

Audit Committee 24<sup>th</sup> September 2013

Strategic Risk Register Report to go to Executive on 30<sup>th</sup> September 2013

Committee:	Executive	Agenda	
Date:	30 <sup>th</sup> September 2013	Item No:	13.
		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.

## **1. Background Information**

- 1.1. 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.
- 1.2. 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 meeting of the Council's Audit Committee.
- 1.3. 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.

## **2. The Strategic Risk Register**

- 2.1. The revised Strategic Risk Register as at 30 June 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 ongoing 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.
- 2.2. 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.

- 2.3. As part of the quarterly performance, finance and risk meetings two issues were identified which were regarded as increasing in importance. The first of these concerned that of managing the impact of welfare reform. There were a number of potential impacts identified 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. Secondly, the issue of the risk of losing key staff was also identified as a growing risk. While this may be linked to the loss of some key staff in one particular service area the impact of financial efficiencies secured in previous financial years has been to remove some element of service resilience which has only been partially offset by the additional staffing resources arising from working within the context of the Strategic Alliance. Further work needs to be undertaken to identify appropriate mitigation actions for this risk.
- 2.4. Given that the Strategic Alliance is now well established and has already exceeded its initial savings target of £1.5m the net risk associated with the possible failure to deliver the potential benefits of the Alliance have been reduced accordingly.
- 2.5. The Risk Management Group at its meeting on 1<sup>st</sup> 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 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 previous version of the Strategic Risk Register was provided to the Budget Scrutiny Committee for its consideration.

### **3. Financial Implications**

- 3.1. 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.

### **4. Legal Aspects**

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

### **5. Risk Management Issues**

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

### **6. Equalities Issues**

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

### **7. Human Resource Implications**

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

### **8. Recommendations**

- 8.1. **That Executive approves the Strategic Risk Register as at 30<sup>th</sup> June 2013 as set out in Appendix 1 to this report and request that an updated Register as at 30<sup>th</sup> September 2013 together with a revised Risk Strategy be brought back to a subsequent meeting of Executive for approval.**

#### **Background Papers**

Master Risk Register

#### **Location**

Accountancy

**TABLE 1**  
**STRATEGIC RISK REGISTER SUMMARY**  
**STRATEGIC RISK REGISTER SUMMARY AS AT: JUNE 2013**

	<b>Risk</b>	<b>Consequences</b>	<b>Risk Score (Likelihood x Impact)</b>	<b>Risk Score (Likelihood x Impact)Taking into Account Current Controls</b>	<b>Risk Owner / Lead Officer</b>
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"> <li>• Impact upon ability to deliver current level of services.</li> <li>• Unable to resource acceptable levels of service.</li> <li>• Significant adverse reputational Impact.</li> </ul>	4,4 <b>16</b>	3,4 <b>12</b>	SAMT / Chief Financial Officer
2	Adverse external economic position / government legislation, welfare reform etc. has an accelerating impact on Council (poor grant settlement), or upon the local economy (employment losses / benefits reforms).	<ul style="list-style-type: none"> <li>• Unable to deliver a package of services that meet changing local needs and aspirations.</li> <li>• Unable to effectively support local communities.</li> <li>• Increased demands on Council services at a time when Council resource base is reducing.</li> </ul>	4,4, <b>16</b>	3,4 <b>12</b>	SAMT / Political Leadership

	<b>Risk</b>	<b>Consequences</b>	<b>Risk Score (Likelihood x Impact)</b>	<b>Risk Score (Likelihood x Impact)Taking into Account Current Controls</b>	<b>Risk Owner / Lead Officer</b>
3	Financial position makes it increasingly difficult to recruit to key posts or to replace key staff who leave.	<ul style="list-style-type: none"> <li>• Deterioration in services to the public.</li> <li>• Increasing inefficiencies in service provision.</li> <li>• Weakening of Internal Control arrangements.</li> </ul>	4,4 <b>16</b>	3,4 <b>12</b>	SAMT / Asst Director HR
4	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 whilst maintaining service quality, which may overstretch our reduced organisational capacity.	<ul style="list-style-type: none"> <li>• New initiatives are not delivered in a cost-effective manner.</li> <li>• Failure to maintain / improve services in line with local aspirations.</li> <li>• Failure to generate the savings required to balance the budget.</li> <li>• Financial efficiencies weaken Governance / Internal Control arrangements.</li> <li>• Service deterioration / failure arising from capacity issues.</li> </ul>	4,4 <b>16</b>	3,4 <b>12</b>	SAMT / Chief Executive

	<b>Risk</b>	<b>Consequences</b>	<b>Risk Score (Likelihood x Impact)</b>	<b>Risk Score (Likelihood x Impact)Taking into Account Current Controls</b>	<b>Risk Owner / Lead Officer</b>
5	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"> <li>• Deterioration in services to the public and loss of productivity.</li> <li>• Loss of key staff increased sickness levels.</li> <li>• Increased pressure on other members of staff.</li> </ul>	3,4 <b>12</b>	2,4 <b>8</b>	SAMT / Assistant Director HR
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"> <li>• Inability of Council to provide services as a consequence of a severe catastrophic external event (e.g. flooding, major terrorist incident, flu pandemic, fire).</li> <li>• Failure of IT infrastructure, leading to inability to effectively operate services and to safeguard income streams.</li> <li>• Business Continuity Plans prove ineffective in practice.</li> </ul>	3,5 <b>15</b>	2,5 <b>10</b>	SAMT / Director of Health and Well Being

	<b>Risk</b>	<b>Consequences</b>	<b>Risk Score (Likelihood x Impact)</b>	<b>Risk Score (Likelihood x Impact)Taking into Account Current Controls</b>	<b>Risk Owner / Lead Officer</b>
7	Failure to realise the opportunities presented by the Strategic Alliance / Joint Working.	<ul style="list-style-type: none"> <li>• Deterioration in service quality / performance.</li> <li>• Failure to achieve required MTFP savings.</li> <li>• Deterioration in quality of governance and internal control arrangements.</li> </ul>	4,4 <b>16</b>	3,3 <b>9</b>	SAMT / Political Leadership
8	Lack of strategic direction from Members / Corporate Management, external partners change Strategic direction.	<ul style="list-style-type: none"> <li>• Failure to deliver high quality services which address national and local priorities.</li> <li>• Deterioration in Governance Arrangements.</li> <li>• Refocus of current services necessary with associated disruption.</li> </ul>	3,4 <b>12</b>	3,3 <b>9</b>	Chief Executive / Political Leadership Team
9	A major operational risk materialises resulting in a significant impact upon the Council's ability to secure its corporate objectives. Given the efficiency measures that have been introduced to date this is considered to be an increasing issue for the Council.	<ul style="list-style-type: none"> <li>• Deterioration in services to the public, potentially a major initial impact upon a local resident or a group of local residents.</li> <li>• Significant staff and financial resources required to resolve position, impacting on other services.</li> <li>• A major service has its operating capacity significantly</li> </ul>	3,4 <b>12</b>	2,4 <b>8</b>	SAMT / Assistant Directors

	<b>Risk</b>	<b>Consequences</b>	<b>Risk Score (Likelihood x Impact)</b>	<b>Risk Score (Likelihood x Impact)Taking into Account Current Controls</b>	<b>Risk Owner / Lead Officer</b>
		impact and is required to introduce major reform in its approach to service delivery.			
10	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"> <li>• Adverse Impact upon Service Quality.</li> <li>• Failure to deliver high quality services which address national and local priorities.</li> <li>• Significant adverse reputational impact.</li> </ul>	3,4 <b>12</b>	2,4 <b>8</b>	Chief Financial Officer / Monitoring Officer