

Audit Committee Meeting	Agenda Item: 4
--------------------------------	-----------------------

Meeting Date	26 March 2014
Report Title	Strategic Risk Register
Portfolio Holder	Cllr Duncan Dewar-Whalley, Portfolio Holder for Finance
SMT Lead	Mark Radford – Director of Corporate Services
Head of Service	Brian Parsons – Head of Audit Partnership
Lead Officer	Brian Parsons – Head of Audit Partnership

Recommendations	That the Audit Committee agree that the individual risks shown in the draft register represent the principal strategic risks for Swale Borough Council and that the draft Strategic Risk Register be provided to a meeting of Cabinet for approval and adoption.
------------------------	--

Purpose of Report and Executive Summary

- 1.1 To agree a revised Strategic Risk Register to be submitted to a meeting of Cabinet for adoption.

2 Background

- 2.1 A Strategic Risk Register refresh workshop was held on 5th November 2013 involving members of the Strategic Management Team and the Corporate Leadership Team. The workshop was facilitated by Philip Coley, Team Leader, Zurich Strategic Risk Practice. The workshop provided an opportunity for attendees to review the Council's Strategic Risk Register and in doing so to ensure that it adequately reflects the key risks that the Council faces in delivering its corporate policies.
- 2.3 During the workshop, attendees reviewed the existing risks and identified if the wording needed to be updated or if any risks needed to be taken off or added. The group also reviewed the prioritisation scores to ensure that these properly reflected their likelihood and the potential impacts of the risks. In doing so, the group also reviewed the senior ownership of each risk to ensure that the appropriate senior officer and Member have overall responsibility for ensuring that the risk is effectively managed.
- 2.4 The group agreed that:
 - Risk 3: Localism should be taken off and moved to an appropriate operational risk register as the original risk had been managed down to a level where it could be dealt with at an operational, rather than a strategic, level

- Risk 4: Financial uncertainty / volatility needed to be significantly re-worded to focus on the medium term financial plan and the need for prioritisation in the use of financial resources.
 - Risk 6: Safeguarding needed to be reviewed and re-worded and re-prioritised as appropriate by the Safeguarding Officer.
 - Each of the remaining risk scenarios needed to be revisited by the respective risk owners and amended to reflect the updated risks and the agreed revised risk scores in terms of likelihood and impact, as well as changes to risk owners and changes to Member responsibilities.
- 2.5 The risk owners have reviewed their risks and provided updated risk scenarios for each assigned risk.
- 2.5 Appendix I: Shows the five risk scenarios that form the revised draft strategic risk register.
- 2.6 Appendix II: Provides an updated risk matrix showing the likelihood and impact scores that were agreed by the group for each of the risks.
- 2.7 The draft strategic risk register includes an updated foreword from the Leader.

3 Proposal

- 3.1 The Audit Committee is asked to agree the content of the revised draft Strategic Risk Register so that the Register can be reported to a meeting of the Cabinet for approval and adoption.
- 3.2 Following approval/adoption by Cabinet, the individual 'risk owners' will be asked to complete management action plans setting out the controls that are in place to manage the risks and the action that they will be taking to further reduce the likelihood of the risk occurring, and the impact if it does.

4 Alternative Options

- 4.1 The alternative option would be to not have a Strategic Risk Register. However, as a responsible public sector organisation, there is a need to for the Council to demonstrate that risks to the delivery of its priorities are being properly managed.

5 Consultation Undertaken or Proposed

- 5.1 Consultation on the content of the Register took place during the SMT/CLT meeting on 5 November 2013 and subsequently at the meeting on 3rd December. The first draft of the revised Register was considered by the meeting of the Strategic Management Team on 28 January 2014. Subject to the decision of the

Audit Committee, the report and register will be provided to the Audit Committee meeting of Cabinet for approval.

6 Implications

Issue	Implications
Corporate Plan	The draft strategic risk register has been prepared in the context of the corporate plan priorities and the need to manage the risks to their delivery.
Financial, Resource and Property	The draft strategic risk register includes a finance risk.
Legal and Statutory	Legal and Statutory issues have been considered as part of the preparation of the draft strategic risk register.
Crime and Disorder	None identified at this stage.
Risk Management and Health and Safety	Risk Management is the basis for the report.
Equality and Diversity	None identified at this stage.
Sustainability	None identified at this stage.

7 Appendices

7.1 The following documents are to be published with this report and form part of the report

- Appendix I: Draft revised Strategic Risk Register
- Appendix II: Updated risk matrix

8 Background Papers

8.1 None.

Appendix I

Swale Borough Council - Strategic Risk Register 2014 – 2017

Foreword from the Leader of the Council

Swale Borough Council continues to operate in difficult and volatile times. It is essential that we understand what the key risks are which affect our communities and the services we provide to them, and that we can respond flexibly to the challenges and opportunities these present. Times are changing for local government and our appetite for risk must be seen in this context.

The Strategic Risk Register has been prepared in order to identify and then manage the most important risks to the delivery of the Council's objectives and our reputation. It is intended to be a high level strategic document so the Register does not include subjects such as Emergency Planning, IT resilience, or Business Continuity Management, which, whilst important to running our business, are managed separately at an operational level.

Having identified the key strategic risks it is essential that we monitor what actions we are taking to mitigate and minimise their impact on what we do. Progress on the risks will be reported regularly to meetings of the Cabinet to ensure that we continue to move forward to achieve our strategic objectives by addressing those risks that might otherwise blow us off course. This is particularly important in the context of the national economic position, and its impacts locally, and the ongoing financial uncertainty around local authority funding. The Council needs to continue to make savings over the coming years by implementing a major transformation programme, managing the risks that we face well will help to ensure that we continue to provide good, resilient, services despite our reduced capacity.

The risk register will be regularly reviewed to ensure that it remains relevant in changing times.

Andrew Bowles
Leader of the Council

Agreed February 2014

Risk Scenario 1: Impact of welfare reform and wider economic pressures

Risk Description:	The impact of welfare reform and wider economic pressures on our communities		Likelihood/Impact	High (5) / Severe (3)
Member Risk Owner	Cllr John Wright		Officer Risk Owner	Brian Planner
Vulnerability/ Contributing factors	Trigger(s) / Event(s)	Potential Impact/ Consequences	Current Controls/ Mitigations in place	
<ul style="list-style-type: none"> Welfare reform is being introduced e.g. collection of Council Tax has been localised / Universal Credit is to be introduced / reduction in benefits for some residents Already high levels of deprivation within the Borough Utilities costs are rising Households are moving to the area 	<ul style="list-style-type: none"> Continued uncertainty around the timetable for the introduction of welfare reform Reduction in income for some households due to CAP or other benefit cuts Cost shunting leading to unintended consequences for parts of the community 	<ul style="list-style-type: none"> Perceived inequalities across the borough Increased debt levels increased homelessness risk and costs to SBC, particularly in the cost of emergency accommodation Adverse financial impact for the 	<ul style="list-style-type: none"> Developing a 'Young Persons Team' to develop an instant response to an approach from a young homeless person Implemented a 'triage' system to the Housing Options front line Early intervention to identify households at risk of repossession or eviction, as a result of the changes brought about by welfare reform and help them to act responsibly Joint approach through Kent Home Choice to tackle under occupation in social rented homes Two new joint Housing Options/Housing Benefits posts which will target households under threat of eviction County Wide approach through Kent Housing Options Group to identify and tackle street homelessness 	

<p>from London</p> <ul style="list-style-type: none"> • The economy is making a fragile recovery from recession • Government is likely to make further cuts in funding. 	<ul style="list-style-type: none"> • Financial risk – changes lead to unbalancing of the budget • Community bears higher costs/ impacts as a result of the changes 	<p>Council – Council Tax collection difficulties</p> <ul style="list-style-type: none"> • Increased demand for housing/ support • Criticism of the Council 	<ul style="list-style-type: none"> • Working through Kent Housing Group with Kent Forum to agree a dashboard of indicators to provide intelligence of the impact of welfare reform on our communities • Develop ways of using HB data to inform around population churn and movement from outside of the area • Adopting a Swale Health and Housing Partnership Health Inequalities Plan to ensure all agencies are engaged in improving health outcomes • Housing Benefit staff are to receive training in Homelessness law to enable early recognition and intervention to cases where there are debt related issues or threat of homelessness.
---	--	--	---

Risk Scenario 2: Regeneration and Place shaping

Risk Description:	Delivering our regeneration ambitions		Likelihood / Impact	High (5) / Severe (3)
Member Risk Owner	Mike Cosgrove		Officer Risk Owner	Pete Raine
Vulnerability/ Contributing factors	Trigger(s) / Event(s)	Potential Impact/ Consequences	Current Controls/ Mitigations in place	
<ul style="list-style-type: none"> Facilitating/delivering regeneration is a key priority for the Council There are currently difficult global and local economic conditions and significant financial pressures on investors which impacts on the availability of public / private sector investment Government policies also have a significant impact on national and local economic conditions There is a concern that difficulties with 	<ul style="list-style-type: none"> Prolonged funding cuts Private and public investment slows down or stops Closure or relocation of existing businesses Failed bids for regeneration funding Fail to get the LDF through within the required timescale Forced into making 	<ul style="list-style-type: none"> Quality of life in the borough fails to improve or deteriorates e.g. lack of employment opportunities, new housing etc. Loss of confidence from the public/ from potential investors in the borough Infrastructure doesn't come forward Sites remain vacant Reduction in ability to control land use 	<ul style="list-style-type: none"> Manage expectations by making clear what we can and can't control Use scarce resources wisely by targeting effort at most promising leads Work with partners to share risk and maximise outreach Maintain 'open for business' mentality at all times Monitor local socio-economic conditions to help identify and respond to issues and shape regeneration priorities. Monitor and contribute to relevant policies, strategies and delivery plans at National, SELEP, County and Thames Gateway levels. Keep abreast of new funding opportunities that will help support delivering our regeneration priorities Promote and communicate widely what Swale has to offer as an investment location 	

<p>the LDF process may ultimately lead to a reduction in the ability to control land use decisions</p> <ul style="list-style-type: none"> • Increase in planning legislation • Sittingbourne Plan/Local Plan obligations • There are concerns about whether the requirements of Swale will be appropriately prioritised by other partners / funding bodies 	<p>unsustainable decisions</p> <ul style="list-style-type: none"> • Attention of partners / funding bodies is focussed elsewhere 	<p>decisions</p> <ul style="list-style-type: none"> • Partnership working fails to benefit the Council and borough / miss out on funding opportunities • Reputation of the Council and borough undermined 	<ul style="list-style-type: none"> • Promote opportunities available to existing and potential new investors to support growth through advisory services and financial assistance. • Work and liaise closely with delivery partners, with particular regard to major regeneration schemes at Sittingbourne Town centre and Queenborough and Rushenden.
---	---	---	--

Risk Scenario 4: Achieving a balanced budget across the medium term financial plan period 2014/15 to 2016/17

Risk Description:	Achieving a balanced budget		Likelihood / Impact	Significant (4) / Major (4)
Member Risk Owner	Cllr Duncan Dewar-Whalley		Officer Risk Owner	Nick Vickers
Vulnerability/ Contributing factors	Trigger(s) / Event(s)	Potential Impact/ Consequences	Current Controls/ Mitigations in place	
<ul style="list-style-type: none"> Continued reductions in Revenue Support Grant, reductions and uncertainty on New Homes Bonus income, reluctance to raise Council tax and volatility in Business rates income The funding reductions require the Council to make savings of £3.6m to achieve a balanced position Insufficient funds to meet fixed costs and statutory 	<ul style="list-style-type: none"> Government funding decisions are unrealistic in terms of the ability of the Council to still function effectively Late notification of funding / have to make decisions at short notice or with limited information Decisions are not taken early on key priorities and this leads 	<ul style="list-style-type: none"> Council agrees a supposedly balanced budget but required actions are not taken and the Council overspends Focus of financial issues stops continuous improvement in Council services Council does not achieve its Corporate priorities Council fails to meet statutory 	<ul style="list-style-type: none"> Robust Medium Term Financial Plan regularly updated Early start to 2015/16 budget planning Use of reserves to smooth savings across years Close links to the update of the Corporate Plan and service plans Annual budget process is a member and management led process Monthly budget monitoring Scrutiny of financial reports Information flows/networking e.g. Kent Forum, Kent Finance Officers, Local Government Association, LG Futures 	

<p>responsibilities to an adequate level</p> <ul style="list-style-type: none"> • Impact of ceasing discretionary services which are linked to Council priorities and are highly valued in the community • Reducing levels of income – Business Rates, fees and charges • Volatility of income- particularly business rates 	<p>to poor knee jerk decisions being taken</p> <ul style="list-style-type: none"> • Additional funding reductions additional deficit reduction action by the Government • Significant increase in the level of inflation • Increasing budget pressures from demand-led budgets e.g. homelessness • Excessive costs from down sizing the organisation e.g. redundancy and early retirement costs • Change of Government 	<p>responsibilities</p> <ul style="list-style-type: none"> • Prioritisation decisions are unsustainable 	
--	---	--	--

Risk Scenario 5: Transforming to meet the financial environment

Risk Description:	Modernising and Transforming the way we do business		Likelihood / Impact	Low (3) / Severe (3)
Member Risk Owner	Cllr Andrew Bowles		Officer Risk Owner	Mark Radford
Vulnerability/ Contributing factors	Trigger(s) / Event(s)	Potential Impact/ Consequences	Current Controls/ Mitigations in place	
<ul style="list-style-type: none"> Commissioning and contract delivery does not deliver the level of transformation required Working relationships with partners are not as successful in delivering transformation and savings Reviewing the shape and size of the organisation is ineffective in delivering transformation to meet the financial plan Change in the 	<ul style="list-style-type: none"> Fail to get the right shape, structure, culture, relationships, ways of working Failure of management to obtain staff buy-in and to deliver transformation Failure to achieve understanding/ 'buy-in' from community of the need to transform Continuing reductions/ 	<ul style="list-style-type: none"> Poor delivery of aspirations / priorities Inefficient use of resources Focus on financial issues hinders transformation Possible industrial action Lost opportunities Breakdown of officer / member/ partner relations Reputation undermined 	<p>Effective implementation of:</p> <ul style="list-style-type: none"> Communications programmes to engender cooperation from/support of residents and business communities Contract monitoring arrangements Leadership development programme Workforce Plan and Strategy Staff Engagement Strategy Officer Code of Conduct Robust performance management, internal audit and risk management frameworks Commissioning and Procurement Strategy Medium Term Financial Strategy Effective communication and consultation procedures Channel Shift Project MKIP Programme/ Partnership working 	

<p>political makeup of the Council</p> <ul style="list-style-type: none"> • Equipping all members with the skills to respond to the new volatile operating environment • Difficulty in prioritising of services particularly those valued highly by the community • Effective workforce planning and staff engagement • Having the right IT systems, capability and capacity to deliver transformation • Managing initiatives in relation to channel shift • Maximising opportunities through the MKIP Programme • Issues associated with continuing to operate for a building 	<p>volatility in government funding streams</p> <ul style="list-style-type: none"> • Need to ensure that good decision making prevails in uncertain times • Changing government legislation, advice and guidance • Time frame for the Sittingbourne Town Centre redevelopment in securing new civic building • Success of MKIP partnerships • Vulnerability of critical services e.g. Planning to financial operating climate 	<ul style="list-style-type: none"> • Council becomes too risk adverse • Council takes too many risks 	<ul style="list-style-type: none"> • Transformation/Efficiency Reviews
---	--	--	---

which is not fit for purpose.			
-------------------------------	--	--	--

Risk Scenario 6: Safeguarding

Risk Description:	Safeguarding People¹		Likelihood / Impact	Low (3) / Major (4)
Member Risk Owner	Cllr Ken Pugh		Officer Risk Owner	Emma Wiggins
Vulnerability/ Contributing factors	Trigger(s) / Event(s)	Potential Impact/ Consequences	Current Controls/ Mitigations in place	
<ul style="list-style-type: none"> Although KCC is the statutory Safeguarding Authority and has the greater burden of responsibility, Swale also has statutory safeguarding responsibilities which it must fulfil The Council has key responsibilities for safeguarding vulnerable adults and children and in doing so is responsible for spotting potential instances of harm / 	<ul style="list-style-type: none"> Failure to deal effectively with the statutory safeguarding authority Failure to update and implement safeguarding policy and procedures Failure to deal effectively with an allegation Lack of effective safeguarding skills 	<ul style="list-style-type: none"> Potential significant harm / loss of life Lack of clarity of responsibility among statutory partners Potential litigation/ prosecution Confidence in the Council undermined Financial implications Morale declines 	<ul style="list-style-type: none"> Revised wording of Safeguarding Policy in June 2013 implemented. Annual Review of wording will take place in April Revised procedures in place. Safeguarding training available to all staff. Designated Safeguarding Officer and deputy for safeguarding enquiries in place. DBS* audit and revised procedures in place. Managing Safeguarding Allegations Policy & Procedure awaiting approval by cabinet, meeting in January 2014. Safeguarding area and recording system implemented Safeguarding Champions Group members to support Designated Safeguarding Officer 	

¹ These risks relate to Safeguarding insofar as Safeguarding is a statutory duty of the Borough Council. Other authorities, in particular Kent County Council, retain the majority of the statutory burden relating to Safeguarding of both children and adults.

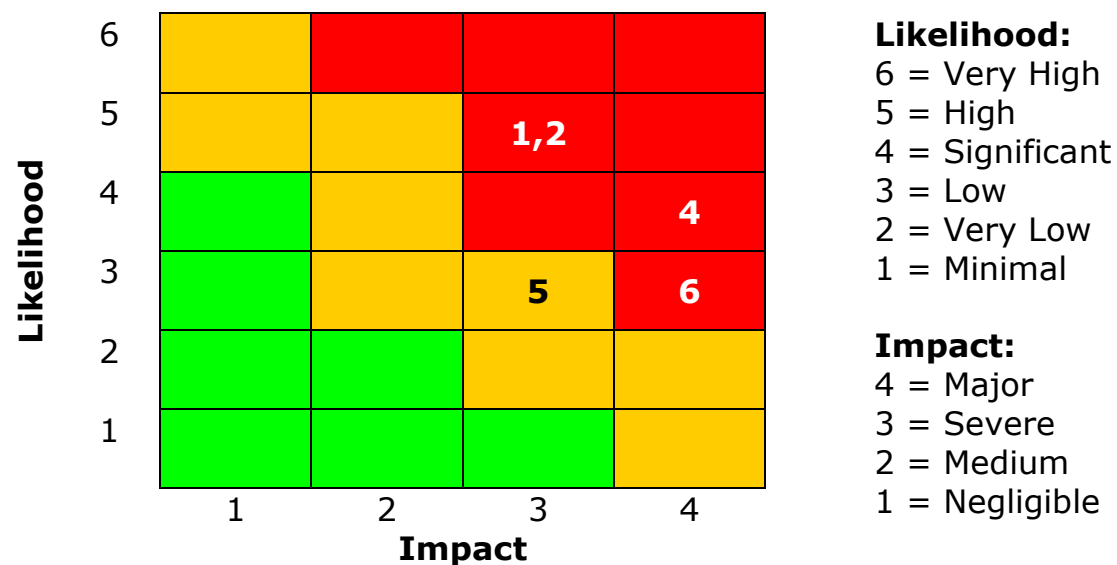
<p>preventing them from suffering harm</p> <ul style="list-style-type: none"> • The Council's Safeguarding Policy was recently approved in March 2012, wording revised & agreed by SMT in June 2013 	<ul style="list-style-type: none"> • Lack of recording of safeguarding concerns 	<ul style="list-style-type: none"> • Long term reputational damage 	<p>and Deputy, meetings held quarterly.</p>
--	--	---	---

* DBS (Disclosure & Barring Service) previously known as CRB

Appendix II

Risk Prioritisation Matrix taking account of the suggested changes

The risks were prioritised in terms of residual risk by taking account of actions and controls which are already in place to manage the risks.



Swale Strategic Risks:

Risk Scenario 1 = Impact of welfare reform and wider economic pressures

Risk Scenario 2 = Regeneration / Place Shaping

Risk Scenario 4 = Achieving a balanced budget across the medium term financial plan period

Risk Scenario 5 = Transforming to meet the financial environment

Risk Scenario 6 = Safeguarding People

Note: Previous Risk Scenario 3 'Localism' deleted from strategic register - now to be managed at an operational level.