

 EXECUTIVE 1 OCTOBER 2014		Agenda Item No. 8
Title	Significant Business Risk Register	
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Wards of the District directly affected	Not applicable	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	30 July 2014 Executive	
Background Papers	Minutes of Senior Management Team	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality & Sustainability Impact Assessment Undertaken	No (N/A: no direct service implications)

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	15 Sept 2014	Chris Elliott / Andrew Jones
Head of Service	13 Aug 2014	SMT
CMT	15 Sept 2014	CMT
Section 151 Officer	15 Sept 2014	Mike Snow
Monitoring Officer	15 Sept 2014	Andrew Jones
Finance	15 Sept 2014	As S151 Officer
Portfolio Holder(s)	15 Sept 2014	Councillor Mobbs
Consultation & Community Engagement		
Senior Management Team review of Significant Business Risk Register.		
Final Decision?	Yes	
Suggested next steps (if not final decision please set out below)		

1 SUMMARY

- 1.1 This report sets out the latest version of the Council's Significant Business Risk Register for review by the Executive. It has been drafted following discussions between the Leader of the Council, Chief Executive, Monitoring Officer, Section 151 Officer, and the Audit & Risk Manager.

2 RECOMMENDATIONS

- 2.1 That Executive should review the Significant Business Risk Register attached at Appendix 1 and consider if any further actions should be taken to manage the risks facing the organisation.

3 REASON FOR THE RECOMMENDATIONS

- 3.1 To assist members fulfil their role in overseeing the organisation's risk management framework (see section 7, below).

4 POLICY FRAMEWORK

- 4.1 The Significant Business Risk Register is based on the Council's corporate priorities and key strategic projects that are reflected in Fit for the Future. The Fit for the Future programme is also based on an agreed set of values amongst which are the ones of openness and honesty. This is integral to the consideration of risk in an organisation; risk issues needs to be discussed and debated and mitigation put in place, in order to prevent them materialising. It does not mean however, that all risks referred to are immediately impending or are likely to happen. Ironically, to not debate risks is to help them more likely to materialise.
- 4.2 It is worth members re-appraising themselves of the basis on which risks are scored in relation to likelihood and impact (see appendix 3). The probability of a risk being realised and how many times it might happen, is assessed over a number of years not as if it is going to happen tomorrow.

5 BUDGETARY FRAMEWORK

- 5.1 Although there are no direct budgetary implications arising from this report, risk management performs a key role in corporate governance including that of the Budgetary Framework. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.
- 5.2 The risk register sets out when the realisation of risks might have financial consequences. One of the criteria for severity is based on the financial impact.

6 RISKS

- 6.1 The whole report is about risks and the risk environment. Clearly there are governance-related risks associated with a weak risk management process.

7 **ALTERNATIVE OPTIONS CONSIDERED**

- 7.1 This report is not concerned with recommending a particular option in preference to others so this section is not applicable but paragraph 4.1 above is also relevant here.

8 **RESPONSIBILITY FOR RISK MANAGEMENT**

- 8.1 In its management paper "Worth the risk: improving risk management in local government", the Audit Commission sets out clearly the responsibilities of members and officers with regard to risk management:

"Members need to determine within existing and new leadership structures how they will plan and monitor the council's risk management arrangements. They should:

- decide on the structure through which risk management will be led and monitored;
- consider appointing a particular group or committee, such as an audit committee, to oversee risk management and to provide a focus for the process;
- agree an implementation strategy;
- approve the council's policy on risk (including the degree to which the council is willing to accept risk);
- agree the list of most significant risks;
- receive reports on risk management and internal control – officers should report at least annually, with possibly interim reporting on a quarterly basis;
- commission and review an annual assessment of effectiveness: and
- approve the public disclosure of the outcome of this annual assessment, including publishing it in an appropriate manner.

The role of senior officers is to implement the risk management policy agreed by members.

It is important that the chief executive is the clear figurehead for implementing the risk management process by making a clear and public personal commitment to making it work. However, it is unlikely that the chief executive will have the time to lead in practice and, as part of the planning process, the person best placed to lead the risk management implementation and improvement process should be identified and appointed to carry out this task. Other people throughout the organisation should also be tasked with taking clear responsibility for appropriate aspects of risk management in their area of responsibility."

9 **SIGNIFICANT BUSINESS RISK REGISTER**

- 9.1 The Significant Business Risk Register (SBRR) records all significant risks to the Council's operations, key priorities, and major projects. Individual services also have their own service risk registers.

- 9.2 The SBRR is reviewed quarterly by the Council's Senior Management Team and the Council Leader and then, in keeping with members' overall responsibilities for managing risk, by the Executive.
- 9.3 The latest version of the SBRR is set out as Appendix 1 to this report.
- 9.4 A summary of all the risks and their position on the risk matrix, as currently assessed, is set out as Appendix 2.
- 9.5 The scoring criteria for the risk register are judgemental and are based on an assessment of the likelihood of something occurring, and the impact that might have. Appendix 3 sets out the guidelines that are applied.
- 9.6 In line with the traditional risk matrix approach, greater concern should be focused on those risks plotted towards the top right corner of the matrix whilst the converse is true for those risks plotted towards the bottom left corner of the matrix. If the matrix were in colour, the former set of risks would be within the area shaded red, whilst the latter would be within the area shaded green; the mid-range would be seen as yellow.
- 9.7 Any movements in the risk scores over the last six months are shown on the risk matrices in Appendix 1.
- 9.8 The last time that the SBRR was reported to the Executive, there were five risks in the "red zone", as discussed below. An update is given on each in turn, shown in bold.

1. Fit for the Future Change Programme not managed appropriately/effectively

The score here reflects the problems experienced with some recent projects such as the Bowls England Project where a significant overspend against the original budget is anticipated.

To help ensure that projects in the future are managed better, specifically that projects are managed realistically and Members given confidence in the estimated costs associated with those projects, Executive at its meeting on 11 September resolved that, in the future, all projects will be drawn up within an adopted standard framework. The input of staff within the Housing and Property Services team was integral to this work but the subsequent disruption to this service area arising from the unanticipated personnel changes meant the development of this framework was significantly delayed. CMT are now prioritising the completion of this work.

The risk control mechanism referred to, needs to be actioned but this now seems likely to require a temporary resource to work up in detail which CMT anticipate being able to achieve by the end of the calendar year.

This risk remains unchanged and will not be until the additional control mechanism is put in place by the end of the calendar year.

The next three red zone risks (2, 6 and 8) are intrinsically linked as they are driven by consideration of the Council's current and future financial position:

2. Risk of service quality reducing

The score here reflects the current financial pressures facing the Council, and the need to make further significant savings, there is increased likelihood of the savings impacting upon services. Whilst the impact may not be great, the worst case scenario may be for a significant impact upon a service or services. The work underway as part of Fit For the Future is seeking to make the savings whilst protecting and improving services should reduce the potential impact on service quality should changes in service be necessary. However, until all of the FFF projects are complete the Council will remain in the red zone on this risk.

On reflection and experience of showing that the Council has not reduced service quality, it is felt that the previous scoring was overly pessimistic and so over scored. It now has a reduced scoring and is no longer in the red zone.

6. Risk of insufficient finance to enable the Council to meet its objectives (including insufficient reduction in operational costs)

This risk links with Risk 2, above. The risk rating is high here due to the anticipation of a poor Revenue Support Grant Settlement and the possibility that FFF Projects do not achieve sufficient savings. As reported in the Budget Review Report, various projects are being investigated which should enable savings to be made. Once there are more details of these projects and they are confirmed, it should be possible to reduce the likelihood of this risk occurring. However, until all of the FFF projects are complete the Council will remain in the red zone on this risk.

This risk remains unchanged and as previously indicated will not change until the FFF projects are complete.

8. Risk of significantly reduced income

Again, this risk links with the two risks highlighted above in that there is a risk of reduced income, for example, by way of government grant, or from income from services, impacting upon services. In addition to the risk controls stated in the risk register, the Fit for the Future programme is seeking to ensure that services are maintained. However, until all of the FFF projects are complete the Council will remain in the red zone on this risk.

On reflection and experience of showing that the Council has not reduced service quality, it is felt that the previous scoring was overly pessimistic and so over scored. It now has a reduced scoring and is no longer in the red zone.

16. Risk of Local Plan being unsound or delayed

Until the new local plan is agreed the authority is exposed to the possible consequences detailed in the risk register. Accordingly, it is imperative that officers ***and members*** work to ensure the local plan is agreed in accordance with the agreed timetable. Unlike many of the other risks this one cannot be mitigated by management measures alone. It requires Members to understand and act accordingly in their decision making capacity through the judgements they make or do not make on the Local Plan. However, it is also the case that

until the whole of the Local Plan process is complete this risk will be likely to remain in the red zone.

This risk remains unchanged and as previously indicated will not change until the Local Plan is adopted.

9.9 In the last quarter an additional risk has entered the red zone, as follows.

4. Corporate Governance

The Leader of the Council is concerned at a number of events that have occurred in recent times and is concerned that this has raised risks around member/officer relations which may contribute to a breakdown in good corporate governance. Additional control measures are proposed but it is for Group Leaders to implement.