

Audit Committee 10th December 2013

Reports of the Director of Corporate Resources

Strategic Risk Register

Copy of report presented to Executive on 9th December 2013

Committee:	Executive	Agenda	
Date:	10 th December 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. More recently the Register was considered as part of a Member Development Day. 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 September 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 themes were identified as having a potential impact upon the Council's risk profile. The first of these was that the ongoing drive to secure financial savings whilst protecting levels of service to the public may overstretch the Council's managerial capacity. The Council has taken the approach of seeking to maximise the level of savings that are secured through a transformational agenda. This requires the introduction of new technology, together with projects such as the Senior Management review. Transformational work is time consuming and given that the level of managerial resource has already been significantly reduced the ability to deliver against agreed projects will clearly be a challenging one. Secondly, there continues to be concerns regarding the potential impact of welfare reform upon the Council's financial and operational capacity. A clear risk has been identified that expenditure will exceed the current budgets or that increases in workload will require a corresponding increase in administrative capacity. A further risk is that income in respect of Housing Rents and Council Tax may become more difficult to collect. Officers will continue to actively monitor the position and will provide further reports to Members as appropriate. Both these risks are both covered by the previous Strategic Risk Register with the net risk attributed to the issue of delivery has been reviewed to reflect the concerns that have been raised. Further work needs to be undertaken to identify appropriate mitigation actions for this risk.
- 2.4. The Risk Management Group at its meeting on 30th October 2013 identified a growing concern around the issue of data protection and the Strategic Risk Register has been amended in order to reflect that concern. A review and refresh of the Council's Risk Strategy remains outstanding 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.

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 30th September 2013 as set out in Appendix 1 to this report and request that an updated Register as at 31st December 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: SEPTEMBER 2013

	Risk	Consequences	Risk Score (Likelihood x Impact)	Risk Score (Likelihood x Impact)Taking 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	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"> • Unable to deliver a package of services that meet changing local needs and aspirations. • Unable to effectively support local communities. • Increased demands on Council services at a time when Council resource base is reducing. • 	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
3	Financial position makes it increasingly difficult to recruit to key posts or to replace key staff who leave, or workforce moral is adversely affected by 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. • Increasing inefficiencies in service provision. • Weakening of Internal Control arrangements. • Increased pressure on other members of staff. 	4,4 16	3,4 12	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"> • 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 issues. 	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
5	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 (e.g. 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
6	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	3,3 9	SAMT / Political Leadership
7	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. 	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
		<ul style="list-style-type: none"> • Refocus of current services necessary with associated disruption. 			
8	A major operational or failure of data protection 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"> • 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, impacting on other services. • A major service has its operating capacity significantly impact and is required to introduce major reform in its approach to service delivery. 	3,4 12	2,4 8	SAMT / Assistant Directors
9	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