



Committee and Date

Audit Committee – 7<sup>th</sup>  
September 2017

Item

Paper

## STRATEGIC RISK REPORT SEPTEMBER 2017

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### 1. Summary

- 1.1 This report sets out the current strategic risk exposure together with recent modifications and planned changes to strategic risk management within the authority.

### 2. Recommendations

- 2.1 Members are asked to accept the position as set out in the report.

## REPORT

### 3. Current Strategic Risk Exposure

- 3.1 The management of strategic risk is a key process which underpins the successful achievement of our priorities and outcomes. Strategic risks are linked, where appropriate, with the Annual Governance Statement Targeted Outcomes.
- 3.2 Our strategic risks have been reviewed on a bi-monthly basis ensuring that the level of risk exposure was monitored closely in our rapidly changing environment.
- 3.3 This was achieved through scheduled meetings with key officers, Directors, Chief Executive and Portfolio Holder. The outcome of each review is then reported to Directors and Informal Cabinet.
- 3.4 The new Risk Profile & Action Plan templates for managing our strategic risks are now completed and fully embedded. This details the direction of travel for each strategic risk over the year and clearly articulates the current controls in place and the additional controls required to mitigate and manage our strategic risk exposure effectively.
- 3.5 The Risk Profile & Action Plan now also includes target scores for each strategic risk to be achieved by the end of the current financial year.
- 3.6 As at the May 2017 review there were 16 strategic risks on the strategic risk register and these are each managed by specific Directors. These are detailed as follows:-

| Risk   | Risk Owner     | L   | I   | Status |
|--|----------------|-----|-----|--------|
| Sustainable Budget                               | James Walton   | 5   | 5   | 25     |
| Staffing   | Michele Leith  | 5   | 4   | 20     |
| Work Related Stress                              | Michele Leith  | 5   | 4   | 20     |
| Future Funding Levels                            | James Walton   | 4   | 5   | 20     |
| Failure to Safeguard Vulnerable Adults           | Andy Begley    | 4   | 4   | 16     |
| Digital Transformation Programme                 | Michele Leith  | 3   | 5   | 15     |
| Contract Management                              | George Candler | 3   | 4   | 12     |
| Failure to Safeguard Vulnerable Children         | Karen Bradshaw | 3   | 4   | 12     |
| Delivery of Key Corporate Strategies             | George Candler | 3   | 4   | 12     |
| Governance                                       | Claire Porter  | 3   | 4   | 12     |
| Health & Social Care                             | Andy Begley    | 3   | 4   | 12     |
| ICT Provision                                    | Michele Leith  | 3   | 3   | 9      |
| Strategic Vision and Strategy                    | George Candler | 2   | 4   | 8      |
| Reputation                                       | Michele Leith  | 2   | 3   | 6      |
| Impact of Brexit                                 | Clive Wright   | TBC | TBC | *NEW   |
| Meeting our Capabilities and Commissioning Needs | George Candler | TBC | TBC | *NEW   |

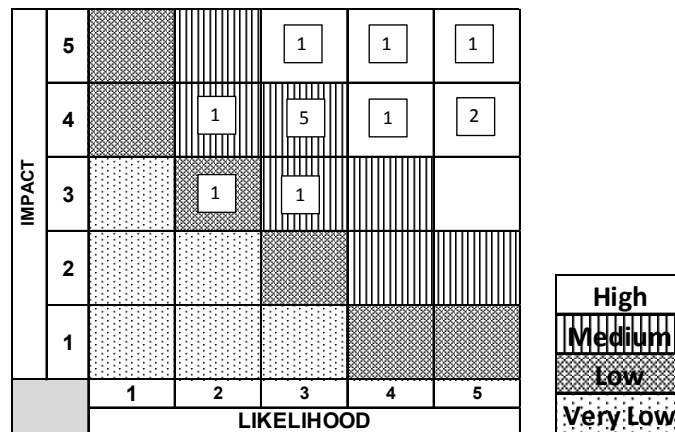
|                   |
|-------------------|
| <b>High Risks</b> |
|-------------------|

|                     |
|---------------------|
| <b>Medium Risks</b> |
|---------------------|

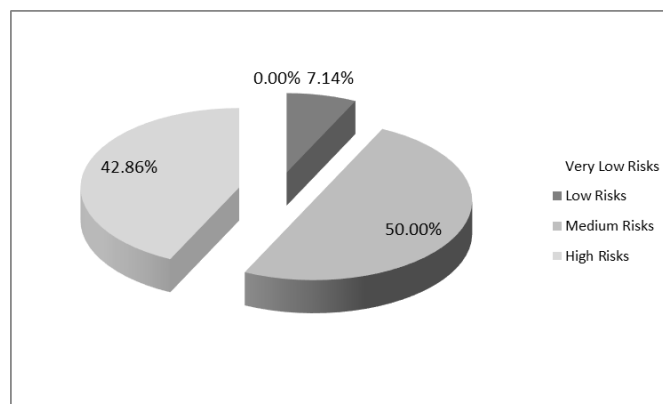
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| <b>Low Risks</b> |
|------------------|

- 3.7 A key part of the risk management process is to be aware of the ever changing arena in which we work and to identify any new or emergency risks. These are highlighted and discussed with the relevant officers and added as a strategic risk if deemed appropriate. During 2016/2017 two risks have been added to the strategic risk list. Each of these risks will be developed with the owner.
- 3.8 The first new risk was highlighted in April 2017 - 'Impact of Brexit'. This was identified as a potential new risk following the outcomes of the referendum.
- 3.9 The second new risk was also highlighted in April 2017. 'Difficulty in meeting our capabilities and commissioning needs across the organisation (Expressions of Interest/Tendering)'. This risk was identified and added to the strategic risk register following concerns raised during the annual review with Directors in relation to lack of suppliers coming forward and in some authorities some contractors not being willing to take on contracts with local authorities. The risk crosses over several areas; contract management, Health & Social Care, vulnerable adults etc. The market is contracting therefore it is more difficult for us to meet our capabilities and our commissioning needs.
- 3.10 As a result of the focus on the Digital Transformation Programme an Assurance Board has been formed utilising the Risk Management Officer, IT Auditor, Information Governance Manager and ICT Governance Officer. The role of the Assurance Board is to challenge across the entire Digital Transformation Programme and provide regular exception reporting of key risks and issues.

3.11 Our current risk exposure, when plotted on our matrix is demonstrated as follows:-



3.12 Our overall current risk exposure following the latest review is demonstrated as follows:-



3.13 As mentioned above the risk profile and action plans detail the target scores that have been allocated to the strategic risks to be achieved by the end of the financial year these are detailed as follows:

| Risk                                     | Current Status | Target Status |
|--|----------------|---------------|
| Sustainable Budget                       | 25             | 25            |
| Staffing                                 | 20             | 16            |
| Work Related Stress                      | 20             | 20            |
| Future Funding Levels                    | 20             | 15            |
| Failure to Safeguard Vulnerable Adults   | 16             | 12            |
| Digital Transformation Programme         | 15             | Remove        |
| Contract Management                      | 12             | 6             |
| Failure to Safeguard Vulnerable Children | 12             | 8             |
| Delivery of Key Corporate Strategies     | 12             | 6             |
| Governance                               | 12             | 8             |
| Health & Social Care                     | 12             | 12            |
| ICT Provision                            | 9              | 6             |
| Strategic Vision and Strategy            | 8              | TBC           |

|  |            |        |
|--|------------|--------|
| Reputation                                       | 6          | Remove |
| Impact of Brexit                                 | *NEW – TBC | TBC    |
| Meeting our Capabilities and Commissioning Needs | *NEW - TBC | TBC    |

|              |
|--------------|
| High Risks   |
| Medium Risks |
| Low Risks    |

#### 4. Planned Changes

- 4.1 The Risk Management Team continuously monitor the most appropriate and effective way to manage the Council’s risk exposure (Strategic, Operational or Project related). As the management of risks is so well embedded and due to commitments across the authority to deliver the Digital Transformation Programme, the risk reviews have been altered to reflect this commitment.
- 4.2 Strategic risks will now be reviewed on a quarterly basis from bi-monthly and operational risks will be reviewed twice a year from a quarterly basis. However, adhoc reviews will be undertaken by the Risk Management team throughout the year to ensure that high risk areas continue to be well managed.
- 4.3 During this year we have continued to develop an assurance mapping process linked to our strategic risks which incorporates the three lines of defence:-

| Defence     | Type of Assurance   | Provided by/ Obtained through   |
|-------------|---------------------|---|
| First Line  | Management          | Provided by Heads of Service/ key managers  |
| Second Line | Internal Governance | Provided by:- <ul style="list-style-type: none"> <li>• Performance (scrutiny, customer experience)</li> <li>• Legal (monitoring officer reports, committee reports, legal advice)</li> <li>• Finance (MTFP, Revenue &amp; Capital, Treasury Mgt)</li> <li>• Risk (operational, project, programme)</li> </ul> |
| Third Line  | External Assurance  | Obtained through:- <ul style="list-style-type: none"> <li>• Quality Assurance &amp; 3<sup>rd</sup> Parties (e.g. Ofsted, CQC)</li> <li>• External Audit</li> <li>• Peer Reviews</li> </ul>  |
| Third Line  | Internal Audit      | Provided by Internal Audit  |

- 4.3.1 Each area provides an independent opinion as to the level of assurance they can give based on their knowledge and involvement, the assurances being as follows:

- Unsatisfactory
- Limited
- Reasonable
- Good

The strategic risk owner then gives their overall assurance opinion and this can be challenged by Directors and Informal Cabinet where appropriate.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

Annual Governance Statement

Opportunity Risk Management Strategy

**Cabinet Member**

David Minnery, Portfolio Holder Resources & Support

**Local Member**

N/A

**Appendices**