# Chorley Council

| Report of | Meeting | Date |
|---|---|---|
| Director Policy and Governance | Governance Committee | 30 May 2018 |

## STRATEGIC RISK UPDATE REPORT

### PURPOSE OF REPORT

1.      The Strategic Risk Register (SRR) is the vehicle by which the Council aims to identify and address any potential risks to the organisation and the delivery of its functions which therefore need to be managed strategically.

2.      This report provides members with an updated SRR which includes 15 strategic risks to the Council, including actions in progress as well as new actions planned to further mitigate identified risks.

### RECOMMENDATION(S)

3.      That Members note the strategic risks, controls in place and actions planned to further mitigate the strategic risks as set out in Appendix 1.

### EXECUTIVE SUMMARY OF REPORT

4.      The Council operates in a continually changing political, economic and financial environment. The SRR is therefore a live document and needs to be updated to reflect any new or emerging strategic risks facing the Council.

5.      This report contains the latest revision to the SRR for Members' information and comment.

6.      The risk register is continually reviewed and currently, the majority of risk categories remain stable with six of these identified as 'high risk', seven 'medium risk' and two 'low risk'. The majority of risk levels remain static as mitigating actions have ensured that the risks have been effectively managed and have therefore not escalated across the year.

7.      Two risk levels have been increased this year to reflect the large levels of reliance upon ICT development and capacity required to undertake this work and to reflect the Council's reliance on partnership working to support and sustain its transformation agenda. One risk level has been lowered due to the strong controls in place to ensure we change and adapt to react to changing service demand.

| Confidential report<br>Please bold as appropriate | Yes | **No** |
|---|---|---|

**CORPORATE PRIORITIES**

8.      This report relates to the following Strategic Objectives:

| Involving residents in improving their local area and equality of access for all | | A strong local economy | |
|---|---|---|---|
| Clean, safe and healthy communities | | An ambitious council that does more to meet the needs of residents and the local area | ✓ |

**BACKGROUND**

9.      Risk management is a cornerstone of good corporate governance and the Council has established a system of risk management which involves the creation of risk registers at a strategic level, service level and individual project levels.

10.     Compiling the Strategic Risk Register requires a collective effort involving Senior Management Team (SMT) to identify the key strategic risk issues facing the Council. The Strategic risk register is stored and managed within the Council's risk management system GRACE. SMT are responsible for identifying, owning monitoring and mitigating strategic risk. The GRACE system also contains separate risk registers for individual projects and service level risk registers owned and controlled by individual services managers and project managers.

11.     Good progress has been made over the last year with regards to the GRACE system and its use. Following the last report to Governance Committee in June 2017, all strategic risks are now contained within the GRACE system have been reviewed to inform this latest position. Directors have been assigned to each risk, rather than SMT as a whole, to make best use of the GRACE system and alerts and ensure that each risk is owned at a senior level.

12.     A recent internal audit exercise has highlighted some key actions for improving the way in which we deal with strategic risk within the organisation. Recommendations include risk being incorporated more effectively within Council Committee report templates and risks being reported (by exception) to Executive Cabinet on a quarterly basis.

13.     The review also recommended that the Strategic risk register be reviewed more frequently by SMT and this recommendation will be taken forwards from Q1 2018/19 when SMT will review the register on a quarterly basis.

## HOW THE RISKS ARE SCORED

14. All risks are stored within the GRACE system and are scored on a 4x4 risk matrix as outlined below:

| | | 1 | 2 | 3 | 4 |
|---|---|---|---|---|---|
| **Major** | 4 | 4 Low | 8 Medium | 12 High | 16 High |
| **Serious** | 3 | 3 Low | 6 Medium | 9 Medium | 12 High |
| **Minor** | 2 | 2 Low | 4 Low | 6 Medium | 8 Medium |
| **Insignificant** | 1 | 1 Low | 2 Low | 3 Low | 4 Low |
| | | 1 | 2 | 3 | 4 |

**Rarely** – there is a slight possibility that the event will occur

**Unlikely-** there is a possibility that the event will occur or there is a history of occasional occurrence within the authority

**Likely** – There is a strong possibility that the event will occur or there is history or regular occurrence within the Authority

**Highly likely** - there is little doubt that the event will occur

15. All of the risks have been re-assessed for 2018 by SMT on the likelihood of the risk occurring against the impact for the organisation if it did occur taking into consideration any controls, completed actions or actions planned over 2018/19. The resulting score out of 16 is used to aid in prioritising the risk and mitigating actions.

## SUMMARY OF THE RISKS

16. A summary of the updated **inherent** risks for 2018 can be found below:

| Risk No. | Description of Risk | Matrix Score May 2018 | Change in inherent risk level from June 2017 |
|---|---|---|---|
| R1 | Failure to realise the value of large budget investments and achieve return on investments | 16 (High) | → |
| R2 | Failure to achieve desired outcomes through partnership working and deterioration in relationships | 16 (High) | → |
| R3 | Budget cuts in key public and third sector partners having a negative impact on local level service delivery | 16 (High) | → |
| R4 | Failure to optimise opportunities for new ways of working and alternative business models including options for income generation | 16 (High) | → |
| R5 | Lack of resources to deliver the Council's priorities due to public sector funding cuts (financial & staff capacity) | 12 (High) | → |

| Risk No. | Description of Risk | Matrix Score May 2018 | Change in inherent risk level from June 2017 |
|---|---|---|---|
| R6 | Failure to react to changing service demand | 8 (Medium) | ↓ |
| R7 | Reduction in satisfaction with the Council | 9 (Medium) | → |
| R8 | Failure to sustain our performance in light of budget cut | 9 (Medium) | → |
| R9 | External legislative and policy change affecting service delivery (Universal credit, Homelessness Reduction Act, GDPR) | 8 (Medium) | → |
| R10 | Failure to fully realise the benefits of new technology and related impact on driving organisational change | 12 (high) | ↑ |
| R11 | Reduction in staff satisfaction and morale with the Council including increase in sickness absence | 6 (Medium) | → |
| R12 | Incidents affecting service delivery/business continuity or even widespread damage, injury or risk to the public including cyber-attack | 6 (Medium) | → |
| R13 | Damage to the council's reputation and potential reduction in resident satisfaction in relation to high profile decision making | 4 (low) | → |
| R14 | Failure to build and maintain strong relationships of trust and confidence between officers and each party to promote good and open relationships between political parties | 4 (Low) | → |
| R15 | Failure of (existing) Shared Service arrangements | 8 (medium) | ↑ |

17. Further details about each of these risks, residual and target scores and their mitigating controls and actions can be found within the detailed register in Appendix 1.

18. The risk scores for three risks have been changed as highlighted in the table above. Two overall risk scores have increased for 2018 demonstrating a higher overall risk for the council this year and one risk score has decreased, outlining a lower level of risk due to the controls and actions completed over the past year.

19. The majority of strategic risk levels have remained similar to 2017 as mitigating actions have ensured that the risks have been effectively managed and have therefore not escalated across the year.

20. No new risks have been added to the register for 2018 however the scope of two of the risks have been widened to ensure that they reflect the most current position. R13 has been changed to include all high profile decision making to reflect the amount of key decisions the Council makes and will be required to make as we continue our work to move forwards towards a position of sustainability. The scope of R9 has also widened to incorporate Universal Credit, the Homelessness Reduction Act and GDPR legislation to acknowledge wider legislative changes which will affect the Council over the coming year and the work which will need to be undertaken to ensure that we implement and comply effectively with this legislation.

21. The highest scoring risks, R1-5, continue to focus on delivering Council priorities, including new ways of working such as partnership working to address the future budget deficit. There are significant challenges facing the organisation within the coming year including budgetary pressures and internal and external change, coupled with an ever increasing demand for our services. The council faces significant financial challenges as we move towards 2020/21 and preparing for these challenges means we must continue to transform the way in which we work to reduce our costs and ensure that we continue to deliver effective public services for residents, including looking at options for income generation. The work of the Transformation Board continues to achieve the financial savings that need to be made towards a sustainable operational and financial position, informing the corporate planning process and is listed as a control/action measure against many of the highest scoring strategic risks.

22. The risk score for R1 'failure to realise the value of large budget investments and achieve return on these investments' continues to be the highest rated risk for the Council. This risk includes the Council's investment into large scale commercial developments, particularly in the town centre, and the need to see a return on this long term investment to assist the Council in achieving a sustainable financial position in future years and as such remains high priority and high risk.

23. Risk R2 refers to failure to achieve desired outcomes through partnership working and deterioration in relationships. Although established working relationships are in place (Public Service Reform and Integrated Community Wellbeing Service) this risk continues to be rated as one of the highest risks facing the council given the reliance we have on partnership working to support our sustainability in light of reductions in government funding and to work effectively in partnership with other organisations to provide joined up support for our most vulnerable residents. Work continues to deliver established partnerships already in place and strong control measures are listed to mitigate this risk over the coming months.

24. Risk R3, refers to budget cuts in key public and third sector partners having a negative impact on local level service delivery. Despite strong controls and mitigating actions in place internally to mitigate this risk, external financial pressures at both a national and county wide level still exist meaning that further budget cuts may be imminent; therefore the risk score is maintained.

25. Risk R4, 'failure to optimise opportunities for new ways of working and alternative business models including options for income generation' remains at a high risk rating. Good progress has been made towards exploring opportunities for new ways of working including looking at options for income generation through the work of the Transformation Board. Given the impact and budgetary reliance we have on exploring income generation as an organisation as outlined within our Medium Term Financial Strategy (MTFS), this risk score remains high for 2018.

26. This years' update sees a decrease in the score for risk R6, 'failure to react to changing service demand'. This risk score has reduced as the likelihood of our failure to react has decreased given the amount of work undertaken this year and the number of controls in place. Key controls in place include the delivery of the ICT and digital strategies both of which acknowledge and address the changes in the way our customers choose to access our services and outlines the ways in which we will change to support and address this.

27. Risk R10 'failure to realise the benefits of new technology and related impact on driving organisational change' has been given a slightly higher rating to reflect the volume of work required to be undertaken this year to mitigate this risk and the capacity within the organisation to deliver. There are a number of high profile projects being delivered to ensure that the technology we have available as an organisations supports the level of organisational change being undertaken one example being the delivery of the Streetscene Modernisation Strategy which will see the delivery of more efficient, high quality services

including the better use of technology to support new ways of working. This risk will continue to be managed through individual project and service risk registers which will inform the overall strategic risk level at the next refresh.

28. R15 'Failure of shared services arrangements' has also been given a slightly higher risk rating compared to 2017. This is to reflect the risk of any changes to current shared services arrangements given the reliance we have on these arrangements as a council and the savings they currently achieve.

## NEXT REVIEW

29. Following the recommendations of the Internal Audit review, the Strategic risk register will next be reviewed by SMT at the end of Q1 2018/19.

## IMPLICATIONS OF REPORT

30. This report has implications in the following areas and the relevant Directors' comments are included:

| Finance | | Customer Services | |
|---|---|---|---|
| Human Resources | | Equality and Diversity | |
| Legal | | Integrated Impact Assessment required? | |
| No significant implications in this area | | Policy and Communications | |

## COMMENTS OF THE STATUTORY FINANCE OFFICER

17. There are no financial implications associated with the report.

## COMMENTS OF THE MONITORING OFFICER

18. No comments

REBECCA HUDDLESTON
DIRECTOR POLICY AND GOVERNANCE

There are no background papers to this report.

| Report Author | Ext | Date | Doc ID |
|---|---|---|---|
| Kate Howcroft | 5061 | 17/05/2018 | SRRupdate 2018 |

Appendix 1

| Risk No. | Description of Risk | Risk Owner | Risk category | Controls in Place | Inherent risk score | Residual risk score | Target risk score | Actions Planned | Target Action Date |
|---|---|---|---|---|---|---|---|---|---|
| **R1** | Failure to realise the value of large budget investments and achieve return on investment | ML | Financial | Budget setting process<br><br>Regular budget monitoring<br><br>Project and programme management<br><br>Market Walk steering group<br><br>SMT Programme Board<br><br>Representation in the Corporate Strategy | 16 (high) | 9 (medium) | 6 (medium) | Ongoing monitoring of investment projects through quarterly monitoring and Corporate Strategy Programme Board<br><br>Transformation Board | 31/03/2019 |
| **R2** | Failure to achieve desired outcomes through partnership working and deterioration in relationships | RH<br><br>CS | Partnership/contractual<br><br>Reputational | Public Service Reform Partnership and role of the Executive<br><br>Partnership working (key management competency)<br><br>Existing Working relationships<br><br>Continued delivery of actions within the Transformation Strategy<br><br>Joint Integrated Community Wellbeing Service monitoring and Executive<br><br>Transformation Board<br><br>Evaluation of PIVOT<br><br>Delivery of phase 1 ICWS<br><br>Phase 1 of ICW service delivery – governance and delivery of year 1 objectives | 16 (high) | 6 (medium) | 4 (low) | Members and officers to work to manage relationships<br><br>Delivery of year 3 of the Public Service Reform Partnership<br><br>Continue to support the development of the ICWS | 31/03/2019 |

| Risk No. | Description of Risk | Risk Owner | Risk category | Controls in Place | Inherent risk score | Residual risk score | Target risk score | Actions Planned | Target Action Date |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Evaluation of year 2 of the public service reform programme | | | | | |
| R3 | Budget cuts in key public and third sector partners having a negative impact on local level service delivery | RH | Financial<br><br>Partnership/contractual<br><br>Reputational<br><br>Strategic | Continued delivery of the Transformation Programme<br><br>Re-commissioning of third sector contracts to maintain local service delivery<br><br>Intermediate solutions to county cuts and county council transformation budget<br><br>Joint Integrated Community Wellbeing Service monitoring and Executive<br><br>Impact assessment undertaken re. LCC budget cuts<br><br>Cost effective, sustainable solutions to intermediate measures<br><br>Existing relationships with key public sector partners<br><br>Chorley Public Service Reform Board | 16 (high) | 8 (medium) | 6 (medium) | Officers and Members to lobby and influence key public sector partners through meetings, working groups and responding to consultations.<br><br>Refresh of the Transformation Strategy to reflect council's updated position<br><br>Delivery of the Transformation Board forward plan | 31/03/2019 |
| R4 | Failure to optimise opportunities for new ways of working and alternative business models including options for income generation | RH | Operational<br><br>Partnership/contractual<br><br>Reputational | Key strategic partnership framework<br><br>Corporate Strategy<br><br>Chorley Public Service Reform Partnership<br><br>Transformation Strategy | 16 (high) | 8 (medium) | 6 (medium) | Review key strategic partnership framework<br><br>Refresh of the Transformation Strategy<br><br>Delivery of the MTFS | 31/03/2019 |

| Risk No. | Description of Risk | Risk Owner | Risk category | Controls in Place | Inherent risk score | Residual risk score | Target risk score | Actions Planned | Target Action Date |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Update previous report on business models | 30/11/2018 |
| | | | | | | | | Explore alternative delivery models for development projects | 28/09/2018 |
| R5 | Lack of resources to deliver the Council's priorities due to public sector funding cuts (financial & staff capacity) | RH  ML | Financial  Human Resources  Reputational | Refreshed Corporate Strategy and service level business plans  Refreshed Medium Term Financial Strategy  Additional budget investment in priorities  Continued organisational development through the Leading Edge and Flair programmes  Delivery of the Transformation programme  Changes to service provision  Increase in Council tax 2018/19  Transformation  Board | 12 (high) | 8 (medium) | 4 (low) | Focus on business growth and generating additional income to make the council financially self-sufficient  Refresh of the Transformation programme  Delivery of the Transformation Board forward plan  Delivery of the MTFS | 31/03/2019 |
| | | | | | | | | Annual corporate planning and budget process including developing the big issues paper and engaging with Members | 15/03/2019 |

| Risk No. | Description of Risk | Risk Owner | Risk category | Controls in Place | Inherent risk score | Residual risk score | Target risk score | Actions Planned | Target Action Date |
|---|---|---|---|---|---|---|---|---|---|
| R6 | Failure to react to changing service demand | AK | Strategic<br><br>Technological | Use of system data<br><br>Volumetric data capture<br><br>Self service capability via Council website<br><br>ICT Digital Strategy<br><br>Transformation Board<br><br>Digital Inclusion project<br><br>Delivery of the Single Front Office | 8 (medium) | 6 (medium) | 4 (low) | Implementation of the ICT and customer strategies<br><br>Implementation of the Digital Strategy<br><br>Review of the Single Front Office operating model | 31/03/2019 |
| R7 | Reduction in satisfaction with the Council | AK | Reputational | Customer service delivery<br><br>Corporate Health dashboard<br><br>Resident Satisfaction survey 2017<br><br>Customer satisfaction survey<br><br>Tangible improvement projects in the Corporate Strategy 2017<br><br>Single front office<br><br>Customer focus within the Digital and ICT strategies | 9 (medium) | 6 (medium) | 6 (medium) | Additional investment in priority areas<br><br>Tangible improvement projects in the corporate strategy 2018<br><br>Delivery of communications, campaigns and events | 31/03/2019<br><br>01/04/2019<br><br>30/03/2019 |
| R8 | Failure to sustain our performance in light of budget cuts | RH | Human Resources<br><br>Operational<br><br>Reputational<br><br>Strategic | Performance management framework<br><br>Performance monitoring and annual refresh of local indicators<br><br>Performance indicators | 9 (medium) | 6 (medium) | 4 (low) | Refresh Performance management framework<br><br>Transformation strategy refresh | 31/03/2019<br><br>31/03/2019 |

| Risk No. | Description of Risk | Risk Owner | Risk category | Controls in Place | Inherent risk score | Residual risk score | Target risk score | Actions Planned | Target Action Date |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Organisational development plan<br><br>Transformation Strategy<br><br>Annual business planning process<br><br>Performance dashboard for SMT<br><br>Benchmarking exercises including LG inform | | | | Delivery of Transformation Board forward plan | 31/03/2019 |
| R9 | External legislative and policy change affecting service delivery (Universal Credit, Homelessness Reduction Act, GDPR) | RH CS | Legal/regulatory<br><br>Operational | Chorley welfare reform partnership<br><br>Credit Union<br><br>Additional resources dedicated | 8 (medium) | 8 (medium) | 4 (low) | Monitor risks outlined within the relevant service business plans (Universal credit and Homelessness Reduction Act)<br><br>Ensure Council is compliant with GDPR regulations | 31/03/2019<br><br>25/05/2018 |
| R10 | Failure to fully realise the benefits of new technology and related impact on driving organisational change. | AK | Operational<br><br>Technological | Digital Strategy<br><br>Single Front Office<br><br>Worksmart initiatives<br><br>ICT strategy | 12 (high) | 6 (medium) | 2 (low) | ICT core network upgrade<br><br>Delivery of Streetscene Modernisation Strategy 2018<br><br>Delivery of ICT Business Plan 2018<br><br>Upgrade core infrastructure and data protection | 28/09/2018<br><br>31/03/2019<br><br>31/03/2019<br><br>28/09/2018 |

| Risk No. | Description of Risk | Risk Owner | Risk category | Controls in Place | Inherent risk score | Residual risk score | Target risk score | Actions Planned | Target Action Date |
|---|---|---|---|---|---|---|---|---|---|
| R11 | Reduction in staff satisfaction and morale with the Council including increase in sickness absence | CM | Human Resources | OD and health and wellbeing programmes<br><br>Delivery of additional management training (Leading Edge and Flair)<br><br>Healthcare cash back scheme<br><br>Leading edge management competencies<br><br>Internal communications plan<br><br>Staff Matters<br><br>Staff survey 2017<br><br>Continued application of sickness absence policy<br><br>Health and safety policies | 6 (medium) | 3 (low) | 3 (low) | Refresh of internal communications strategy<br><br>Local indicator refresh – sickness targets<br><br>Implementation of the emotional wellbeing policy<br><br>Delivery of the OD strategy (Yammer, listening days, development of SMT, new appraisal process) | 31/03/2019<br><br>31/03/2019<br><br>30/09/2018<br><br>31/03/2019 |
| R12 | Incidents affecting service delivery/business continuity or even widespread damage, injury or risk to the public including cyber-attack/information management breach. | CS | Information<br><br>Strategic | Business Continuity Plan<br><br>Emergency Plan<br><br>Flu pandemic plan.<br><br>Multi agency flood plan<br><br>Chorley COMAH Plan<br><br>Staff awareness of ICT risks/threats and reporting of any issues<br><br>National, regional and local security plans.<br><br>Command and control structure in place | 6 (medium) | 4 (low) | 4 (low) | Business continuity plans refreshed and reviewed<br><br>Emergency arrangements continue to be in place<br><br>Chorley is a member of the PSN network | 31/05/2018<br><br>31/03/2019<br><br>31/03/2019 |

| Risk No. | Description of Risk | Risk Owner | Risk category | Controls in Place | Inherent risk score | Residual risk score | Target risk score | Actions Planned | Target Action Date |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Response to recent rise in UK threat levels | | | | | |
| R13 | Damage to the council's reputation and potential reduction in resident satisfaction in relation to high profile decision making. | GH | Reputational | Communication and engagement with local stakeholders and residents

Governance procedure in place

Planning Policies in place

Monthly monitoring of resident satisfaction

Resident satisfaction survey 2017 | 4 (low) | 2 (low) | 2 (low) | Continued tailored communication and engagement

Monthly monitoring of customer satisfaction through customer satisfaction survey

Monitoring of social media (comments, threads, themes) and respond appropriately and alert where needed | 31/03/2019 |
| R14 | Failure to build and maintain strong relationships of trust and confidence between officers and each party to promote good and open relationships between political | CM | Strategic | Bi-weekly meeting with leader and regular meetings with the leader of the opposition.

All party leaders meetings

Attendance at political group meetings to address key issues

Corporate strategy development and engagement with political parties | 4 (low) | 2 (low) | 2 (low) | Corporate strategy development and engagement with political parties

Boundary review | 30/11/2018

31/03/2019 |

| Risk No. | Description of Risk | Risk Owner | Risk category | Controls in Place | Inherent risk score | Residual risk score | Target risk score | Actions Planned | Target Action Date |
|---|---|---|---|---|---|---|---|---|---|
| | parties | | | | | | | | |
| **R15** | Failure of existing Shared Service arrangements | GH | Operational<br><br>Partnership/contractual | Strategic partnerships framework<br><br>Effective governance arrangements<br><br>Best practice to shape future services | 8 (medium) | 6 (medium) | 2 (low) | Continue with governance arrangements implemented | 31/03/2019 |

**Risk owners**
GH – Gary Hall (Chief Executive)
CS – Chris Sinnott (Deputy Chief Executive/ Director Early Intervention and Support)
RH – Rebecca Huddleston (Director Policy and Governance)
AK – Asim Khan (Director Customer and Digital)
ML – Mark Lester (Director Business, Development and Growth)
CM – Chris Moister (Head of Legal, Democratic and HR Services)