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| **REPORT TO** | **ON** | |
| **Governance Committee** | **19 January 2021** | |
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| **TITLE** | | **REPORT OF** | |
| **South Ribble Corporate Risk Register 2021** | | **Deputy Chief Executive** | |

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| --- | --- |
| Is this report confidential? | **No** |

**PURPOSE OF THE 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 16 strategic risks to the council, including existing controls as well as actions planned to further mitigate identified risks.

**RECOMMENDATIONS**

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

**REASONS FOR RECOMMENDATIONS**

1. Members have a duty to be aware of the potential strategic risks facing the Council.

**OTHER OPTIONS CONSIDERED AND REJECTED**

1. N/A

**EXECUTIVE SUMMARY**

1. This report provides an overview of the Strategic Risk Register 2021. The register contains information on the 16 strategic risks facing the Council and their risk ratings (high, medium, low). It also lists the controls already in place for each of the risks and the mitigating actions to be undertaken. In the 2021 register:

**Inherent risks**

* **Eight** risks (50%) have been rated high (red) by their inherent score,
* **Eight** risks (50%) have been rated as medium (amber) by their inherent score

**Residual risks (with controls in place)**

* **One** highly rated risk (6%),
* **Ten** risks rated at a medium level (63%),
* **Five** risks rated as low (31%).

**CORPORATE OUTCOMES**

1. The report relates to the following corporate priorities:

|  |  |  |  |
| --- | --- | --- | --- |
| An exemplary council | ü | Thriving communities |  |
| A fair local economy that works for everyone |  | Good homes, green spaces, healthy places |  |

**BACKGROUND TO THE REPORT**

1. 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, service level and individual project level.
2. Compiling the Strategic Risk Register requires a collective effort Involving Leadership Team (LT) to identify the key strategic risks facing the Council. LT are responsible for identifying, owning, monitoring and mitigating strategic risk within the organisation including ensuring that any actions against each risk are completed.

**HOW THE RISKS ARE SCORED**

1. All risks are scored on a 4x4 risk matrix as outlined below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 4 | 4  Low | 8  Medium | 12  High | 16  High |
| 3 | 3  Low | 6  Medium | 9  Medium | 12  High |
| 2 | 2  Low | 4  Low | 6  Medium | 8  Medium |
| 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 |

1. All risks have been assessed by LT for 2021 on the likelihood of the risk occurring, against the impact for the organisation if it did occur. Taking into consideration any controls or actions planned over 2021. The resulting score out of 16 gives the inherent risk and is used to aid in prioritising the risk and mitigating actions.
2. Each risk has three risk scores, described below:

* **Inherent** – based on the likelihood and impact of the risk if we ‘do nothing’,
* **Residual**- this risk score considers any existing control measures in place,
* **Target**- the level of risk the risk owner is willing to accept considering the controls and actions in place.

1. When scoring the risks, the following factors have been considered:

* Environmental factors,
* Political factors,
* Financial considerations,
* Regional and national risk factors,
* Previous risks experienced by the council.

**SUMMARY OF THE RISKS**

1. A summary of the **inherent** risks (ordered highest to lowest risk) for 2021 can be found below.

* Eight risks (50%) have been rated high
* Eight risks (50%) have been rated medium

| **Risk** | **Description** | **Owner** | **Inherent**  **risk** | **Residual risk** |
| --- | --- | --- | --- | --- |
| **R01**  Service delivery | The ability of the council to continue its service delivery being either halted or significantly scaled back as a result of major incidents or emergencies such as cyber-attacks, pandemics. | Chief Exec/Deputy Chief Exec | **16**  (high) | **9**  (medium) |
| **R02**  Corporate Governance failure | Failure to implement and maintain the corporate governance framework action plan leading to continued fundamental weaknesses in internal controls | Director Governance | **9**  (medium) | **6**  (medium) |
| **R03**  Financial sustainability | Reduction in current funding streams including government grant and key public sector and third-party partners | Director Finance/ Deputy Director Finance | **12**  (high) | **9**  (medium) |
| **R04**  Management of capital funding and capital programme | Poor management and monitoring of capital funding to deliver large scale improvements to the corporate plan - ensuring that is on track and up to date and projects are delivered within agreed timescales and budget | Director Finance/ Senior Responsible Officers | **12**  (high) | **9**  (medium) |
| **R05**  External legislation and policy change | Failure to account for and/or respond to external legislation and policy change for example those brought about by BREXIT, Universal Credit, GDPR, local government transformation, Green agenda. | Director Governance | **12**  (high) | **8**  (medium) |
| **R06**  Staff capacity and skills | Lack of staff capacity and/or skills to enable the Council to deliver large-scale capital projects to support the Corporate Strategy | Deputy Chief Exec | **9**  (medium) | **4**  (low) |
| **R07**  ICT security and data protection | Failure to comply with GDPR regulations and data legislation leading to action taken against the council, including reputation and legal action resulting in fines. | Director Customer and Digital | **12**  (high) | **8**  (medium) |
| **R08**  Strategic partnerships | Failure to achieve desired outcomes through strategic relationships incl. City Deal | Chief Exec/Deputy Chief Exec | **16**  (high) | **12**  (high) |
| **R09**  Agile services (consideration post COVID-19) | Failure to adapt business models and services to reflect changes in the way people interact and do business with the council (including consideration of communities’ post COVID-19, impact of local economy and council services). | Deputy Chief Executive | **12**  (high) | **8**  (medium) |
| **R10**  Council's reputation | Damage to the Council's reputation and potential reduction in resident satisfaction | Director Governance | **9**  (medium) | **4**  (low) |
| **R11**  Shared service arrangements | Failure of existing shared service arrangements/ failure to expand shared services arrangements | Chief Exec/Deputy Chief Exec | **9**  (medium) | **2**  (low) |
| **R12**  Staff satisfaction and morale | Reduction in staff satisfaction and morale with the Council including increase in sickness absence | Shared Service Lead- Transformation and Partnerships | **9**  (medium) | **6**  (medium) |
| **R13**  Political relationships | Failure to maintain political stability and Officer-Member relationships | Director Governance | **9**  (medium) | **6**  (medium) |
| **R14**  Council performance | Failure to sustain performance of Corporate Strategy projects and general organisational performance | Shared Service Lead- Transformation and Partnerships | **9**  (medium) | **4**  (low) |
| **R15**  Data breach or action leading to complaints or ICO investigation | Shared system arrangements to facilitate South Ribble Together Hub (Covid) with Citizens Advice leading to poor service or data breach leading to financial penalty and reputational harm | Director – Neighbourhoods and Developments | **12**  (high) | **4**  (low) |
| **R16**  Brexit | Potential detrimental impact of Brexit upon service delivery | Deputy Chief Executive | **9**  (medium) | **8**  (medium) |

1. Further details about each of these risks, residual and target scores and their mitigating controls and actions can be found within the detailed risk register at Appendix 1.
2. Eight risks (50%) have been scored as high (by their inherent risk) in the 2021 register. These risks primarily relate to delivering council priorities effectively, within budget and governance. Risks include financial sustainability and funding, consideration of external policy and compliance, partnership working and continuing to deliver council services effectively despite the impact of elements outside of council control.
3. One of the highest rated risks to the council for 2021 is R01 ‘the ability of the council to continue its service delivery being either halted or scaled back as a result of major incidents or emergencies such as cyber-attacks, pandemics’. This risk is rated highly due to the likelihood and impact of disruption to business continuity due to the ongoing COVID-19 pandemic. However, the controls we have in place to mitigate this risk as a council are strong and therefore the residual and target scores reduce significantly to medium.
4. The maintenance and success of key strategic partnerships are key to the Council meeting its key corporate priorities and aims. Risk R08 relates to the success of these partnerships and has been rated highly for 2021 given the Council’s reliance on them and specific issues relating to the City Deal. There remain strong partnerships in place with governance arrangements to manage relationships through mechanisms such as the South Ribble Partnership.
5. As would be expected, COVID- 19 has had a significant impact on the consideration and scoring of some of the highest rated risks for 2021. Its impact (and potential unknown future impact) can be seen influencing several of the highest risks facing the council. This includes R03 ‘reduction in current funding streams including government grant and key public sector and third-party partners. This risk has been rated highly due to the unknown impact of COVID-19 on future funding/income streams and potential impact on council income generation. It can also be seen against risk R09 ‘agile services’ due to the likelihood of changing customer needs and environments during and post the pandemic. Strong actions are in place against this risk including effective business planning for 2021/22 and undertaking a survey to understand the changing needs of residents and therefore the target risk is low.
6. Two of the highest rated risks facing the Council are financial. These risks involve the management of capital funding and the capital programme (R04) and financial sustainability (R03). With regards to financial sustainability, this risk has been rated highly due to probability of reduction in current funding streams including Central Government grants, key public sector and third party partners following as a result of the COVID – 19 pandemic in an environment where cuts where already ongoing. Risk RO4 involves the management of capital funding to deliver large scale improvements within the Corporate Plan. The Corporate Plan is a significant document which determines the direction of the council and key projects to be delivered over the next three years and therefore the impact of any poor management of capital funding to deliver the plan would be high. Although both rated highly – strong, well established controls and monitoring are in place to manage both risks and therefore the residual and target risks are lower, at medium.
7. Risk R05 and RO7 relate to external policy and legislation and the potential failure of the Council in complying with/ responding effectively to them. Risk R05 specifically relates to policy change such as Brexit and GDPR and the risk should the council fail to comply with existing regulations (in the case of GDPR) or any new regulations arising (Brexit). There is also a separate Brexit risk at R16 which is rated at a medium level due to the need for awareness of potential changes in council policies and procedure following Brexit.
8. Risk R07 is more data based and related to policy/ legislation surrounding GDPR and data protection and the Council’s compliance with it. Work is continuing around GDPR compliance however comprehensive actions are in place following the Council’s GDPR audit and therefore the target level of risk is low at 4, reflecting the level of risk the council is willing to accept following the completion of all actions and controls.
9. Eight risks (53%) are rated at a medium level for 2021. These risks are around internal governance, political relationships, shared services, staff satisfaction and the Council’s reputation. The medium rating of these risks reflects the work that has been undertaken over the last 18 months as part of improvements to the Council’s governance processes and internal structures, as well as the successful completion of phase one of shared services and agreement to progress to phase two. Staff have continued to be supported, through the difficult circumstances of the COVID – 19 pandemic and the last staff satisfaction survey (pre-COVID) showed satisfaction was 78%.
10. The significance of these risks and their potential impact on the council remains however, and therefore they are rated at a medium level for 2021 along with existing controls already in place and any further actions to be undertaken to mitigate these risks.
11. Risk R02 ‘corporate governance failure’ is rated as a medium this year. The risk is around failure to implement and maintain the corporate governance framework action plan leading to continued fundamental weaknesses in internal controls. The risk has been classed as medium due to significant learning following previous governance failures and the strong actions and controls that have therefore been put in place and are being delivered through the Annual Governance Statement action plan. Several actions to be delivered will contribute towards effective corporate governance, meaning the target risk is low and rated 4 (green).
12. Risk R15 is related to the establishment of South Ribble Together Hub and the development of a triage and referral service being delivered with support from Citizens advice. The risk directly relates to potential for data breaches and implications of enforcement by the Information Commissioner. Several mitigating actions and controls are in place that have moved the risk from high to low. Progress will be continually monitored and regular management meetings of the service is overseen through the Community Development Team Manager.

**RISK**

1. N/A

**EQUALITY**

1. N/A

**AIR QUALITY IMPLICATIONS**

1. There are no direct air quality implications from this report. Air quality will be considered for any actions which are relevant to mitigate identified risks.

**COMMENTS OF THE STATUTORY FINANCE OFFICER**

1. The strategic risk register plays an important role in the council's internal control environment and so it is important it is regularly reviewed. The implementation of the controls and actions identified do not have any new financial implications.

**COMMENTS OF THE MONITORING OFFICER**

1. Clearly having a detailed and comprehensive Strategic Risk Register is important from the point of view of having robust governance arrangements in place. It demonstrates that the council has directed its mind to the principal risks facing it and how best to mitigate them. There are no concerns from a Monitoring Officer perspective with what is proposed here.

*.***APPENDICES**

* **Appendix 1** - Detailed Strategic Risk Register 2021

Chris Sinnott

Deputy Chief Executive

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