

<b>NAME OF COMMITTEE</b>	<b>Audit Committee</b>
<b>DATE</b>	<b>19 September 2013</b>
<b>REPORT TITLE</b>	<b>Strategic Risk Assessment - 6 monthly update</b>
<b>Report of</b>	<b>Corporate Director (Alan Robinson)</b>
<b>WARDS AFFECTED</b>	<b>All</b>

---

**Summary of report:**

In accordance with the Joint Risk Management Policy adopted by South Hams District Council on 10 May 2012 and by West Devon Borough Council on 17 May 2012, this report provides the required 6 monthly update to Members. The report includes the current corporate strategic risk assessment and a summary of the management and mitigation actions to address the identified risks.

**Financial implications:**

There are no direct financial implications arising from the report, although effective corporate risk management may help protect the Councils from future losses.

**RECOMMENDATIONS:**

That the Audit Committee reviews the strategic risks and makes recommendations to Council on any further action the Committee concludes should be considered.

**Officer contact:** Alan Robinson - [alan.robinson@swdevon.gov.uk](mailto:alan.robinson@swdevon.gov.uk) or by 'phone on 01822 813629

---

**1. BACKGROUND**

- 1.1 Following the recommendation of SHDC Audit Committee on 5 April 2012, the Council at its meeting on 10 May 2012 also resolved to adopt the Joint Risk Management Policy.
- 1.2 The Joint Risk Management Policy requires the Senior Management Team to undertake reviews of the Corporate Risk Tables on a monthly 'light touch' basis and more comprehensively on a quarterly basis. It also stipulates that a Corporate Director will provide update reports to both Audit Committees on a six monthly basis.

## **2. STRATEGIC RISK REGISTER**

2.1 The risks currently monitored by SMT are set out in five tables (Confidential Appendix 1) as follows:

- Table 1 - Strategic Political Risks
- Table 2 - Strategic Management Risks
- Table 3 - Strategic Staffing Risks
- Table 4 - Strategic Financial and Asset Risks
- Table 5 - Corporate Issues Risks.

2.2 The tables include a summary of mitigating and management actions undertaken or proposed, to manage the identified risks. Monitoring requires both a proactive approach to assessing potential risk, as well as carrying out retrospective reviews to improve learning from risk and embedding it across the two Councils. The risk tables refer to both shared risks as well as risks affecting only one Council, on the basis that there is a benefit in understanding risks faced across the two organisations and an opportunity to share learning from managing those risks. Appended to the risk tables is a Risk Scoring Matrix which has been used to identify risk status. A risk rating is developed by assessing risk impact/severity and multiplying it by the likelihood/probability of the risk occurring. The risk score identified is the assessment based on the mitigation being successful.

2.3 The final attachment within Appendix 1 summarises the strategic risks, identifying the key risks at the point of the review. The tables are living documents and will regularly change in response to issues arising. Members should note that while risk is assessed collectively within SMT, the judgments in relation to the scores are inevitably subjective and Member challenge of the officer conclusions is therefore welcomed.

2.4 It is suggested that the Committees' attention is focussed on those risks with the highest score i.e. the risks with a score above 16. While members are invited to focus on the key risks, members are welcome to review any of the risks identified, including questioning whether the risk is appropriately scored, or whether further mitigating actions are required.

## **3. HIGH RISK ISSUES IDENTIFIED BY SMT**

3.1 Based on SMT's review of the attached risk tables, the high level risks are as follows (i.e. those with a risk score of 16 and above. For more detail please refer to the confidential risk tables attached):

### Strategic Financial and Asset Risks

FA04 (16) – The robustness of the medium term financial strategy and related service blue-prints;

FA06 (16) – Funding of the future capital programme.

### Strategic Management Risks

MT07 (16) - Management capacity to respond to the level of external demand which is generated by a combination of national policy changes as well as customer/community requirements. This risk also relates to the capacity of staff as identified in ST01 (see below).

### Strategic Staffing Risks

ST01 (20) - Officer capacity to implement the Connect Strategy/associated delivery plans and the Transformation Programme, in tandem with service-based policy development, ongoing project implementation and day-to-day delivery.

ST02 (16) – The potential loss of staff morale, including key staff leaving, coupled with the risk of inadequate provision of resources for training and re-skilling during an ongoing period of significant change.

### Corporate Issues Risks

CI07 (16) - Meeting community expectations in relation to Localism, particularly within the planning process.

CI17 (16) – Recycling of leaf sweepings and potential waste reclassification resulting in an adverse impact on recycling performance and costs.

CI23 (16) – Compost Protocol changes and the potential impact on recycling performance and costs.

CI24 (16) – Anticipated supermarket applications in West Devon and the potential impact on the viability of town centres.

### Resolved Risks

- 3.2 At both Councils' Audit Committees meetings in the spring of 2013, the external auditors suggested that it would be helpful if the Councils kept a register of all the risks that had been judged to have been resolved. Previously the Councils deleted the risk from the register once the risk had been addressed. The report now includes a 'Resolved Risks' table (Table 6) where the risk has either been significantly reduced but is difficult to completely overcome (risk score of 6 or below), or the risk has been addressed, since the last report to the Committees.
- 3.3 Members may also wish to note that the strategic political risks associated with major organisational change to embed shared services are now judged by SMT to have largely been mitigated. Therefore the risks in this part of the register are deemed to be low or resolved.

### New Emerging Risks

- 3.4 The emerging new Transformation Programme potentially addresses many of the strategic risks facing both the Councils; however a large scale change programme also generates significant risks for the Councils. The potential risks and actions that could be taken within the programme are still being developed but can be summarised as follows:

Finance and Asset Risks

- 3.5 Funding availability for initial investment to implement the programme; higher than anticipated costs and/or lower than anticipated savings arising from the programme; and unexpected external cost pressures which diverts funding from T18.
- 3.6 An integrated ICT solution proves less successful than anticipated.

Management Risks

- 3.7 Management capacity to deliver the programme in tandem with other key corporate projects; maintaining a shared vision for T18 during a period of significant change; managing organisational transition to the new operating model; and establishing an effective and robust programme management arrangement given the complexity of T18.

Political Risks

- 3.8 Ongoing political commitment to ensure that the programme is delivered despite the inevitable challenges that will emerge during such a major organisational change; potential change in corporate direction arising from national/local elections in 2015; and securing joint agreement for the most cost effective accommodation strategy.

Staffing Risks

- 3.9 Ensuring sufficient officer capacity and retaining morale during significant corporate change; and securing successful implementation of major cultural change in relation to new skills and work styles within the new operating model.
- 3.10 Further work on identifying and managing the risks in relation to the Transformation Programme is currently being undertaken.

**4. LEGAL IMPLICATIONS**

- 4.1 The Audit Committees have a role in keeping under review and recommending to their respective Councils improvements in relation to effective risk management.
- 4.2 There are no direct legal implications arising from the report although a strategic focus on risk management is good practice.

4.3 An assessment has been carried out as to whether the public interest in withholding the information in Appendix 1 outweighs the public interest in disclosing it. For most parts of the Risk Register, the public interest lies in non-disclosure due to the potential commercial/financial/legal nature of some of the risks identified.

## 5. FINANCIAL IMPLICATIONS

5.1 There are no direct financial implications of the report, although effective corporate risk management may help protect the Councils from future losses.

## 6. OTHER CONSIDERATIONS

<b>Corporate priorities engaged:</b>	All
<b>Statutory powers:</b>	None specifically identified.
<b>Considerations of equality and human rights:</b>	Factored into individual risk assessments where appropriate. Equalities Impact Review of the Risk Management Policy in place.
<b>Biodiversity considerations:</b>	Factored into individual risk assessments where appropriate.
<b>Sustainability considerations:</b>	Factored into individual risk assessments where appropriate.
<b>Crime and disorder implications:</b>	Factored into individual risk assessments where appropriate.
<b>Background papers:</b>	Joint Risk Management Policy.
<b>Appendices attached:</b>	<p>APPENDIX 1 - NOT FOR PUBLICATION</p> <ul style="list-style-type: none"> <li>• Table 1 - Strategic Political Risk</li> <li>• Table 2 - Strategic Management Risks</li> <li>• Table 3 - Strategic Staffing Risk</li> <li>• Table 4 - Strategic Financial and Asset Risks</li> <li>• Table 5 - Corporate Issues Risks</li> <li>• Table 6 – Resolved Risks</li> <li>• Summary of Corporate Risk Matrix</li> </ul>