

Report of	Meeting	Date
Deputy Chief Executive	Governance Committee	Tuesday, 25 January 2022

## Strategic Risk Review

Is this report confidential?	No
------------------------------	----

Is this decision key?	Not applicable
-----------------------	----------------

### Purpose of the Report

1. The Strategic Risk Register is used by the council 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 Strategic Risk Register, which includes 16 strategic risks to the council, including actions in progress as well as new actions planned to further mitigate identified risks.

### Recommendations to Governance Committee

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

### Reasons for recommendations

4. To enable the risk register to be updated on GRACE, the council's risk management system, to ensure close monitoring of key strategic risks.

### Other options considered and rejected

5. No other options have been considered as the report only provides an update on the risk register.

**Executive summary**

6. The council operates in a changing political, economic and financial environment. The Strategic Risk Register therefore needs to be updated regularly to reflect any new or emerging strategic risks facing the council.
7. This report contains the latest version of the risk register and proposed changes for member’s information and comment. The updated version of the risk register will then be updated on GRACE, the council’s risk management system, following consideration by the Governance Committee.

**Corporate priorities**

8. The report relates to the following corporate priorities:

<b>An exemplary council</b>	Thriving communities
A fair local economy that works for everyone	Good homes, green spaces, healthy places

**Background to the report**

9. The Strategic Risk Register is a key part of the council’s risk management system, alongside service level and individual project level risk registers, and considers the key risks that are applicable to Corporate Strategy and service delivery across the council as a whole.
10. The Council operates in a continually changing political, economic and financial environment. The Strategic Risk Register is therefore a live document and needs to be updated to reflect any new or emerging strategic risks facing the Council.
11. The Strategic Risk Register is owned by the Senior Management Team and is stored and managed through GRACE, the council’s risk management system. The senior management team are responsible for identifying, owning, monitoring and delivering actions to mitigate strategic risk, including ensuring that any actions against each risk are completed.
12. All risks are scored on a 4x4 risk matrix as outlined below:

<b>Major</b>	4	4 Low	8 Medium	12 High	16 High
<b>Serious</b>	3	3 Low	6 Medium	9 Medium	12 High
<b>Minor</b>	2	2 Low	4 Low	6 Medium	8 Medium
<b>Insignificant</b>	1	1 Low	2 Low	3 Low	4 Low
		1	2	3	4
		<b>Rarely</b> – there is a slight possibility that the event will occur	<b>Unlikely</b> - there is a possibility that the event will occur or there is a history of occasional occurrence within the authority	<b>Likely</b> – There is a strong possibility that the event will occur or there is history or regular occurrence within the Authority	<b>Highly likely</b> - there is little doubt that the event will occur

## Summary of risks

13. A summary of the updated inherent risks for 2021/22 can be found below ranked from highest matrix score to lowest. The table includes all risks on the register, including a summary of the existing control measures and actions in place to mitigate risk and any changes to the risk level.
14. Risks have remained similar to last year, with the close management and delivery of actions to mitigate and control risks helping the majority of risk scores to remain stable. Three risks have been identified as increasing in risk level, and two have decreased since the last review. Additionally, one new risk has been identified for 2021/22, alongside one risk being removed from the register.
15. New risk titles have also been identified to ensure that they are all clear and indicative of the risk to the council.
16. The full register including all of the existing control measures and new actions is available in appendix A.

Risk	Description	Inherent	Residual	Target	Direction	Comment
R01- Incidents Impacting Service Delivery	The ability of the council to continue its service delivery is either halted or scaled back as a result of major incidents such as cyber-attacks, pandemics.	16	9	6	→	Current risk score maintained based on continuation of work to maintain and review business continuity and disaster recovery plans.
R02- Failure to Deliver Outcomes through Strategic Partnerships	Failure to achieve desired outcomes through strategic relationships including City Deal Partnerships	16	9	4	↓	Decrease in residual risk score from 12 (high risk) to <b>9</b> (medium risk) to reflect the existing control measures including new Key Strategic Partnership Framework updated in 2021 to provide regular monitoring of key contracts, shared governance arrangements, agreed structures ,and partnership boards. Planned actions to mitigate risk further, include a review of governance arrangements for partnerships and review of the City Deal.
R03- Poor Financial Sustainability	Reduction in current funding streams including government grant and key public sector and third party partners	12	9	6	→	Current risk score maintained with the inherent risk level to remain high based on continued uncertainty around long-term funding. Planned actions include a review of budget management arrangements and identification and implementation of efficiency savings and income generation proposals.
R04-Poor Management of Capital Programme and Capital Funding	Poor management and monitoring of capital funding and expenditure to deliver large scale improvements to the corporate plan - ensuring that is on track and up to date and projects delivered within agreed timescales and budget	12	9	4	→	Current risk score maintained. Current measures are in place to mitigate risk, include quarterly monitoring of the Capital programme (in terms of both funding and expenditure), contract management arrangements and staffing support available through informal shared services arrangements with Chorley Council. Planned actions to be delivered include

						regular updates on capital scheme funding arrangements and for service areas to meet regularly with the Finance team to discuss and identify alternative funding streams available.
R05- Not Responding to 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	12	8	4	→	Current risk score maintained. Existing control measures in place include regular policy reviews, policy and legislation briefings, response to government consultations, officer and member training and interaction with partner agencies. A planned action is the review of the Transformation programme to ensure that opportunities to respond to local government transformation are fully considered.
R06- Lack of Staff Capacity and Skills	Lack of staff capacity and/ or skills (including as a result of issues in relation to recruitment,) to enable service delivery or for the Council to deliver large-scale capital projects to support the Corporate Strategy	12	4	2	↑	Inherent risk score increased from 9 (medium) to <b>12</b> (high) based on risk of vacancies in key areas for service delivery with the risk that these vacancies might be difficult to fill due to national recruitment patterns. Current control measures include the OD strategy, HR policies, reviewed employee benefits and the performance review process. Planned actions include a People Strategy, continuation of shared services arrangements, and Workplace Strategy to attract and retain skilled staff.
R07- Failure of 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.	12	8	4	→	Current risk score maintained. Current measures in place include security arrangements and policies including Information Security, security testing, implementation of the SOCITIM review and Government briefings and guidance. Planned actions to further mitigate risk include a data backup review, continued

						staff training, audit review, and Digital Strategy and ICT work programme.
<b>NEW</b> R08- Failure to Recover Effectively from Covid-19	Failure to adjust practices and processes to reflect the impact of the Covid-19 pandemic.	12	8	6	<b>NEW</b>	A new risk has been identified for Covid-19 recovery to reflect the risk of failing to adjust council practices and processes to the long-term impact of the pandemic.
R09- Not Adapting to New Ways of Working	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)	12	6	4	↓	<p>The title of this risk has been changed to 'New Ways of Working' to better reflect the risk description which includes failure to adapt business models and services to changes in the way that people do business.</p> <p>The residual risk score has decreased from 8 (medium) to <b>6</b> (medium) based on work that has been carried out during the pandemic to support agile working. This has included the approval of the Workplace Strategy to set out a vision and action plan for future ways of working. Covid-19 has helped to develop a change in culture across the organisation to support agile and flexible working.</p>
R10- Low Staff Satisfaction and Morale	Reduction in staff satisfaction and morale with the Council including increase in sickness absence	12	6	4	↑	The inherent risk score has increased from 9 (medium) to <b>12</b> (high) based on the level of organisational change that has occurred over the last year, including the introduction of shared Directors, expanding shared services to ICT and front-facing services and the ongoing impact of the Covid-19 pandemic. Measures in place include HR processes, staff communications, and the OD strategy, with internal communications and Organisational

						Development to be refreshed as part of planned actions.
R11- Detrimental Impact of Brexit	Potential detrimental impact of Brexit upon service delivery or costs	9	8	4	→	Current risk score maintained for Brexit with the existing control measure of impact awareness from SMT and a planned action to review current policies and procedures in service areas depending on impacts.
R12- Corporate Governance Failure	Failure to implement and maintain the corporate governance framework action plan leading to continued fundamental weaknesses in internal controls.	9	6	4	→	Current risk score maintained. Existing control measures in place include the AGS action plan, Council Constitution, Code of Corporate Governance, Member and Officer protocols and Internal Audit. Planned actions include reviews of many of these policies and processes to ensure that they are up to date and maintained.
R13- Breakdown in Political Relationships	Failure to maintain political stability and Officer- Member relationships	9	6	4	→	Current risk score maintained. Regular portfolio reviews and member briefings are in place as existing measures, with planned actions to include a review of the constitution to review formality, ongoing member training and an update to the member code of conduct.
R14- Damage to the Council's Reputation	Damage to the Council's reputation and potential reduction in resident satisfaction	9	4	4	→	Current risk score maintained. Current measures in place to minimise risk include governance arrangements, conduct and capability, communication and engagement channels, complaints policy, resident satisfaction survey, performance monitoring, the corporate strategy and budget setting process, and the key partnership framework. Actions planned to further mitigate risk include a reviewed customer strategy in line with the shared Customer Services review, reviewed

						consultation and engagement framework and reviewed communications strategy.
R15- Failure of Shared Services Arrangements	Failure of existing shared service arrangements/ failure to expand shared services arrangements	9	4	1	↑	The residual risk score has increased from 2 (low) to 4 (low) to reflect the challenges of expanding shared services arrangements to front-facing services/ future plans for shared services are currently undecided. Current measures in place to mitigate risk include governance arrangements, the shared SMT, the Shared Change Policy and Trade Union engagement. Actions to continue the regular reporting and monitoring of shared services, alongside decisions around future shared services will help to further minimise risk.
R16- Council underperformance	Failure to sustain performance of Corporate Strategy projects and general organisational performance	9	4	2	→	Current risk score maintained based on stable Council performance despite the Covid-19 pandemic. Measures in place include quarterly monitoring and reporting through the refreshed performance management framework, business planning process and local indicators. Performance management training on the new Performance Management System, in addition to the Performance Leads Network, will help to further embed the performance management frameworks.
<b>REMOVE</b> 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.	12	4	2		This risk has been removed as the South Ribble Together Hub is now managed in-house by the Council instead of with Citizens Advice. This means that the risk of data breach now falls under R07 'Failure of ICT Security and Data Protection'



## Highest Scoring Risks

17. The highest scoring risks are highlighted at the top of the above table. Many of these risks focus on delivering Council priorities, including service delivery, large scale capital projects, new ways of working, and working with strategic partners to deliver outcomes. There are challenges facing the organisation in relation to budgetary pressures and changes to funding that we will have to continue to meet in order to meet the demand for services and needs of residents.
18. The two highest scoring risks, with an inherent risk score of 16, are R01 (Incidents Impacting Service Delivery) and R02 (Failure to Deliver Outcomes through Strategic Partnerships.) The risk for service delivery 'the ability of the council to continue its service delivery is either halted or scaled back as a result of major incidents such as cyber-attacks/ pandemics' is rated high due to the likelihood of continued disruption during the Covid-19 pandemic including changing government guidance. There is a high risk that this will continue to lead to changing demands and expectations over the next year, and that this could have an impact on business continuity and the delivery of services. Control measures in place to help mitigate this risk include business continuity plans and disaster recovery plans, including the ability of the organisation to deliver services through remote working where required. These plans will continue to be reviewed to ensure that they are up to date.
19. R02 'failure to achieve desired outcomes through strategic relationships including City Deal' is also rated high risk due to the reliance on external partners to achieve key strategic objectives. Despite the high risk, the council has several control measures in place including a new Key Strategic Partnership Framework updated in 2021 to provide regular monitoring of key contracts, shared governance arrangements, agreed structures and partnership boards. Planned actions to mitigate this risk further include a review of governance arrangements for partnerships and review of the council's continued involvement in the City Deal.

## Changes to risk scores

20. The majority of strategic risk levels have remained similar to 2020/21 as mitigating actions and controls have ensured that the risks have been effectively managed and have therefore not escalated across the year. However, all actions and controls have been reviewed and updated against these risks and will be recorded within the GRACE system following Governance Committee.
21. The review has resulted in an increase in risk for R06 (Lack of Staff Capacity and Skills) 'lack of staff capacity and/ or skills (including as a result of issues in relation to recruitment) to enable service delivery or for the Council to deliver large-scale capital projects to support the Corporate Strategy' due to the risk of vacancies in key areas . This reflects a wider pattern in recruitment for specific skills sets seen as a consequence of the Covid-19 pandemic across local government and nationwide. It is proposed that the risk score is increased from 9 (medium) to 12 (high.) Control measures currently in place include refreshed staff benefits, HR policies and the OD strategy to help retain

and develop skilled staff, with the recruitment process and system for the organisation currently being reviewed to ensure that the council attracts high quality applicants for new vacancies. The development of a People Strategy will also help to support strategic workforce planning to ensure that succession planning is in place across service areas.

22. The residual risk for R15 'failure of existing shared service arrangements/ failure to expand shared services arrangements' has increased from 2 (low) to 4 (low) based on the risk of expanding shared services arrangements to phase 2 including ICT, and Customer Services and Revenues & Benefits services. Expanding shared services to additional services within a short period of time of the implementation of phase 1 services, has an increased risk due to the pace of change and less time to embed the initial phases across the organisations. As Customer Services and Revenues & Benefits is a front-facing service, the successful implementation of the shared service carries a greater risk than previous services and could impact on the delivery of further shared services development in the future. Strong governance and monitoring arrangements are in place to help control this risk.
23. R10 'reduction in staff satisfaction and morale with the Council including increase in sickness absence' has increased from 9 (medium) to 12 (high) based on the impact of the Covid-19 pandemic and organisational change. Whilst work has been carried out to help support high staff satisfaction and positive morale, including the delivery of the organisational development programme and employee engagement initiatives, further work is needed to embed the interventions to ensure that any detrimental impact on staff satisfaction is minimised.
24. The following risks have decreased:
  - The residual risk score for R2 (Failure to Deliver Outcomes through Strategic Partnerships) has been reduced from 12 (high) to 9 (medium) to reflect the new Key Contracts and Strategic Partnerships Framework introduced in 2021 to ensure more robust and regular monitoring of key partnerships and their objectives.
  - The residual risk score for R9 (Not Adapting to New Ways of Working) has been reduced from 8 (medium) to 6 (medium) due to the work that has been carried out to progress new ways of working including the Workplace Strategy and progression of the Joint Digital Strategy.
25. A new risk has been identified for Covid-19 Recovery to reflect the risk of failing to successfully adjust council practices and policies to take into account the impact of the Covid-19 pandemic, both as an organisation and in the Council's role in supporting the borough.
26. The risk for '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' has been removed from the register as this service is now delivered in-house without shared system arrangements with Citizens Advice. The risk for this data is now contained within the existing risk R7 (Failure of ICT Security and Data Protection.)

## **Climate change and air quality**

27. The work noted in this report does not impact the climate change and sustainability targets of the Council's Green Agenda and all environmental considerations are in place.

### **Risk**

28. Strategic risk for the council is outlined within the report.

### **Comments of the Statutory Finance Officer**

29. 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**

30. The strategic risk register is reviewed on a regular basis and kept up to date. It is of course important that this should happen. It is vital that we are fully sighted on the major risks confronting the council. The register helps to demonstrate that we have sound governance arrangements in place.

### **Appendices**

#### Appendix A- Strategic Risk Register

Report Author:	Email:	Telephone:	Date:
Caroline Winstanley (Transformation Coordinator)	caroline.winstanley@southribble.gov.uk	N/A	14.01.22