



Title: **Progress Report on Strategic Risk Management**

Wards Affected: **All Wards**

To: **Audit Committee** On: **20 March 2013**

Key Decision: **No**

Change to Budget: **No** Change to Policy Framework: **No**

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1. Key points and Summary

- 1.1 The Council has developed a new approach to risk management. The new approach reflects the changing operating position that local government now works within following the comprehensive spending review and a 30% cut in local government by 2014/15.
- 1.2 The aims of this approach are;
- To develop a more strategic approach
 - Achieve greater clarity on the level of risk the Council is willing to accept
 - Embed this approach in day to day activity
- 1.3 Key changes from current approach
- The risk matrix has been revised to achieve greater clarity
 - The number strategic risk has been reduced
 - The level of risk considered to be acceptable by the council is clearly described
 - Mitigation measure a clearly outlined together with the current level of effectiveness
 - Improvement actions are identified
 - Reporting and accountability has been clarified

- 1.4 This approach has been developed in parallel with an a review of the Councils risk management processes by the Devon Audit Partnership A detailed report of their findings will be presented to a future meeting of the Audit Committee. This summary reflects their initial findings.

The Partnership has;

- Reviewed in brief the risk management processes in place at audit commencement and the original strategic risk register. Whilst this demonstrated a consideration of risk, there were issues with how this was embedded into the organisation and there were integration issues and concerns regarding the process not being dynamic in terms of responsiveness to change.
- This review allowed the Partnership to identify the then current risk management process as a baseline comparative for the revised process which has now agreed and which is now in operation, albeit in its infancy.
- As the new risk management process is in its infancy they are unable to provide an audit opinion of an established process and are purely commenting on initial operation, however the evidence provided in relation to the budget setting process for the coming financial year, demonstrated to a degree the intended process at a top level and the process would appear to be a more integrated dynamic which they would support. Based upon this they would anticipate giving an opinion in their audit report of 'improvements required' in order to purely reflect that the process is in its infancy and not embedded and therefore cannot be subject to a full audit in terms of established controls in operation.
- They intend to carry out follow up work in 2013/14 which would allow the process to bed in more fully.

3. Reporting/Monitoring

- 3.1 Strategic Risks will be reviewed dynamically by directors and the strategic leadership team with quarterly reports to the Audit Committee

2. Details

2.1 A review of the risk matrix has been undertaken. The new matrix although more comprehensive provides greater clarity and ease of use

Category/ Descriptor	Insignificant	Minor	Moderate	Major	Critical
Operational delivery	Service delivery affected but not disrupted	Some disruption to specific service	Disruption to a number of service areas	Shutdown of specific service area/ disruption to a number of service areas	Shutdown of a number of service areas
Strategic Direction	Slight, temporary deviance from one area of strategic direction	Slight, temporary deviance from several areas of strategic direction	Significant deviance from one area of strategic direction	Significant deviance from several areas of strategic direction	Strategic direction totally compromised/ unrecoverable
Council Financial Impact	Loss of less than 0.5% of monthly budget or £5,000	Loss of more than 1% of monthly budget or £50,000	Loss of more than 5% of monthly budget or £100k	Loss of more than 10% of monthly budget or £500k	Loss of more than 15% of monthly budget or £1m
Legal	Sued for small amount of money	Court action – not prolonged	Prolonged court action/tribunal	Court action impeding delivery of Council objective	Protracted high profile legal proceedings
Governance	Individual internal control not effective	Number of internal controls not effective	Loss of confidence in internal controls requires senior officer intervention	Loss of confidence by Council or external audit bodies/suspension of Council officers	External body required to intervene in governance of Council
Reputation	Minor adverse publicity in local media	Significant adverse publicity in local media	Significant adverse publicity in national media	Sustained adverse publicity in national media Member dissatisfaction	Chief Operating Officer and/or Elected Member resignation/ removal
Workplace health & safety	Incident – no lost time & near miss	Less than 3 days lost	More than 3 days absence	Serious injury/ stress resulting in hospitalization	Fatality (not natural causes)
Health	No detrimental impact on health of individuals	Health issues will require treatment at community level	Health issues will require treatment in hospital	Long-term or acute health issues	Fatalities
Security	No notifiable or reportable incident	Localised incident. No effect on operations	Localised incident. Significant effect on operations.	Significant incident involving multiple locations	Extreme incident seriously affecting continuity of operations.
Social & Environmental Factors	No lasting detrimental environmental or social impact	Short-term detrimental environmental or social impact to localised area/ small group	Short-term detrimental environmental or social impact to wider community/ area/groups	Long-term detrimental environmental or social impact to wider community/ area/groups	Extensive detrimental long term impact on the environment and community
Assets	Low level loss or damage to asset; no effect on service or community provision	Short-term loss of asset not critical to service or community provision	Long-term loss of asset not critical to service or community provision	Short-term loss of asset critical to service or community provision	Total long-term loss of asset critical to service or community provision
Other services/ organisations	Service delivery by other services /organisations affected but not interrupted	Some interruption to specific services provided by other services /organisations	Disruption to a number of service areas provided by other services /organisations	Shutdown of specific service areas provided by other services /organisations	Shutdown of a number of service areas provided by other services /organisations
Local economy	Low level economic decline/ rise in unemployment	Significant economic decline affecting under 10% of businesses/rise in unemployment across limited no. of areas of Torbay	Significant economic decline affecting between 10% and 15% of businesses/rise in unemployment across Torbay	Significant economic decline in more than 15% of businesses/rise in unemployment across many areas of Torbay	Economic decline and unemployment is significant across all of Torbay

2.2 The key strategic risks affecting the authority have been reviewed, with four key risks have been identified;

1. **Fair decision making** – Reconfiguring services without assessing impact, stakeholder engagement, and taking this into account during decision making process could leave the council open to successful legal challenge and costs
2. **Demand management** - Understanding the potential impact of increases in demand for and feeding this into management processes
3. **Welfare Reforms** - Introduction of Localised Council Tax Benefit Scheme, Reductions in Housing Benefits, Introduction of Universal Credit, Transfer of Social Fund from DWP
4. **Finance** - Planning for and delivery of a sustainable budget

2.3 Example of Risk Assessment Fair decision making

Category	Without measures in place		With measures in place	
	Impact	Probability	Impact	Probability
Council financial impact	Critical Legal fees & cost through inability to deliver savings £1m+	Almost Certain	Moderate Legal challenge could still be made, some delays in delivery cost <£100k	Possible
Legal	Major/critical Court action impeding delivery of objectives, protracted legal proceedings	Almost Certain	Minor Court action not prolonged	Possible
Social & Environmental impact	Critical Detrimental impacts to wider community groups including equalities groups	Possible	Moderate Short term detrimental social impact to wider community groups including equalities groups	Possible
Reputation	Major Sustained adverse publicity in national media member dissatisfaction	Almost Certain	Minor Significant adverse publicity in local media	Almost Certain

2.4 This shows that a by following agreed mitigations measure, the Council can reduce its financial form more than £1m to less than £100,000, however an unsuccessful legal challenge could be mounted with cost to the authority

2.5 Example of mitigation measures

Effectiveness	
A Will achieve desired outcomes	C Improvement actions - Monitor with concern
B Minor improvement actions - Monitor	D Won't achieve desired outcomes

Measures	Owner	Strength	Improvement actions	Progress
Clear timetable and process for decision making	PPR Manager	B	Mayors budget 2013 published Nov 2012 to increase time for consultation	Budget released later than anticipated with limited detail
Effective Consultation	PPR Manager	A		Surveys revised to include Budget proposals. PPR team working with Exec Heads to advise on consultation arrangements . EIAs used as tool to identify consultation
Equalities impact assessments (EIAs) undertaken	PPR Manager	A		EIAs have been drafted for budget proposals, these are subject to challenge by PPR team / legal.
Effective Scrutiny	Scrutiny Manager	C	Improve focus and quality of scrutiny recommendations <ul style="list-style-type: none"> • Agree Protocol – Mayor /Scrutiny 	Scrutiny focussing on key issues for budget as part of consultation process.
Impact assessments & consultation results available to members when decisions are made	Democratic services manager	A		EIAs supported by consultation results will be available for Members through January (as part of Priorities and Resources) and in February.