, risk registers, controls assurance statements and areas for improvement.</td>
</tr>
<tr>
<td>Corporate Risk Management</td>
<td>• This group, chaired by the Head of Resources, should draw Service representatives from across the Council to ensure a cohesive</td>
</tr>
<tr>
<td>Group</td>
<td></td>
</tr>
<tr>
<td>Group/individuals</td>
<td>Role/responsibilities</td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>approach to risk management and business continuity.</td>
</tr>
<tr>
<td></td>
<td>• The group will analyse and collate Service risk registers (incl. Business continuity risks), update the Corporate Risk Register and annually prepare a summary report for the Audit and Performance Committee.</td>
</tr>
<tr>
<td></td>
<td>• Make recommendations to Directors as to how generic and cross Service risks/issues identified from the Service self assessments could be dealt with in a timely and resource effective manner.</td>
</tr>
<tr>
<td>Heads of Service and/or Project Managers</td>
<td>• Identify, analyse and profile service risks within a risk register</td>
</tr>
<tr>
<td></td>
<td>• Prioritise action on service risks</td>
</tr>
<tr>
<td></td>
<td>• Monitor progress on managing service risks</td>
</tr>
<tr>
<td></td>
<td>• Report the results of the self-assessment to the Corporate Risk Management Group in order to provide assurance on the effectiveness of controls in place to mitigate/reduce identified risks.</td>
</tr>
<tr>
<td>Specialist representatives e.g.</td>
<td>• Attend the Corporate Risk Group as necessary in order to consider implications of Council's wider risks and to provide relevant advice.</td>
</tr>
<tr>
<td>Consortium Audit Insurance, Connect Law</td>
<td>• Consortium Audit will review the established risk management process and, in particular, provide assurance as to the effectiveness of the risk identification, evaluation and reporting process and the adequacy of actions/controls identified to minimise risks.</td>
</tr>
<tr>
<td>Health &amp; Safety, IT, Emergency Planning</td>
<td></td>
</tr>
</tbody>
</table>
5. **Risk Management Process**

5.1 The council will follow the ZMMS STORM© methodology in order to identify and manage risks in the Council's activities.

5.2 STORM © (Strategic and Tactical, Organisational Risk Management) is a structured, systematic methodology that identifies, evaluates, prioritises and manages risk at strategic, tactical and operational levels. A key element of STORM © involves embedding a risk management culture in all staff and members so that the Council can successfully take the process forward into the future.

The process has five main steps to follow:

- **Risk Identification**: uses the table of risk categories to help identify all risks associated with the action or direction the Council takes.
- **Risk Analysis**: the background, trigger and consequences for each risk is considered. An example is given below:

<table>
<thead>
<tr>
<th>Background</th>
<th>Risk (the trigger)</th>
<th>Consequence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgets are committed</td>
<td>A significant event</td>
<td>• Unable to finance event</td>
</tr>
</tbody>
</table>
and there are insufficient contingencies to cover unexpected events.

arises with large financial consequences.

- Funding of other services/projects jeopardised
- Inability to defend Council’s previous spending decisions
- Adverse effect on balances
- Adverse effect on performance
- Adverse effect on reputation

- **Prioritisation**: this scores the likelihood and impact or severity of the risk. The risk is then plotted on a graph called the Risk Profile. Action must be taken to control any risks that have been identified and profiled above the Council’s risk tolerance level.

- **Action Planning**: To manage "downwards" the likelihood, the impact or both. These plans should complement performance improvement plans and service plans.

- **Monitoring**: The Corporate Risk Management Group and the Audit and Performance Committee will monitor the progress of these plans via reports generated through the 4Risk system.

5.3 The quality of data must also be considered when evaluating risk. Data can be collected and used in any of the above areas, however if a decision is to be based on that data, or performance measured or judged on it, then the source must be assured. The key elements of quality data are listed as follows.

- Accuracy
- Reliability
- Relevance
- Validated
- Timely, and
- Complete.

5.3 The process will be managed as follows:

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
</table>

Risk Management Policy and Strategy V5
29.06.08
CEP
<table>
<thead>
<tr>
<th>1. Identifying risk</th>
<th>Risks that may arise will be identified through the Service Planning process and from monitoring by Heads of Service and the Corporate Management Team.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Analysing risk</td>
<td>At the Corporate Risk Management Group, those attending will review strategic risks, assess the likelihood of any such risk arising and the corporate consequence or impact it may have if it does arise.</td>
</tr>
<tr>
<td>3. Profiling risk</td>
<td>At the Corporate Risk Management Group strategic risks will be profiled according to likelihood and impact in order to identify “significant” risks i.e. risks which may impact on achievement of the Council’s objectives.</td>
</tr>
<tr>
<td>4. Prioritising action based on attitude to risk</td>
<td>At the Corporate Risk Management Group significant strategic risks will be prioritised based on the effectiveness of existing controls, the Council’s tolerance to risk and the availability of limited resources.</td>
</tr>
<tr>
<td>5. Determining action on risk</td>
<td>At service manager meetings/meetings of the CRMG as appropriate, the best course of action will be determined and agreed in respect of risk - i.e. avoid, eliminate /reduce, transfer, insure or accept risk in light of overall resource priorities. The key risks identified, and responsibility for managing and actioning will be detailed in Service risk registers/Corporate Risk Register as appropriate.</td>
</tr>
<tr>
<td>6. Controlling risk</td>
<td>Once actions have been determined, nominated managers will take actions required to minimise likelihood of risk occurring and/or reducing the severity of the consequences should they occur.</td>
</tr>
<tr>
<td>7. Monitoring and reporting on progress</td>
<td>The CRMG will monitor risk control measures and identify where further mitigation measures are required. The Head of Resources will present reports to the Audit and Performance Committee every six months detailing progress on risk management during the year and providing a summary of the risk registers and controls assurance statements.</td>
</tr>
</tbody>
</table>
6. **Equality & Diversity Statement**

The Council aims to regularly review all documents, polices and procedures to ensure there are no negative equality impacts. Consultation is an important part of how we achieve this. If when reading this document, you believe there may be a negative equality impact within your service please tell the Head of Resources about this. Please also let the Head of Resources know if you need to access this document in a different format.