

## **Audit Committee – 23 February 2015**

### **Submission of corporate risk for scrutiny**

#### **1. Summary of report**

- 1.1 This report provides feedback on one corporate risk selected for scrutiny by Audit Committee at their meeting on 24 September 2014 (risk number 9 - Failure to manage institutional and individual change).

#### **2. Background papers**

- 2.1 Corporate Risk Register (CRR)/files/working papers.

#### **3. Recommendations**

- 3.1 Audit Committee are recommended to:

- Note the contents of the report.

#### **4. Resource and legal considerations**

- 4.1 There are no direct resource implications relating to this report. However the statutory requirements are detailed in the governance section below.

#### **5. Governance**

- 5.1 Audit Committee's responsibility for risk management includes the following:
- Reviewing the mechanisms for the assessment and management of risk.
  - Giving assurance about the process.
  - Ensuring the council meets its statutory requirements, as stipulated within the Accounts and Audit Regulations 2011 as follows:
    - Regulation 4 (1) – The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.
- 5.2 Audit committee is also required to ensure that it receives reports on risk management on a regular basis and takes appropriate action to ensure that strategic business risks are identified and being actively managed, including reporting to full council as appropriate.

#### **6. Performance management and risk management issues**

- 6.1 Risk management is an integral part of the corporate governance framework. This recognises that the member committee with responsibility for risk management takes appropriate action to ensure that corporate business risks are identified and actively managed. By periodically selecting sample risks for scrutiny, Audit Committee fulfils this requirement and enables challenge where risks are not considered to be effectively managed. By periodically selecting

sample risks for scrutiny Audit Committee exercises its regulatory function and enables challenge where risks are not considered to be effectively managed.

## **7. Summary of Risk Selected for Scrutiny**

### **7.1 Corporate Risk No 9 – Failure to manage institutional and individual change**

- 7.1 This risk first appeared on the CRR in October 2011 and consisted of assimilating five existing risks within the CRR as detailed below:
- Insufficient internal resources to deliver radical change;
  - Functional flexibility across the organisation is not yet part of normal operations;
  - Council does not maximise the efficiency of assets;
  - Failure to implement agreed operating model for provision of adequate support services;
  - Business infrastructure is inadequate to support service delivery.
- 7.2 This risk relates to the council's need to transform how it operates in light of the significant funding cuts forced upon it. A range of activities are in place with regular updates reported to Cabinet.
- 7.3 This risk has previously been selected for scrutiny and reported back to Audit Committee at their meeting on 11 November 2013.
- 7.4 The updated risk is attached at **Appendix 1**.

## **8. Equality implications**

- 8.1 None arising directly from this report.

## **9. Consultation**

- 9.1 The officer with responsibility for managing the corporate risk selected for scrutiny has been consulted and updates included in **Appendix 1**. The risk owner will be attending the meeting to discuss mitigating actions.



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**10 February 2015**

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9	Failure to manage institutional and individual change	Last Reviewed	Last Updated	Current Risk Score	Target Risk Score	Achieved by
		Oct 2014	Jan 2015	(1xL) 3x5=15	(1xL) 3x5 =15	June 2015

Risk Owner: Chief Executive (PS)

### Risk Description

The need of the State to deliver a reduced range of services with significantly fewer resources is presenting significant challenges. Over the medium term there will be a need to seek to reconcile public expectations about the range and scale of council services and the reality of what can be afforded. Citizens will need to continue to develop their personal responsibility for key issues as the reach of the State reduces. There are challenges for individual citizens, for political groupings, for employees and for the council as a whole. It is possible that developments within the third sector will assist in mitigating the impacts of changes.

### Key mitigation activities

There is now widespread acknowledgment of the scale of the challenge within the council. The MTFP is regularly updated and published and briefings have been given by finance staff to all party groups. The Chief Executive has been holding open briefing sessions for all staff for several years. The financial challenge has been explained and is well understood.

The Cabinet is in the process of determining its proposals for a four year approach to the council's budget. This was published for consultation 22 October 2014 with ultimate determination by Full Council 26 February 2015.

The finely balanced political structure of the council means that there is a risk in the budget process. Whilst the actual disposition of the agreed budget rests with the Cabinet, the overall budget envelope is a matter for the Full Council. The greater degree to which there is a shared understanding across political groups of the key budget decisions will assist in explaining to the public the nature and scale of service changes.

Recommendation of a review of the senior management structure was approved by Personnel Committee on 21 January 2015. This together with subsequent changes under discussion will result in significant financial savings but will inevitably reduce senior management capacity.

Theme leaders	
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### Elected Members on Scrutiny Panels

**Impact:** 1=Negligible (Little effect to organisational objectives)    2=Marginal (Affects some of the organisational objectives)  
3=Critical (Affects most of the organisational objectives)    4=Catastrophic (Affects all of the organisational objectives)

**Likelihood:** 1=Almost Impossible; 2=Very Low; 3=Low; 4=Significant; 5=High; 6=Very High.

### *Mitigation Measures*

More so than in previous years the scrutiny process should be used to seek consensus on changes to be made. Traditionally scrutiny recommendations tend to note and reject recommendations from Cabinet. The scrutiny process presents an opportunity for challenge and also to develop consensus about what should be done with perhaps a reduced focus on recommendations that Cabinet 'reconsider'.

Development of broad agreement on the response to the financial challenge may be advised by informal cross party discussions and officer briefings to cross party groups.

The necessity for staff to continue to develop their appreciation of the need for change will continue to be met.

- Chief Executive briefings.
- In house written communications.
- Directorate based briefings.
- Staff involvement through future phases of the 'Shaping of the Future' process.

Addressing public expectation is perhaps the least well developed area of the council activity. Inevitably there will be differences of approach between the party groups. This is welcome because it reflects a vibrant democracy. However, there are some common messages about the scale of change that will be required that it may be possible to deliver on a cross party basis. The largest public consultation exercise to date was undertaken for 2015/16 budget.

The third sector in Walsall is less well developed than in some parts of the country. The council has significantly increased its grant support to Walsall Voluntary Action to assist in capacity building. Grants and commissioned services to the third sector have so far received a high level of protection from funding cuts. However, there will be a need to see a greater a greater level of activity from the sector if, as some commentators claim, it is to play a significant part in mitigating the consequences of public sector funding reductions.

Cabinet and officers

### Further Actions/Controls required:

- Cabinet develop 4 year budget proposals.
- Seek to develop appropriate cross party consensus on key changes.
- Agree means of engaging with the public on agreed key changes.
- Continue to develop employee participation in the changes that are required.
- Work with third sector to assist in capacity development.

### By Who:

Cabinet/CMT

Chief Exec

Cabinet/CMT

CMT

Political

### When:

} Ongoing

} Ongoing

} Ongoing

} Ongoing

} Ongoing

<ul style="list-style-type: none"> <li>• The expectations of the community served by the council and what we are able to deliver need to be managed through information and consultation exercises.</li> <li>• Engagement with the third sector in Walsall needs to be improved and stronger links developed through engagement and consultation.</li> </ul>	dialogue with local residents  CMT and specific directors	} } } } } } } } Ongoing
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**Progress to Date** - Set out above.

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