

Audit and Corporate Governance Committee Report

Report of HR, IT and Customer Services

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To: AUDIT AND CORPORATE GOVERNANCE COMMITTEE

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AGENDA ITEM NO 6

Strategic risk register update

Recommendation

1. That Audit and Corporate Governance Committee note the contents of the strategic risk register and satisfy themselves that we are managing our strategic risks effectively.
2. That Audit and Corporate Governance Committee note the future reporting timetable and comment on the content and proposed frequency of reporting.

Purpose of Report

1. The purpose of this report is to provide Audit and Corporate Governance Committee with the opportunity to review the strategic risk register in accordance with the Risk Management Strategy. This will allow committee members to identify any strategic risks above tolerance and note the action management team are taking to mitigate that risk.
2. We have drafted a future reporting timetable to ensure members of this committee receive appropriate updates to allow for the effective review of our risk management arrangements.

Background

3. We have rationalised the risk management approach at both South Oxfordshire District Council (South) and Vale of White Horse District Council (Vale) and produced a joint Risk Management Strategy. We presented the strategy to Audit and Corporate Governance Committee (South) and Audit and Governance Committee (Vale) before it was agreed by South's Cabinet on 2 July 2009 and Vale's Executive on 7 August 2009. The strategy details our reporting arrangements and indicates that this committee should have the opportunity to review the strategic risk register regularly and we consider six monthly reviews to be appropriate.
4. Our risk management process, review and reporting arrangements are the same at the Vale of White Horse District Council. We will be taking Vale's strategic risk register to their Audit and Governance Committee for review in September 2009.

Relationship with corporate plan

5. Having up to date strategic risk registers will help the councils in meeting their shared strategic objective of 'managing our business effectively'. It also supports all of the councils' strategic objectives through the identification and management of strategic risks.

Strategic risk register

6. We facilitated a workshop for strategic directors and the chief executive in March 2009 to review the revised strategic risk register template and also to discuss potential strategic risks. An outcome of the workshop was that one strategic director took direct ownership of the strategic risk register. Management team is now responsible for producing, reviewing and updating the strategic risk register every three months.
7. There are six strategic risks recorded on the register with each linked directly to one of our strategic objectives / corporate priorities.
 - Partnerships
 - Workforce planning / organisational change
 - Joint working arrangements
 - Housing provision
 - Recession
 - Didcot
8. The strategic risk register is attached at appendix 1.

Strategic risk matrix

9. The strategic risk matrix allows us to easily identify risks above our tolerance line and take swift mitigating action. The need for a tolerance line arises because few

organisations have sufficient capacity to manage every risk and it must be decided which are the most important risks to focus resources on. Our tolerance line indicates those risks that we can tolerate as we already have sufficient controls in place and those risks that need further management i.e. additional mitigating actions. We have given all strategic risks a unique reference number to allow us to plot each risk onto the strategic risk matrix.

10. Each risk has been given a risk rating consisting of the likelihood and consequence of that risk occurring and those risks above tolerance that are judged to require further action have a responsible director. Details of these actions and implementation dates recorded in the strategic risk register.
11. There are currently two risks above the tolerance line and we have recorded the additional mitigating actions required to reduce each risk within the strategic risk register with management team taking ownership.
12. The strategic risk matrix is attached at appendix 2.

Future timetable

13. The risk management strategy details our reporting arrangements, including committee's review of the strategic and operational risk registers. We have drafted a future reporting timetable to ensure members of this committee receive appropriate updates to allow for the effective review of our risk management arrangements.
14. We are proposing to present the strategic risk register for review every six months, a statistical report on the operational risk register for noting every 12 months and the risk management strategy for review every two years. Business continuity is a feature of risk management and we are currently rationalising the business continuity arrangements at both South and Vale. We will bring an update of our progress to this committee in December 2009.
15. The reporting timetable is attached at appendix 3 and we invite members to note the contents and comment on the proposed frequency of reporting.

Conclusion

16. The strategic risk register demonstrates that we have:
 - identified strategic risks facing the council and linked them to our strategic objectives
 - analysed and prioritised them in accordance with corporate procedures
 - recognised the risks which require further action to mitigate them
 - recorded the actions required, the responsible director for implementation and date of implementation
17. Our management of strategic risks is effective, owned at high level by management team and enables us to identify any risks which are above our tolerance of risk and take swift action to mitigate those risks.

18. The reporting timetable ensures that this committee is receiving appropriate updates to allow for the effective review of our risk management arrangements.

Background papers

- Risk management strategy reported to Audit and Corporate Governance Committee on 29 June 2009 and approved by Cabinet on 2 July 2009

Appendices

- Strategic risk register
- Strategic risk matrix
- Future reporting timetable

APPENDIX 1 – STRATEGIC RISK REGISTER

Risk reference	Corporate priority reference	Service area	Owner of risk	Description / Vulnerability	Trigger / Cause	Consequence	Gross risk rating 09/10	Risk control measures / Mitigation	Risk control measures in place - Yes or No	Net risk rating 09/10	Above tolerance - Yes or No	Further mitigating actions required	Proposed date	Person responsible
SSR001	Strategic objective - Managing our business effectively Corporate priority - MB1/2	Strategic	Matt Prosser	Partnerships - The council is involved in a number of area wide external partnership arrangements, which are intended to improve service delivery and performance. There is a significant amount of work required to support these, however they are having a positive effect on performance. Moving forward, the council needs to ensure it receives sufficient return from these arrangements.	Partnership work does not help to improve value for money and customer satisfaction	Unable to make best use of partnership arrangements. Council gains less from partnership arrangements than it should. Achieve less than of operating individually. Divert from day job. Raised expectations. Missed opportunities. Failure of key partner causes disruption to council services.	C2	Contract partnerships: annual review of contractor performance & action plans to address concerns; regular (usually monthly) contract meetings to monitor PIs & tackle beginnings of performance failure; financial appraisals when required to check contractor's health Inter-agency partnerships (e.g. OWP, OHP, CDRP, SOP): governance arrangements e.g. joint committees, leaders & chief exec meetings to tackle off-track performance; willingness to compromise & flex to assist partners in difficulty	Yes	D3	No	No	N/A	N/A

Risk reference	Corporate priority reference	Service area	Owner of risk	Description / Vulnerability	Trigger / Cause	Consequence	Gross risk rating 09/10	Risk control measures / Mitigation	Risk control measures in place - Yes or No	Net risk rating 09/10	Above tolerance - Yes or No	Further mitigating actions required	Proposed date	Person responsible
SSR002	Strategic objective - Managing our business effectively Corporate priority - MB1/2	Strategic	David Buckle	Workforce planning / organisational change - The council is going through a period of rapid change, which will require staff to be change orientated and who will respond as desired to change. There needs to be a strategic approach to workforce planning to reflect strategic priorities and objectives and supports the delivery of services. There needs to be resilience within the workforce in that the unexpected can be dealt with.	Workforce planning not fully effective	Loss of people from the council. Unnecessary loss of key skills. Increased cost of recruitment. Do not make the best use of skills and ability. Do not have the 'right people in place with the skills to do the job. Unable to drive through change at a required pace. Reputation as an employer damaged	B3	Regular communication updates to staff & answer staff concerns e.g. introduced quarterly staff briefings incl free Q&A sessions; info cascade through MT-HoS-team meetings; new MT role of programme board for the various change mgt projects - weekly project planning; F/T specialist HR lead whom staff trust (Trevor Hill); longer & broader staff consultation stages than previously; proposed harmonised Ts & Cs package aimed at staff retention; increasing SODC-Vale shared service teams improve resilience to weather staff absence, etc.	Yes	E3	No	No	N/A	N/A

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SSR003	Strategic objective - Managing our business effectively Corporate priority - MB1/2	Strategic	David Buckle	Joint working arrangements - Joint working arrangements are in place with Vale of White Horse District Council e.g. management team, finance and waste management merger. There are different cultures in each organisation and joint arrangements will need to be well managed. These arrangements are to achieve value for money and savings and have a positive impact on service delivery	Joint working arrangements have a detrimental impact on service delivery	Lack of harmonisation. Staff leave the organisation. Political fall out. Unable to make cost savings. Reputation damage. Decreased service quality. Reduced effectiveness of services.	A1	Continual engagement & dialogue between leaders, Cabinet/Exec members & chief exec addresses any emerging concerns; acceptance & willingness by both councils to compromise; joint committee regularly monitors progress & addresses weaknesses; each new joint working arrangement requires separate business case & requires joint approval; mutually assured reliance on the substantial delivered 'Gershon' cashable efficiencies that only joint working can achieve; separate exec boards to monitor & address specific arrangements (Ridgeway - finance; Waste; shared senior mgt team)	Yes	E1	No	No	N/A	N/A

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SSR004	Strategic objective - Delivering homes for all Corporate priority - HH1/2	Strategic	Anna Robinson	Housing provision - A significant element of the corporate plan involves delivering a planned level of housing in areas of the district, particularly Didcot. The plan is for approximately 9,000 houses by 2026. There are concerns currently that the downturn in the housing market is affecting this.	Required level of housing does not proceed, particularly within Didcot	Insufficient level of housing provided, including social housing. Unable to deliver planned economic inputs to Didcot. Impact on local economy. Increased pressure on services. Increased homelessness. Defaults to B&B. Social consequences	B2	Regular measurement & reporting of new housing units to spot problems early; cross county co-ordination & support through OHP; active engagement with RSL partners; seeking out new govt grants & pro-housing initiatives	Yes	D2	Yes	No - all controllable factors have been mitigated. The global recession & UK property slump remain the single critical factors, which are unmitigatable	N/A	N/A
SSR005	Strategic objective - Supporting economic growth Corporate priority - EG1/2	Strategic	Matt Prosser	Recession - The current economic climate could inhibit the councils ability to deliver its services. The council has to continue in delivering services for its residents who may as a result of the recession heavily rely on the council i.e. benefit claims	There is an increased demand for council services linked to recession issues	Inability to deliver services at an appropriate level. Loss of jobs at the council. Affected reputation. Delayed benefit payments. Increased level of homelessness cases. Increased pressure on council staff	C1	Tight fiscal control to provide substantial reserves & longer term sustainability; strategic priority to manage business effectively; monthly service & budget monitoring identifies recession impacts early & takes preventative action where possible; regular cabinet discussions on economy to address emerging issues; willingness to explore every cashable saving opportunity to free up resource for frontline services.	Yes	D2	Yes	No - all controllable factors have been mitigated. The global recession is unmitigatable	N/A	N/A

Risk reference	Corporate priority reference	Service area	Owner of risk	Description / Vulnerability	Trigger / Cause	Consequence	Gross risk rating 09/10	Risk control measures / Mitigation	Risk control measures in place - Yes or No	Net risk rating 09/10	Above tolerance - Yes or No	Further mitigating actions required	Proposed date	Person responsible
SSR006	Strategic objective - Transforming Didcot Corporate priority - TD1/2	Strategic	Anna Robinson	Didcot - A key strategic objective of the corporate plan is around 'transforming Didcot'. This is an ambitions plan and vision, however delivery of it could be impacted on by a number of factors, including a downturn in the economy and housing market, if the infrastructure delivery does not match growth or if other partners do not invest successfully	Unable to deliver ambitious plans and vision for Didcot as planned and communicated	Unable to meet key objectives. Cannot make most of opportunity. Reputation damaged. Political fall out.	B2	Regular measurement & reporting of this objective; director-led; inter-agency co-ordination; active engagement with partners	Yes	E3	No	No - all controllable factors have been mitigated. The global recession & UK property slump remain the single critical factors, which are unmitigatable	N/A	N/A

APPENDIX 2 – STRATEGIC RISK MATRIX

LIKELIHOOD	A Very high				
	B High				
	C Significant				
	D Low		SSR001	SSR004 SSR005	
	E Very Low		SSR002 SSR006		SSR003
	F Almost impossible				
		4 Negligible	3 Marginal	2 Critical	1 Catastrophic
		IMPACT			

APPENDIX 3 – FUTURE REPORTING TIMETABLE

Item	Reason	Cyclical basis
Risk Management strategy	Standard review of strategy	Every 2 years
Strategic risk register	Review and note strategic risks. Monitor implementation of required mitigating actions	Every 6 months
Statistical report on the operational risk register	Review and note operational risks	Every 12 months
Business continuity (general)	Update on rationalisation of business continuity arrangements. Update on Disaster Recovery plan. General update on business continuity arrangements	Every 6 months

	Sept-09	Dec-09	Mar-10	Jun-10	Sept-10	Dec-10	Mar-11	June-11
Risk Management Strategy								x
Strategic risk register	x		x		x		x	
Operational risk register			x				x	
Business continuity (general)		x		x		x		x