

REPORT OF: CHIEF FINANCIAL OFFICER
TO: ACCOUNTS AND AUDIT COMMITTEE
DATES: 27th SEPTEMBER 2018

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Strategic Risk Register Update and Risk Management Strategy

PURPOSE OF REPORT

1. The purpose of this report is to provide an update on the Council's Strategic Risk Register which forms an important part of the corporate governance arrangements. Local Government operates within an increasingly dynamic environment which is facing increasing challenges requiring effective management to mitigate against exposure to that risk.
2. The details of those risks are contained in the Strategic Risk Register attached in [Appendix One](#). The previous Strategic Risk Register has been reviewed and updated to reflect changes that are occurring both at a national level and also locally. In summary no risks have been removed, however, additional risk has been identified as explained later within this report.
3. The Risk Management Strategy (attached at [Appendix Two](#)) was recently revised and approved by Members in 2017, however minor changes have been made to take account of the new committee structure and within the authority.

RECOMMENDATIONS

4. The Committee is recommended to:
 - (a) Consider and comment on the Strategic Risk Register provided at [Appendix One](#) and advise if they would like any further information on specific aspects of the Council's arrangements.
 - (b) Approve the minor amendments made to the Risk Management Strategy.

REASONS FOR RECOMMENDATION

5. To inform members of the current risk facing the Council and the actions and planned activities that are taking place to mitigate against risk in order to reduce our exposure to any potential subsequent threats they pose and where appropriate maximise opportunities to effectively reduce exposure.

ISSUE

Strategic Risk Register

6. The Council has maintained a strategic risk register for a number of years. These are the main risks identified as being potential threats to the achievement of the Council's corporate objectives. Each risk is assigned to a risk owner and each is scored using a 5 by 5 risk matrix which assesses the impact and probability (likelihood) of the risk occurring as shown below:

Likelihood	A					
	B					
	C					
	D					
	E					
		5	4	3	2	1
		Impact				

7. The perceived likelihood and impact of each risk is assessed and scored according to the matrix above. At this stage the score is referred to as the Inherent Risk. The procedures and controls that the Council has in place to mitigate against that risk are considered to assess how effective they can be in reducing risk exposure. The risk is then re-scored leaving the residual risk that is not covered by the existing procedures and controls.
8. The updated Strategic Risk Register also describes the risk and outlines current developments impacting on the risk, actions taken or planned and identifies the risk owner(s).
9. Risks that have a high residual risk score are included on the strategic risk register and these risks are reported on periodically via Policy and Resources and Accounts and Audit Committee.
10. More detail with regard to the scoring methodology and matrix is contained within the Risk Management Policy and Strategy that was adopted last year and attached at Appendix Two for reference.
11. The most recent review of the risk register identified that all previous risk remain. Four additional risks have been identified – as shown below – and work is underway to assess the potential impact of these matters to determine whether they should feature on the Council's Strategic Risk Register:-
- Local Government Re-organisation and impact on regions with current two-tier local government structure.
 - Brexit – implications of the UK exiting the European Union.

- Risk of data breach and failure to comply with General Data Protection Regulation (GDPR).
 - Boundary Commission Review – potential impact on work load capacity.
12. Other factors identified impacting on existing risk, either increasing exposure, assisting mitigation or added opportunities included the following:-
- Adoption of a Commercial Strategy.
 - Potential issue of a statutory Section 114 notice in accordance with the LG Finance Act 1988.
 - A slowing down of housing development within the borough.
13. Each risk has been identified against the most relevant Key Objective of the Strategic Plan and summarised below:

Summary of the Risks identified in the Strategic Risk Register

Key Objective	Risk	Residual Risk Score
ALL KEY OBJECTIVES	<ul style="list-style-type: none"> • The Medium Term Financial Plan is not sustainable. • Brexit. 	A1 A3(p)
1 - STRONG SERVICES	<ul style="list-style-type: none"> • Failure to provide 'good' customer service, access and satisfaction. • Major Disaster affecting delivery of Council services. • Increased Health Inequalities – failure to deliver an improvement to the general health of Pendle's residents. • Incident resulting in death or serious injury or HSE investigation. (Also see Key Objective 4) • Local Government Re-organisation and impact on regions with current two-tier local government structure. • Financial position of Leisure Trust resulting in inability to provide existing level of Service. 	E3 C2 C2 C3 C3(p) A1
2 - STRONG ECONOMY	<ul style="list-style-type: none"> • Failure to optimise Pendle's economic growth / development within the region. • Failure to deliver a balanced housing market with reference to need and demand. • Failure to make an impact on young people where it is necessary to improve poor educational attainment. • Failure to bring development forward in line with the adopted Core Strategy leading to missed opportunities for growth in employment and housing. 	B1 A2 A3 TBD
3 - STRONG COMMUNITIES	<ul style="list-style-type: none"> • Lack of Cohesion between Communities. • Failure to Reduce Crime. • Increased anti-social behaviour, crime and the perception of levels of crime. • Universal Credit impacts on the Council's contract with Liberata. 	C4 B3 B3 A3
4 - STRONG ORGANISATION	<ul style="list-style-type: none"> • Inability to continue to deliver current levels of service of waste collection and recycling. • Impact on Council's capacity / viability of organisational change linked to on-going reductions in funding for local government. • Risk of data breach and failure to comply with General 	A3 B2 A3(p)

	Data Protection Regulation (GDPR). • Boundary Commission Review	TBD
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- At this time, the Committee is provided with the risk register for information and to ascertain if there is more information on any specific risks or the arrangements generally that it wishes to probe in more detail at subsequent meetings.

Risk Management Policy and Strategy

- The Council’s risk management framework has been established for some time and is a part of our corporate governance arrangements. It is important that the strategy and policy be subject to periodic review and with the overarching Risk Management Strategy and Policy being updated in 2008 and most recently in 2017.
- The document has been endorsed by the Risk Management Working Group and externally with our insurers, broker and external auditors and approved by Council. It is attached at Appendix Two for reference purposes in considering the updated Strategic Risk Register.
- To recap, the document defines our risk appetite as an organisation and sets out the responsibilities of various parties within the risk management framework. The level of risk appetite as selected in the document has been approved as the most appropriate for the Council.
- Minor changes have been made to the Risk Management Strategy (highlighted in yellow and attached at [Appendix Two](#)) to update it to reflect the new committee structure and roles within the Authority.

IMPLICATIONS

Policy

- There are no policy implications arising directly from the contents of this report.

Financial

- There are no new financial implications arising directly as a consequence of this report.

Legal

- There are no new legal implications resulting from this report.

Risk Management

- The proposed strategy risk register is demonstrating effective risk management evidencing that risks facing the Council are under review and activity to mitigate against risk remains relevant.

Health and Safety

- There are no health and safety implications arising directly from the contents of this report.

Sustainability

24. There are no sustainability implications arising directly from this report.

Community Safety

25. There are no community safety issues arising directly from the contents of this report.

Equality and Diversity

26. There are no equality and diversity issues arising from the contents of this report.

APPENDICES

Appendix One – Strategic Risk Register

AppendixTwo – Risk Management Strategy

LIST OF BACKGROUND PAPERS - None