



City of Westminster

Audit and Performance Committee Report

Meeting or Decision Maker:	Audit and Performance Committee
Date:	17 September 2015
Classification:	General Release
Title:	Strategic Risk Report August 2015
City for All:	Report highlights strategic risks to City for All projects and initiatives.
Key Decision:	Review strategic risks and consider future risk management and reporting approach.
Report of:	Hugh Jordan, Evaluation and Performance team Julia Corkey, Director of Policy, Performance and Communications

1. Executive Summary

This report reviews the current arrangements for recording, managing and reporting risk in Westminster City Council. Preliminary findings from an external risk audit are listed, and a brief proposal set out for future risk management. The final section highlights the most important strategic risks facing the Council at the end of Q1 2015.

2. Recommendations

- Committee review the current risk management approach and the preliminary findings from a recent corporate risk audit;
- Committee agree the recommendation to commence work to develop a consistent risk management approach across Tri-borough and sovereign Westminster services;
- Committee review current strategic risks and decide if the risk levels are appropriate;
- Committee indicate any other emerging strategic risks for capture and tracking as necessary.

SECTION 1 – STRATEGIC RISK REPORT (AUG 2015)

1.1. Current risk management approach

- 1.1.1. All Westminster City Council services are expected to maintain their own departmental risk registers on the Westminster SharePoint site. The Strategic Performance Team provides oversight of this process, including spot checks to make sure registers are filled in correctly and kept up to date by services.
- 1.1.2. Strategic and operational risks are recorded on the departmental risk registers, along with mitigating actions to avoid or reduce the impact of a risk. An 'owner' is assigned to each risk to create accountability. A risk owner need not personally carry out any mitigating action but should have sufficient authority to ensure the risk is effectively managed.
- 1.1.3. A matrix is used to score risks. Risk scores are calculated by multiplying the likelihood of the risk occurring by the severity of the impact should the risk become reality. The scoring matrix used by Tri-borough services differs from the matrix used by sovereign Westminster services, in terms of the number of levels available to grade a risk's likelihood and impact.
- 1.1.4. Risks are scored for 'inherent risk' and 'residual risk', the latter being the risk still considered to exist after a mitigating action is taken. Risks with a residual score of 12 (likelihood = significant, impact = critical) or above are escalated for the attention of senior management through the Performance Report.
- 1.1.5. The Strategic Performance Team produces the Performance Report on a quarterly basis for EMT and A&P Committee. The iterative review process involved in producing this report provides scrutiny of the current strategic risks and an opportunity for dialogue between senior management and departments about risk.

1.2. Risk audit

- 1.2.1. To ensure that Westminster City Council's risk management process is in line with best practice, Mazars was commissioned to undertake an audit of the Council's risk management process. The audit took place between 3 August and 10 August 2015.
- 1.2.2. The preliminary findings from the audit are listed below:
 - The classification of all risks (i.e. strategic or operational, change risks), should be identifiable and consistent across all service risk registers.

- Risk scores should be recorded for all risks (not only those scoring 12 or above) and the Inherent and Residual level of risk identified on all registers.
- All mitigating action plans should be completed by the service areas.
- Formal training should be made available to all staff involved in risk management.

1.2.3. Many of the issues picked up by the auditor, the Council is already in the process of addressing. There are some outstanding issues to be addressed, however, such as:

- developing a consistent risk scoring methodology across tri and bi-borough services and sovereign Westminster services;
- ensuring that the impacts of risks *across* services are properly evaluated in addition to the discreet impact on an individual service area;
- deciding how, and how regularly, strategic risks should be reported to EMT and A&P Committee

SECTION 2 – STRATEGIC RISKS AT END OF Q1

2.1. Top risks

Ref.	Risk Description	Dept.	Risk Type	Impact	Likelihood	Score
						(Impact x Likelihood)
> Top Risks						
SR01	High Value HRAs to be sold.	Growth, Planning and Housing	Financial	Catastrophic 4	Very high 6	24
SR02	Provision of affordable housing insufficient to meet demand	Growth, Planning and Housing	Service delivery	Catastrophic 4	Very high 6	24

Table 1 – top risks

2.1.1. Further research is being carried out to ascertain the impact of a sell-off of high value HRA voids. The lack of affordable housing could impact on homelessness (with potential implications for children), economic growth and rental prices in Westminster. Mitigating actions include: maximising use of owned stock, directly purchasing properties, renegotiating short term expensive arrangements to longer-term arrangements and identifying where property is available for discharge of duty.

2.2. Financial risks

Ref.	Risk Description	Dept.	Risk Type	Impact	Likelihood	Score
						(Impact x Likelihood)
> Other financial risks						
SR03	Impact of deregulation bill	City Management & Communities	Financial	Critical 3	Very high 6	18
SR04	Additional savings of £33M to be achieved in 2018/2019	City Treasurer	Financial	Critical 3	High 5	15
SR05	Anticipated budget pressures	Adult Social Care	Financial	Critical 3	Significant 4	12
SR06	Waste contract re-let	City Management & Communities	Financial	Critical 3	Significant 4	12

Table 2 – financial risks

- 2.2.1. The deregulation bill bans the use of CCTV to enforce parking restrictions for all contraventions except those involving a moving vehicle. City Management is carrying out analysis to determine the financial impact of this change.
- 2.2.2. The further savings required in 2018/2019 links to the degree of uncertainty around delivery of existing Medium Term Planning. Adult Social Care is not alone in facing budgetary pressures over the next three years but ‘in year’ savings of £200M from the public health grant to Local Authorities could put considerable strain on service delivery.
- 2.2.3. The current forecast risk for the waste contract re-let is an annual increase of £4.5m in household waste disposal costs commencing from September 2017.

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