



<u>Committee and Date</u>	<u>Item</u>	<u>Paper</u>
Audit Committee – 25 th February 2019		

STRATEGIC RISK REPORT FEBRUARY 2019

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1. Summary

- 1.1 This report sets out the current strategic risk exposure following the December 2018/January 2019 quarterly review.

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 are reviewed on a quarterly basis ensuring that the level of risk exposure is monitored regularly in our rapidly changing environment.
- 3.3 The review 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 Risk Profile & Action Plans for managing our strategic risks are completed and fully embedded. These detail the direction of travel for each strategic risk over the year and clearly articulate the current controls in place and the additional controls required to mitigate and manage our strategic risk exposure effectively. Any slippage on outstanding actions is also identified and challenged.
- 3.5 The Risk Profile & Action Plan also includes target scores for each strategic risk to be achieved by the end of the current financial year.
- 3.6 As at the December 2018/January 2019 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
Staffing	Michele Leith	5	4	20
Work Related Stress	Michele Leith	5	4	20
Reputation	Michele Leith	5	4	20
Sustainable Budget	James Walton	4	5	20
Commercial Strategy	Mark Barrow	4	5	20
Future Funding Levels	James Walton	4	5	20
Failure to Safeguard Vulnerable Children	Karen Bradshaw	4	4	16
Digital Transformation Programme	Michele Leith	3	5	15
Economic Impact of Brexit	Clive Wright	4	3	12
Strategic Vision and Strategy	Clive Wright	2	4	8
Health & Social Care	Andy Begley	4	2	8
Governance	Claire Porter	3	2	6
ICT Provision	Michele Leith	2	3	6
Failure to Safeguard Vulnerable Adults	Andy Begley	2	3	6
Contract Management	James Walton	2	3	6
Economic Growth Strategy	Mark Barrow	2	3	6

High Risks
Medium Risks
Low Risks

3.7 This review saw changes to the scoring of five of the risks as follows –

3.7.1 **Sustainable Budget** – Risk increased due to the funding gap and inability to deliver Stage 3 of the Financial Strategy. Score increased from a $3 \times 5 = 15$ to a $4 \times 5 = 20$. Remains a high risk.

3.7.2 **Future Funding** – Risk increased as this is based around government funding. We have now received the last provisional settlement of the multi-year settlement period and have not been given indications of what fair funding will look like for April 2020 and are now in the final stages of setting the 2019/20 budget. Score increased from a $3 \times 5 = 15$ to a $4 \times 5 = 20$. Remains a high risk.

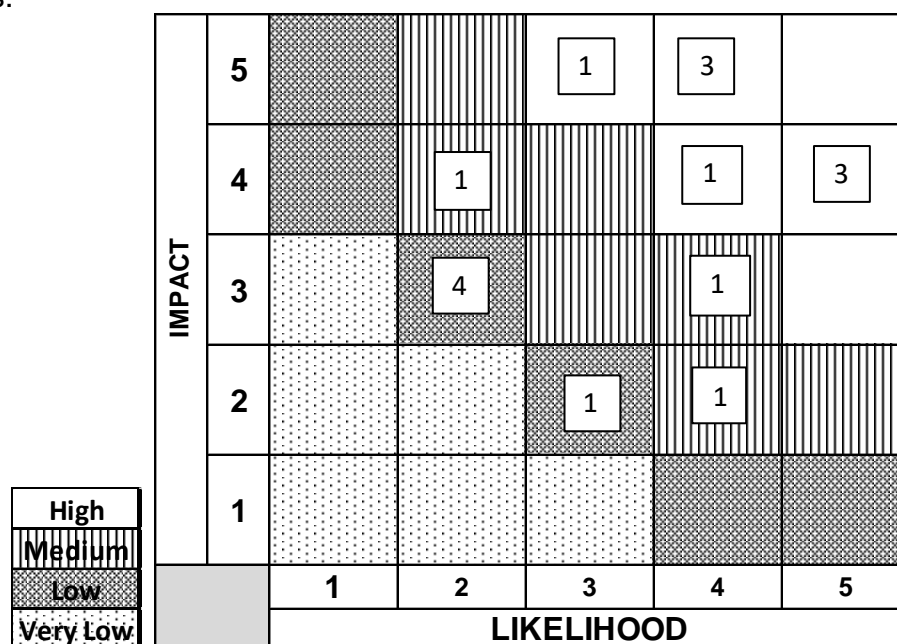
3.7.3 **Health & Social Care** – Risk reduced due to managing demand and cost. Score reduced from a $5 \times 2 = 10$ to a $4 \times 2 = 8$. Remains a medium risk.

3.7.4 **Safeguarding Children** – Risk reduced due to an increase in capacity in safeguarding teams. Score reduced from a $5 \times 4 = 20$ to a $4 \times 4 = 16$. Remains a high risk.

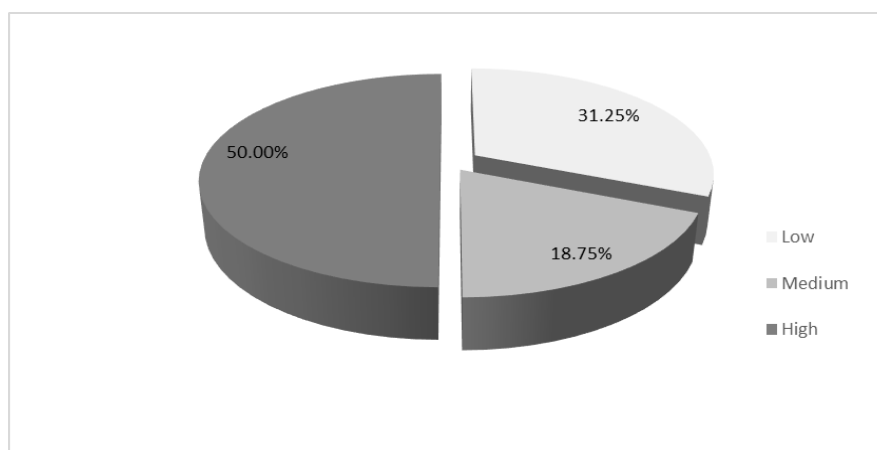
3.7.5 **ICT Provision** – Risk reduced due to the outcomes of audits improving significantly, we are in control of it, we can failover and we are clearer on future budget prediction. Score reduced from a $3 \times 3 = 9$ medium risk to a $2 \times 3 = 6$ low risk.

3.7.6 **Strategic Vision & Strategy** – Risk reduced as the Corporate Plan has now been produced. $3 \times 4 = 12$ to a $2 \times 4 = 8$. Remains a medium risk.

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



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



3.10 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. During the next quarterly review an analysis will be undertaken cross referencing current scores with year end target scores and the rationale to be understood where year end targets have not been met.

4. Assurance

4.1 We continue to undertake 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"> • Performance (scrutiny, customer experience) • Legal (monitoring officer reports, committee reports, legal advice) • Finance (MTFP, Revenue & Capital, Treasury Mgt) • Risk (operational, project, programme)
Third Line	External Assurance	Obtained through:- <ul style="list-style-type: none"> • Quality Assurance & 3rd Parties (e.g. Ofsted, CQC) • External Audit • Peer Reviews
Third Line	Internal Audit	Provided by Internal Audit

4.2 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.

5. Monitoring

5.1 Behind all of the strategic risks are Risk Profiles and Action plans which elaborate in greater detail the risk and the current controls and outstanding actions which are in place and are monitored. Audit Committee can at any time elect to have a more detailed examination of any of the strategic risks and can invite the risk owner to a committee meeting to discuss their risk.

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