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| Committee: | Executive | Agenda Item No.: | 13 |
| Date: | 14 th May 2013 | Status | Open |
| Subject: | Strategic Risk Register | | |
| Report by: | Director Corporate Resources | | |
| Other Officers Involved | Business Risk Group | | |
| Director | Director of Resources | | |
| Relevant Portfolio Holder | Councillor E. Watts, Leader of the Council. | | |

RELEVANT CORPORATE AIMS

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

TARGETS

All.

VALUE FOR MONEY

Risk Management arrangements are a key part of the Council’s Governance arrangements which are necessary to secure value for money.

Background Information

The Council’s Strategic Risk Register has been developed by the Risk Management Group to take into account the issues raised within the Master Risk Register which outlines the service or operational risks faced by the Council. The Risk Management Group has also given separate consideration to the Strategic Risks which face the organisation.

In addition to the work undertaken at the Business Risk Group the Council also considers the issue of Risk Management at the Quarterly Directorate meeting. This allows senior managers to have a greater level of input into the shaping of the Strategic Risk Register and into the wider issues of Risk Management. It also allows service Registers to be independently reviewed on a more regular basis than was achieved by periodic review at the Business Risk Group. Finally, this report will also be considered at a future meeting of the Council’s Audit Committee.

In its approach to Risk Management the Council is seeking to secure a number of objectives and to operate in line with recognised best practice. In

order to appreciate the importance of Risk Management it is useful to reiterate these objectives:

- To improve the way in which the Council manages its key risks so as to reduce the likelihood of them happening, and to mitigate their impact or magnitude in those cases where they do materialise. This is a key element in protecting service delivery arrangements, the financial position and the reputation of the Council.
- To strengthen the overall managerial approach of the Council. From a Governance perspective the effective operation of Risk Management is regarded as being a key element of the managerial framework operating within an authority.
- Effective Risk Management is a key component in ensuring that organisations are able to achieve their objectives, and that key projects proceed in line with plan.
- The identification of the risks attached to existing service delivery, or to a project or new initiative is important both to allow a fully informed decision to be made, and to ensure that all appropriate measures to mitigate (or reduce) the risk are in place from the outset.
- Finally, an appreciation of the risk environment within which the Council operates assists in determining an appropriate level of financial reserves for sound financial management, and ensures that the organisation has a better awareness of its overall risk exposure.

The Strategic Risk Register

The revised Strategic Risk Register as at 31 March 2013 is set out in **Appendix 1** for consideration and approval by Executive. The intention is that this review of the Register will secure the following objectives:

- Identify any newly emerging risks which need to be added to the Register and removing any risks that have been resolved. An on going review of the Strategic Risk Register ensures that a focus is maintained on current risks.
- Revising the Risk Register ensures that existing risks are reviewed, that appropriate mitigation remains in place, and where necessary risk assessment is revisited.
- The process also allows appropriate consideration to be given to the success of existing mitigation, and to the issue of whether any further mitigation is required.

- The Strategic Risk Register as set out in **Appendix 1** is structured so that those risks with the highest risk score are detailed first.

In overall terms a key element which emerges from the Strategic Risk Register is one of an ongoing requirement to maintain our current performance in respect of service delivery, performance and governance to local residents. The current position, however, needs to be maintained at a time when it will be increasingly necessary to manage the Council's finances in a more pro active way in order to ensure that our expenditure remains in line with the level of our resources at a time of declining financial support from central government. This is likely to entail some significant changes in the manner in which our services to local residents are delivered with the level of change required clearly having the potential to disrupt service provision with the associated risks that such disruption entails.

As part of the quarterly performance, finance and risk meetings the issue which was regarded as increasing in importance was that of managing the impact of welfare reform. There were a number of potential impacts arising from welfare reform which gave grounds for concern. These included the impact of welfare upon local residents with this Council possibly having to be proactive in developing and adapting its services to meeting emerging needs, the potential adverse impact upon key income streams such as Council House rents and Council Tax collection and also rising financial costs from increasing eligibility of local residents for benefit payments at a time when government grant support is effectively a fixed amount, or heavy demands upon budgets such as that for Discretionary Housing Payments. Officers are carefully monitoring the impact of welfare reform including its impact upon the Contact Centres, the Revenues and Benefits and Housing teams.

The Risk Management Group at its meeting on 1st May 2013 agreed that it is now timely to refresh the Council's Risk Strategy and it is planned that this piece of work will be completed – including the comments of the Audit Committee – by the time of the next quarterly report to Executive concerning the Strategic Risk Register. Once Executive has approved the revised Risk Strategy then it will be used as the basis for a training and awareness programme amongst both staff and Elected Members. As an interim awareness raising measure the Risk Management Group also indicated that it would be appropriate to forward the Strategic Risk Register as recommended within this report to the Budget Scrutiny Committee for its consideration.

Financial Implications

There are no additional financial implications arising out of this report at this stage. While where appropriate additional mitigation measures have been identified and implemented during the course of preparing the Strategic and Master Risk Registers, the cost of implementing this mitigation will be met from within previously agreed budgets.

Legal Aspects

There are no legal issues arising as a consequence of this report.

Risk Management Issues

Risk Management Issues are covered throughout the body of the main report.

Equalities Issues

There are no equalities issues arising directly out of this report.

Human Resource Implications

There are no Human Resource issues arising directly out of this report.

Recommendations

That Executive approves the Strategic Risk Register as at 31st March 2013 as set out in Appendix 1 to this report and request that an updated Register as at 30th June 2013 together with a revised Risk Strategy be brought back to a subsequent meeting of Executive for approval.

Background Papers

Location

Master Risk Register

Accountancy

TABLE 1

STRATEGIC RISK REGISTER SUMMARY

STRATEGIC RISK REGISTER SUMMARY AS AT: MARCH 2013

| | Risk | Consequences | Risk Score (Likelihood x Impact) | Risk Score (Likelihood x Impact)Tak ing into Account Current Controls | Risk Owner / Lead Officer |
|---|---|---|---|--|--|
| 1 | Failure to deliver a balanced budget in line with the MTFP, at a time when the Council's reserves are at relatively low levels. | <ul style="list-style-type: none"> • Impact upon ability to deliver current level of services • Unable to resource acceptable levels of service. • Significant adverse reputational Impact. | 4,4 16 | 3,4 12 | SAMT / Chief Financial Officer |
| 2 | Failure to realise the opportunities presented by the Strategic Alliance / Joint Working. | <ul style="list-style-type: none"> • Deterioration in service quality / performance. • Failure to achieve required MTFP savings. • Deterioration in quality of governance and internal control arrangements. | 4,4 16 | 3,4 12 | SAMT / Political Leadership |
| 3 | Adverse external economic position / government legislation, welfare reform etc. has an accelerating impact on | <ul style="list-style-type: none"> • Unable to deliver a package of services that meet changing local needs and aspirations. • Unable to effectively support local | 4,4, 16 | 3,4 12 | SAMT / Political Leadership |

| | Risk | Consequences | Risk Score (Likelihood x Impact) | Risk Score (Likelihood x Impact)Taking into Account Current Controls | Risk Owner / Lead Officer |
|---|--|--|---|---|--|
| | Council (poor grant settlement), or upon the local economy (employment losses / benefits reforms). | <p>communities.</p> <ul style="list-style-type: none"> Increased demands on Council services at a time when Council resource base is reducing. | | | |
| 4 | Financial position makes it increasingly difficult to recruit to key posts or to replace key staff who leave | <ul style="list-style-type: none"> Deterioration in services to the public Increasing inefficiencies in service provision Weakening of Internal Control arrangements. | 4,4 16 | 3,4 12 | SAMT / Asst Director HR |
| 5 | Delivery of the Council's Agenda is dependent upon effective delivery of both a number of major initiatives inc Regeneration Initiatives, HRA reform, Asset Management securing major financial savings and implementing a range of new government reforms | <ul style="list-style-type: none"> New initiatives are not delivered in a cost-effective manner. Failure to maintain / improve services in line with local aspirations Failure to generate the savings required to balance the budget Financial efficiencies weaken Governance / Internal Control arrangements. Service deterioration / failure arising from capacity | 4,4 16 | 3,4 12 | SAMT / Chief Executive |

| | Risk | Consequences | Risk Score (Likelihood x Impact) | Risk Score (Likelihood x Impact)Taking into Account Current Controls | Risk Owner / Lead Officer |
|---|---|---|---|---|--|
| | whilst maintaining service quality, which may overstretch our reduced organisational capacity. | issues. | | | |
| 6 | Emergency Planning and Business Continuity arrangements fail to meet required standards when tested by flu pandemic, natural disaster (flood), etc | <ul style="list-style-type: none"> • Inability of Council to provide services as a consequence of a severe catastrophic external event (eg flooding, major terrorist incident, flu pandemic, fire). • Failure of IT infrastructure, leading to inability to effectively operate services and to safeguard income streams. • Business Continuity Plans prove ineffective in practice. | 3,5 15 | 2,5 10 | SAMT / Director of Health and Well Being |
| 7 | A major operational risk materialises resulting in a significant impact upon the Council's ability to secure its corporate objectives. Given the efficiency | <ul style="list-style-type: none"> • Deterioration in services to the public, potentially a major initial impact upon a local resident or a group of local residents. • Significant staff and financial resources required to resolve position, | 3,4 12 | 2,4 8 | SAMT / Assistant Directors |

| | Risk | Consequences | Risk Score (Likelihood x Impact) | Risk Score (Likelihood x Impact)Taking into Account Current Controls | Risk Owner / Lead Officer |
|---|---|---|---|---|--|
| | measures that have been introduced to date this is considered to be an increasing issue for the Council. | <p>impacting on other services.</p> <ul style="list-style-type: none"> • A major service has its operating capacity significantly impact and is required to introduce major reform in its approach to service delivery. | | | |
| 8 | Governance Arrangements including Performance, Finance and Risk Management need to be maintained in order to continue to operate effectively in a rapidly changing environment. | <ul style="list-style-type: none"> • Adverse Impact upon Service Quality. • Failure to deliver high quality services which address national and local priorities. • Significant adverse reputational impact. | 3,4 12 | 2,4 8 | Chief Financial Officer / Monitoring Officer |
| 9 | Lack of strategic direction from Members / Corporate Management , external partners change Strategic direction. | <ul style="list-style-type: none"> • Failure to deliver high quality services which address national and local priorities. • Deterioration in Governance Arrangements. • Refocus of current services necessary with associated disruption. | 3,4 12 | 3,3 9 | Chief Executive / Political Leadership Team |

| | Risk | Consequences | Risk Score (Likelihood x Impact) | Risk Score (Likelihood x Impact)Taking into Account Current Controls | Risk Owner / Lead Officer |
|----|---|---|---|---|--|
| 10 | Workforce Issues (Staff morale / Sickness Levels) adversely affected as a result of pace of change, tightening financial circumstances or external circumstances. | <ul style="list-style-type: none"> • Deterioration in services to the public and loss of productivity • Loss of key staff increased sickness levels • Increased pressure on other members of staff | 3,4 12 | 2,4 8 | SAMT / Assistant Director HR |