

Strategic Risk Management

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WHY HAS THIS REPORT COME TO THE AUDIT COMMITTEE?

This report updates the Audit and Governance Committee on the changes to the Strategic Risk Register.

RECOMMENDATIONS:

It is recommended that the Audit Committee considers the Strategic Risk Register and agrees the amendments and notes the outcome of the internal audit report on Risk Management.

1. INTRODUCTION

- 1.1 Copeland Borough Council are required to manage risks and this is especially relevant due to the scale, pace and change occurring at present. The Strategic Risk Register is an essential part of the Corporate Policy Framework and it is a key part of the Performance Management Framework.
- 1.2 The Strategic Risk Register (attached at Appendix A) describes the Council's identified corporate and strategic risks and controls.

2. RISK MANAGEMENT FRAMEWORK

- 2.1 In line with the Council's Performance Management arrangements, risks are reviewed monthly by managers and then by the Corporate Leadership Team (CLT). The Strategic Risk Register was reviewed by CLT in March, and this resulted in a couple of scores being amended (see table one), two items being added to the Horizon Scanning and the description of Risk 11 being changed.
- 2.2 The following changes were made to the scores on the risk register:

Risk 2: Lack of capacity, resources and capability to deliver the change programme:
The Likelihood score was changed from Significant (4) to High (5). This was due to the number of vacancies in the organisation and the current Corporate Leadership Restructure.

Risk 10: Meeting statutory responsibilities during a time of budgetary change: The Likelihood score was changed from Significant (4) to High (5). This is linked to the capacity issue above.

2.3 Individual Electoral Registration and the potential change to the Governance arrangements have been added to the Horizon Scanning section of the Strategic Risk Register.

2.4 The risk description for risk 11 – NNDR & the Growth Strategy - has been changed to NNDR & Business Growth. This has been updated as the Growth Strategy is an management action/control.

3.0 Internal Audit Report

3.1 Following a review of Risk Management by Internal Audit in 2012-13 a follow up review has just been completed. This has resulted in a substantial assurance score being allocated because the Council has effective risk management arrangements in place. This was due to the significant progress made in improving policies, procedures and administrative practices for risk management.

3.2 The full report is on the agenda.

	services to meet the needs of the most vulnerable in the community												
8	Reputation	5	2	DELETED MARCH 2013									
9	The role of the Council within Nuclear and Energy sectors	6	3	6	3	6	3	6	3	6	3	6	3
10	Meeting statutory responsibilities during a time of budgetary change	6	3	5	3	5	3	5	3	4	3	5	3
11	NNDR & Business Growth	NEW RISK FOR MARCH 2013		5	3	5	3	5	3	5	3	5	3
12	Maintaining the Robustness & Integrity of Business Systems	NEW RISK FOR JUNE 2013				4	3	5	3	5	3	5	3

4 STATUTORY OFFICER COMMENTS

- 4.1 The Monitoring Officer's comments are: Report describes risks, likelihood and impact in appropriate detail, together with mitigating measures and reporting arrangements.
- 4.2 The Section 151 Officer's comments are: Risk Management is a fundamental plank of good governance. This report provides an update on the current risks and actions to mitigate them.
- 4.3 Policy Framework Comments: The Strategic Risk Register forms an integral part of the Corporate Policy Framework alongside the Medium Term Financial Strategy and the Corporate Plan.
- 4.4 Other consultee comments, if any: None

5 HOW WILL THE PROPOSALS BE PROJECT MANAGED AND HOW ARE THE RISKS GOING TO BE MANAGED?

- 5.1 Delivery of the actions agreed will monitored quarterly and reported to CLT and the Audit Committee.

6 WHAT MEASURABLE OUTCOMES OR OUTPUTS WILL ARISE FROM THIS REPORT?

- 6.1 The report outlines the Council's approach to Strategic Risk Management. The Council is required to identify and manage risks by the four T's – Treat, Tolerate, Transfer or Terminate. This is particularly important due to the scope and pace of change occurring.

List of Appendices

Appendix A - Strategic Risk Register

Strategic Risk Register 2013/14

Risk Description 1: Securing financial viability								
Risk Score	Likelihood - Very High (6), Impact - Critical (3)							
Vulnerability/contributing factors	Trigger(s)/Event(s)	Potential Impact/Consequences	Risk owner	Date Identified	Action/ Controls already in place	Reguired management action/control	Critical Success Factors & KPIs	Review date
<ul style="list-style-type: none"> Following the recent budget announcement, the settlement has given even more uncertainty A number of national policy changes which impact on finances e.g. localised business rates and council tax Volatility of finances e.g. over or under achieving Scale and pace of the financial targets Limited or unknown ability to secure additional income (link to assets) 	<ul style="list-style-type: none"> Medium Term Financial Plan (MTFP) identifies 2.5 million reduction over 2 years Failure to define core business Not achieving buy in to make that reduction Securing the decision Implementation of the savings Unknown Settlement Impact of County Council decisions e.g. recycling Cuts in other public services – impact on the Council – leading to increase demand of council services 	<ul style="list-style-type: none"> Not being able to fund core business Affect the most vulnerable in society Increase demand on services e.g. homelessness Lead to a different change programme Less prepared for alternative delivery models Credibility/Reputation (personally and as an organisation) Inability to achieve investment in priority areas based on evidence/need Slash and burn 	Chief Executive with Head of Corporate Resources	05/07/12	<ul style="list-style-type: none"> Change Board established to oversee the corporate change programme Close scrutiny of the MTFS A clear process for delivering a policy lead budget agreed 	<ul style="list-style-type: none"> Continuing close scrutiny of MTFS Monthly budget monitoring Change Programme Board meets regularly to deliver planned actions 	<ul style="list-style-type: none"> Monthly budget monitoring Achieve outcomes and targets for all projects Change Programme Board meets regularly 	Monthly

Risk Description 2: Lack of capacity, resources and capability to deliver the change programme								
Risk Score	Likelihood – High (5), Impact - Critical (3)							
Vulnerability/contributing factors	Trigger(s)/Event(s)	Potential Impact/Consequences	Risk owner	Date Identified	Action/ Controls already in place	Required management action/control	Critical Success Factors & KPIs	Review date
<ul style="list-style-type: none"> Scale and pace of change – immediate volume of work Imperative behind the changes (incremental change not sufficient) Managing and leading the change (significant transformation required) Change fatigue (3 years) Transformation change 'v' normal service delivery Risk of losing key staff – staff thinking what's best for them Recruit and retain elected members 	<ul style="list-style-type: none"> Loss of key staff Reliance on good will (pushed too far) Failure to define core business Partnership breakdown (over reliance on partnerships) Prioritisation – failure to prioritise Leadership and management of the change programme insufficient Insufficient capacity to deal with the scale and pace of change required Loss of existing elected members 	<ul style="list-style-type: none"> Business Continuity Organisational resilience Don't deliver key services Performance declines Core services don't get delivered to those who most need them Reputation Staff absenteeism Morale 	Chief Executive	05/07/12	<ul style="list-style-type: none"> New Corporate Leadership team in place & Change Programme Board established New Performance Appraisal System in place Core curriculum devised & delivered Competency Framework in place North West Employers continue to support Process for delivering policy led budget devised & underway Resources 	<ul style="list-style-type: none"> Change Programme Board to deliver change programme. CLT to monitor organisational performance & wellbeing Continue with change support for staff Change Management Policy C2C Budget to support organisational change Transition Funding 	<ul style="list-style-type: none"> Employee & Resident satisfaction Change Programme Board to deliver change programme on time & to standard Staff turnover Absenteeism Staff retention 	Quarterly

					allocated and underway for Organisational Development			
					Member Development Member briefings			

Risk Description 3: Challenge/Judicial review

Risk Score Likelihood – Significant (4), Impact - Critical (3)

Vulnerability/contributing factors	Trigger(s)/Event(s)	Potential Impact/Consequences	Risk owner	Date Identified	Action/ Controls already in place	Required management action/control	Critical Success Factors & KPIs	Review date
<ul style="list-style-type: none"> Decisions that will have an impact on local communities Potential reduction in discretionary services (high visibility) A safe decision (appropriate and timely decision) – process needs to be proportionate, robust and safe Community appetite to challenge decisions unknown 	<ul style="list-style-type: none"> Failing to consult or communicate appropriately Failure to deliver to the timetable Risk of pre-determination Ineffective process in place Insufficient resources devoted to the decision-making process 	<ul style="list-style-type: none"> Financial loss Reputation damage Need to start the process again Lost time Lost saving (linked to MTFS) 	Chief Executive with Head of Policy & Transformation	05/07/12	<ul style="list-style-type: none"> Project Management Training delivered Policy Forecast Change Programme Board established Decision making process devise and agreed Equality Scheme and approach to EIAs agreed. Public Consultation complete 	<ul style="list-style-type: none"> Consultation plan and delivery mechanism to be agreed Key stakeholders to be engaged 	<ul style="list-style-type: none"> Consultation plan devised and delivered on time. Engage key stakeholders 	Monthly

Risk Description 4: Maintaining focus on the Council's core business								
Risk Score	Likelihood - Significant (4), Impact - Critical (3)							
Vulnerability/contributing factors	Trigger(s)/Event(s)	Potential Impact/Consequences	Risk owner	Date Identified	Action/ Controls already in place	Required management action/control	Critical Success Factors & KPIs	Review date
<ul style="list-style-type: none"> Gaining consensus over core business Gaining agreement about what to stop Ineffective employment of resources 	<ul style="list-style-type: none"> Maintain focus on core business Not following through on a decision Holding the line 	<ul style="list-style-type: none"> Business Continuity Organisational resilience Performance falls Affect the most vulnerable in society Inability to achieve investment in priority areas based on evidence/need Reputation 	Chief Executive	05/07/12	Change Programme Board established Decision making process agreed Performance Management Framework established MTFS	Effective communication with stakeholders, partners and staff Consultation plan to be agreed and delivered Continue to monitor MTFS Corporate Plan Service Plans Stops List Change Programme Board established	MTFS Customer Satisfaction – new target and regular monitoring Budget delivered Service Plan delivery monitoring by CLT	Quarterly

Risk Description 5: Inability of the Council to make the necessary decisions in a timely way								
Risk Score	Likelihood –High (5), Impact - Critical (3)							
Vulnerability/contributing factors	Trigger(s)/Event(s)	Potential Impact/Consequences	Risk owner	Date Identified	Action/ Controls already in place	Reguired management action/control	Critical Success Factors & KPIs	Review date
<ul style="list-style-type: none"> Emotional response to make decisions Unpopular decisions Close knit community Elected members learning in their roles Cross council support 	<ul style="list-style-type: none"> Decisions overturned Individuals choosing to not participate in decision making Maintaining decisions 	<ul style="list-style-type: none"> Don't get clarity Can't deliver the MTFS Political fallout Uncertainty Reputation damage Morale issues 	Chief Executive with Director of Services	05/07/12	<ul style="list-style-type: none"> Change programme Board established Decision making process agreed Joint regular sessions with Informal Executive Regular Member briefings on key issues. Member & staff engagement Setting priorities 	<ul style="list-style-type: none"> Effective communication with stakeholders Continued staff engagement Communicate need for change Scenario Planning Training & Development programme for Officers and Members 	<ul style="list-style-type: none"> MTFS Consultation plan devised and delivered 	Monthly

Risk Description 6: Making partnerships work during times of significant change								
Risk Score	Likelihood - High (5), Impact - Critical (3)							
Vulnerability/contributing factors	Trigger(s)/Event(s)	Potential Impact/Consequences	Risk owner	Date Identified	Action/ Controls already in place	Required management action/control	Critical Success Factors & KPIs	Review date
<ul style="list-style-type: none"> Some partners are in the same position (public sector partners e.g. austerity measures) Capacity is therefore reduced Not sure which partners the Council is reliant on (which partners are most important to deliver the change agenda) Strategic alignment of key partnerships Reducing partnership arrangements to a small number of 	<ul style="list-style-type: none"> Each agency having to make its own savings Lack of joined approach to savings programme and impact analysis Retrenchment of partners Lack of capacity to work together on known issues Taking resources out of partnership arrangements (cash and people) Will need to re-prioritise partnership arrangements around agreed priorities The need for new and different partners 	<ul style="list-style-type: none"> Ability to work differently in the future to maintain service provision Reputational impact Ability to maintain key relationships and the benefits associated with them 	Director of Services	05/07/12	<p>Copeland Partnership Assessment & Priority Process (link to Corporate Plan priority 2)</p> <p>Cumbria Chief Executive Officers group</p>	<p>Review partnerships and partnership arrangement</p> <p>Stakeholder/Partner Engagement Plan</p> <p>Priority Setting</p> <p>Match skills to deliver for the future</p> <p>Review of New Nuclear Governance Framework and Strategic Partnership Meetings</p>	Number of relevant and sustainable partnerships	Quarterly

strategic partnerships Realising the best opportunities through partnership working								
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Risk Description 7: Failure to design services to meet the needs of the most vulnerable in the community								
Risk Score	Likelihood - High (5), Impact - Critical (3)							
Vulnerability/contributing factors	Trigger(s)/Event(s)	Potential Impact/Consequences	Risk owner	Date Identified	Action/ Controls already in place	Reguired management action/control	Critical Success Factors & KPIs	Review date
<ul style="list-style-type: none"> Customers who are most vulnerable will be most affected by any reduction in service delivery Role of a district council Need to invest in service areas which support the most vulnerable in the community Most vulnerable in 	<ul style="list-style-type: none"> Lack of evidence of need or impact Taking decisions that have multiple impacts on the same communities Not identifying opportunities to work differently to help maintain services for those most in need Not engaging the hard to reach in the decision-making process 	<ul style="list-style-type: none"> Communities and residents suffer Health-related impacts worsen Community cohesion challenged Demand for public services increase Reputational issues for the Council Staff morale as unable to help those most in need or sustain these services most needed 	Director of Services	05/07/12	<ul style="list-style-type: none"> Key services being delivered for those in need. Partnership work around financial inclusion 	<ul style="list-style-type: none"> Community Needs Analysis Consultation Plan devised and agreed Stakeholder Engagement Alternate ways of working analysis Working with partners around delivery 	<ul style="list-style-type: none"> Ill Health IMD data Fuel Poverty Child Poverty Consultation respondent profiles EIA for services Investment Profile for each service Relevant and sustainable partnerships 	Monthly

society experience multiple impacts <ul style="list-style-type: none"> • Most likely to be struggling at household level • Least likely to have a voice in the decision-making process 								
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Risk Description 8:	Reputation – Deleted March 2013
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Risk Description 9	The role of the Council within Nuclear and Energy sectors
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Risk Score	Likelihood - Very High (6), Impact - Critical (3)
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Vulnerability/contributing factors	Trigger(s)/Event(s)	Potential Impact/Consequences	Risk owner	Date Identified	Action/ Controls already in place	Required management action/control	Critical Success Factors & KPIs	Review date
<ul style="list-style-type: none"> • Failure to represent the community nuclear and energy related projects, including issues relating to radioactive waste management and disposal • Failure to meet statutory obligations 	<ul style="list-style-type: none"> • Failure to retain staff • Failure to retain skills • Inability secure funding for staff resource • NSIP and GDF programme slippage • PPA commitments not met 	<ul style="list-style-type: none"> • Failure to represent the community • Inability to influence industry and government agenda to ensure recognition of Copeland’s unique role in the sector • Failure to secure community benefits 	Director of Services	12/9/12	On going match of staffing to external funding opportunities PPA’s in place Engagement with industry and government – ensuring representing on national bodies	PPA monitoring, nuclear programme updated Review and implementation of governance structure for collaborative/partnership working within nuclear and energy sector	Milestones and regulatory requirements met	6 monthly

through NSIP (Nationally Significant infrastructure projects) (New Build and New Grid) process.		<ul style="list-style-type: none"> Failure to regeneration and economic benefit from new development 			and representative groups			
<ul style="list-style-type: none"> Failure to support commitments to GDF process 								

Risk Description 10:		Meeting statutory responsibilities during a time of budgetary change						
Risk Score	Likelihood - High (5), Impact - Critical (3)							
Vulnerability/contributing factors	Trigger(s)/Event(s)	Potential Impact/Consequences	Risk owner	Date Identified	Action/ Controls already in place	Required management action/control	Critical Success Factors & KPIs	Review date
<ul style="list-style-type: none"> Failure to identify all statutory obligations and where these are met within the organisation Impact of budget reductions on ability to carry out statutory duties Failure to identify new and changing requirements Failure to retain sufficient critical 	<ul style="list-style-type: none"> Failure to retain critical organisational knowledge Failure to retain staff 	<ul style="list-style-type: none"> Failure to achieve could result in financial penalties. 	Chief Executive	08/08/12	Identified different service types	<ul style="list-style-type: none"> Monitor new and emerging requirement Monitor continued delivery of existing requirements 	<ul style="list-style-type: none"> Meet statutory requirements Meeting regulatory requirements e.g. INSPIRE Investment required to meet new/emerging statutory requirements 	Quarterly

<ul style="list-style-type: none"> Financial penalties Failure to retain critical mass to meet statutory obligations 								
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Risk Description 11:		NNDR & the Business Growth						
Risk Score	Likelihood - High (5), Impact - Critical (3)							
Vulnerability/contributing factors	Trigger(s)/Event(s)	Potential Impact/Consequences	Risk owner	Date Identified	Action/ Controls already in place	Required management action/control	Critical Success Factors & KPIs	Review date
<ul style="list-style-type: none"> Changes in Local Government Finance means that income from NNDR is no longer guaranteed due to new collection procedure Growth of businesses does not happen and level of appeals means overall rateable value drops Success & strength of LEP 	<ul style="list-style-type: none"> Businesses enter into the appeals procedure Failed /successful bids (eg RGF) 	<ul style="list-style-type: none"> Loss of income (£165,000) if drops below base level Loss of funded growth projects Stalled development 	Chief Executive	27/03/13	<ul style="list-style-type: none"> Service Plans Corporate Plan Pipeline development projects Albion Square construction NDA property strategy 	<ul style="list-style-type: none"> New monthly monitoring of NNDR Councils response to Hestletine's review (TBA) New Growth Strategy (TBA) Role of the Council on LEP (TBA) Prioritisation of BEC enabling funding Council lead on SL Socio economic working group and plans Whitehaven Town Centre MasterPlan 	<ul style="list-style-type: none"> NNDR Collection performance No of bankruptcies Number of appeals No of new business start ups Total rateable value outwith Sellafield Developments completions 	Quarterly

Risk Description 12:	Maintaining the Robustness and Integrity of Business Systems							
Risk Score	Likelihood – High (5), Impact - Critical (3)							
Vulnerability/contributing factors	Trigger(s)/Event(s)	Potential Impact/Consequences	Risk owner	Date Identified	Action/ Controls already in place	Required management action/control	Critical Success Factors & KPIs	Review date
<ul style="list-style-type: none"> At a time of downward budget pressures and significant organisational change we need to continue to invest in underlying business systems to ensure systems remain fit for purpose and ensure Business Continuity 	<ul style="list-style-type: none"> Implementing the vision and the role of the Council 2015 Upgrades Information Security Digitalisation - part of the change programme Audit & Inspection Business Continuity 	<ul style="list-style-type: none"> Business Continuity Organisational resilience Performance declines Service delivery interrupted/ delayed. Reputation 	Chief Executive	05/06/13	<ul style="list-style-type: none"> Change Board oversee the change plan IT policies & procedures Improved Information Management & procedures Active approach to known issues Planned approach to IT upgrades & swap outs Consider approach to IT investment 	<ul style="list-style-type: none"> Invest in underlying business systems IT strategy work Planned approach to Digitalisation of services Monitoring of planned approach to IT investment Issues monitoring by Change Programme Board 	<ul style="list-style-type: none"> Availability of key systems Minimising outage Return on Investment for IT Compliance with regulation standards 	Monthly

Horizon Scanning – Risks that can be identified but insufficient detail to action at this time

- Welfare Reform – Universal credit

- Local Land Charges Litigation
- Local Government Finance Bill
- Resource/Capacity – single points of failure
- External Funding
- Emergency Planning situations – impact on resources
- New GDF Process
- Data Management
- Changes to the Planning Process
- Wider Public Sector Economy Changes
- Individual Electoral Registration
- Potential change to Governance arrangements

Risk Matrix

The Strategic Risk Register contains risk scoring. Two scores are given on each risk; one of the likelihood that the risk could happen (6=Very High to 1=Almost Impossible) and second, what the scale of the impact could be if that risk occurs (4=Catastrophic to 1=Negligible).