

Strategic Risk Management

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WHY HAS THIS REPORT COME TO THE AUDIT COMMITTEE?

RECOMMENDATIONS:

It is recommended that the Audit Committee considers the Strategic Risk Register and agrees the report.

1. INTRODUCTION

- 1.1 Copeland Borough Council are required to manage risks and this is especially relevant currently due to the scale and pace and change occurring as such, the Strategic Risk Register is an essential part of the Corporate Policy Framework and it a key part of operational management.
- 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 A Corporate Risk View Workshop was conducted with Corporate Leadership Team (CLT) on the 5th July 2012. The workshop provided CLT with an opportunity to update the Strategic Risk Register to reflect current circumstances.
- 2.2 Subsequently, training sessions have been held with elected members on the 11 September and two sessions have been held with managers on the 12 September. At each session the Council's approach to risk management was covered as well as the current Strategic Risk facing the Council as captured on the Strategic Risk Register.
- 2.3 The Council's Strategic Risk Register now contained 10 Risks which have been identified to monitor and manage. These are:-
 - Securing financial viability
 - Lack of capacity, resources and capability to deliver the change programme
 - Challenge/Judicial review
 - Not defining Council core business
 - Inability of the Council to make the necessary decisions in a timely way
 - Making partnerships work during times of significant change

- Failure to design services to meet the needs of the most vulnerable in the community
- Reputation
- Meeting statutory responsibilities during a time of budgetary change
- Nuclear

2.5 The key roles with regards to Strategic Risk management are shown below:

- **Service Managers-** Manage and monitor risks identified in annual service plans and work with Heads of Service to update risks on a monthly basis
- **Heads of Service-** Identify and manage operational risks with service managers and escalate risk where appropriate to Corporate Leadership Team.
- **Corporate Leadership Team-** Own the Strategic Risk Register and to review and monitor on monthly and then quarterly in preparation for reporting to Executive and Audit Committee.
- **Executive-** Needs to be satisfied that areas of risk are being identified and that robust actions are in place to mitigate those risks
- **Audit Committee-** Needs to ensure that the process for managing risk and mitigation is fit for purpose and working effectively

3 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: Contained in the report

4.3 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 2012/13

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	Required management action/control	Critical Success Factors & KPIs	Review date
<ul style="list-style-type: none"> Unknown settlement for the next year or going forward 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	Change Board established to oversee the corporate change programme Close scrutiny of the MTFS A clear process for delivering a policy lead budget agreed PDG's established	Continuing close scrutiny of MTFS Monthly budget monitoring Change Programme Board meets regularly to deliver planned actions	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 - 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	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 in change ‘v’ normal service delivery Risk of losing key staff – staff thinking what’s best for them Recruit and retain elected 	<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 Transformation Programme Manager to be recruited 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

members					allocated and underway for Organisational Development			
					PDG's Member Development Member briefings			
Risk Description 3: Challenge/Judicial review								
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"> 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 	<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	Project Management Training delivered Policy Forecast Change Programme Board established Decision making process devise and agreed Equality Scheme and approach to EIAs agreed. PDGs established	Consultation plan and delivery mechanism to be agreed Key stakeholders to be engaged	Consultation plan devised and delivered on time. Engage key stakeholders	Monthly

challenge decisions unknown								
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Risk Description 4: Not defining Council core business								
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"> Gaining consensus over core business Gaining agreement about what to stop Ineffective employment of resources 	<ul style="list-style-type: none"> Lack of clarity on core business Timeliness of clarifying core business Not following through on a decision No corporate approach Holding the line 	<ul style="list-style-type: none"> Business Continuity Organisational resilience Performance falls Affect the most vulnerable in society Don't delivery key services well Less prepared for alternative delivery models 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 PDGs established Performance Management Framework established MTFS	Effective communication with stakeholders, partners and staff Consultation plan to be agreed and delivered Continue to monitor MTFS	MTFS Customer Satisfaction Budget delivered	Quarterly

Risk Description 5:		Inability of the Council to make the necessary decisions in a timely way						
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"> 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 Preparedness to make informed decisions Individuals choosing to not participate in decision making 	<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	Change programme Board established Decision making process agreed PDGs established Joint regular sessions with Informal Executive Regular Member briefings on key issues. Member & staff engagement Training & Development programme for Officers and Members	Effective communication with stakeholders Continued staff engagement Communicate need for change Setting priorities Scenario Planning	MTFS Consultation plan devised and delivered	Monthly

Risk Description 6: Making partnerships work during times of significant change								
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	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	Copeland Partnership Chief Executive Officers group	Review partnerships and partnership arrangement Stakeholder/Partner Engagement Plan Priority Setting Match skills to deliver for the future	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 - 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"> 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	Key services being delivered for those in need. Partnership work around financial inclusion	Community Needs Analysis Consultation Plan devised and agreed Stakeholder Engagement Alternate ways of working analysis Working with partners around delivery	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								
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	Required management action/control	Critical Success Factors & KPIs	Review date
<ul style="list-style-type: none"> • Responding appropriately to inaccurate or adverse media coverage may take significant resources from organisational leaders. 	<ul style="list-style-type: none"> • Repeated adverse coverage in local or national media. 	<ul style="list-style-type: none"> • Short time to respond, so planned events or activities are disrupted; • Damage to Council's reputation • Limited resources are stretched; • Strategic communication is less likely to be possible due to constant firefighting 	Chief Executive	03/08/12	Communication Strategy Stakeholder analysis and engagement plan	Opportunities to consider future approach. Continue with Engagement plan including all elected members, stakeholders and the community	Reduced incidence of adverse or inaccurate media	Quarterly

Risk Description 9:		The role of the Council within Nuclear							
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	Required management action/control	Critical Success Factors & KPIs	Review date	
<ul style="list-style-type: none"> Failure to represent the community with regard to economic impacts of hosting the SL and national plutonium stocks Failure to meet statutory obligations through NSIP (Nationally Significant infrastructure projects) (New Build and New Grid) process. Failure to support commitments to MRWS process 	<ul style="list-style-type: none"> Failure to retain staff Failure to retain skills NSIP and MRWS programme slippage PPA commitments not met 	<ul style="list-style-type: none"> Failure to represent the community Securing community benefits 	Director of Services	12/9/12	Temporary and permanent staff recruitment PPA's in place	PPA monitoring, nuclear programme updated	Milestones and regulatory requirements met	6 monthly	

Risk Description 10:		Meeting statutory responsibilities during a time of budgetary change							
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"> 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 Financial penalties Failure to retain critical mass to meet statutory obligations 	<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	Monitor new and emerging requirement Monitor continued delivery of existing requirements	Meet statutory requirements Meeting regulatory requirements e.g. INSPIRE Investment required to meet new/emerging statutory requirements	Quarterly

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

- Welfare Reform
- Local Land Charges Litigation

Risk Matrix

The table below shows how the risk scoring has been calculated for the strategic risks. 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).