

Audit Committee – 18 November 2019

Strategic Risk Register - update on Items 2&7 and 5

1. Purpose of Report

- 1.1 Audit Committee on 23 September 2019 received the council's Strategic Risk Register. Following consideration of the register, the Committee requested an update on the impact of Brexit and for the Executive Director of Resources and Transformation to attend the next meeting to give assurances around Risks 2 & 7 (risk are of a similar nature but are scored differently) and also BREXIT (in terms of what are the actual risks to the Council arising from BREXIT).

2. Summary of the report

- 2.1 This report presents the three risks identified for further review.
- 2.2 The Executive Director of Resources and Transformation will attend the meeting to provide a further update on each area, to provide assurance to the Committee that the risks are being managed. .

3. Recommendations

- 3.1 Audit Committee is recommended to note the assurances provided from this report.

4 Resource and Legal Considerations

- 4.1 The statutory requirements are detailed in the governance section below.

5 Governance and Risk Management

- 5.1 Audit Committee's responsibility for risk management includes the following:
- Reviewing the mechanisms for the assessment and management of risk.
 - Giving assurance about the process.
 - Ensuring the council meets its statutory requirements, as stipulated within the Accounts and Audit Regulations 2015 (reg 4(1), "the relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk".
- 5.2 Audit Committee is also required to ensure that it receives reports on risk management on a regular basis and takes appropriate action to ensure that strategic business risks are being actively managed. This report enables Audit Committee to exercise its responsibilities in respect of risk management by receiving an update from the Executive Director on a number of key strategic risks.

James T. Walsh – Executive Director for Resources and Transformation
7 November 2019

Strategic Risk Register 2019/20



November 2019

No.	Risk	Corporate Goal	Existing Controls	Impact	Likelihood	Risk score	Status & Trend	Further Actions/Planned Mitigations	Deadline
	<i>Cause and Effect</i>	<i>Lead</i>	<i>Assurances</i>						
2	<p>The Proud Programme does not achieve the outcomes required to ensure that available resources are directed to deliver the greatest outcomes for the community.</p> <ul style="list-style-type: none"> • Lack of commitment to change; • IT infrastructure does not support change; • Directorates and Services work in disparate way; • The organisation does not have the skills or expertise required to deliver change; • The programme is not focused on the right changes or stretching enough to achieve the targets and outcomes identified; or very stretching, but without the required infrastructure to deliver this. • Lack of capacity to deliver change. • The changes made are not fully adopted by the organisation, new ways of thinking and working are not fully embedded • The organisation cannot sustain the changes made. <p><i>The effect would be that costs of service provision remains above optimum level and opportunity cost of this cannot be removed. The Council would not become fit for purpose to face future challenges.</i></p>	<p>ALL</p> <p>Executive Director Resources and Transformation</p>	<ul style="list-style-type: none"> • Governance arrangements approved and model established WPP board and Commercial group in place and meeting regularly. Monthly oversight by CMT of Proud programmes. • Communication Plan in place. • O365 rolled out. cloud migration project on track and nearing completion. staffing investment underway Odyssey work with top 60 employees • Capital Investment approved • PMO in place and operating • Perform+ Wave 1 very successful 33% increase in productivity • Work stream identified internal resources to delivery and are well understood. Resource plans being finalised additional capacity provided by strategic partner where necessary • Work Force Strategy approved and being implemented. • New ways of thinking embedded in reporting to cabinet and committees • New management infrastructure proposed that fits the new way of working <p><i>Internal Audit work on ICT Strategy – Substantial Assurance.</i></p>	<p>Current Score</p> <p>4</p> <p>Target Score</p> <p>4</p>	<p>3</p> <p>↓</p> <p>2</p>	<p>12</p> <p>8</p>	<p>Red</p> <p>↓</p> <p>Amber</p>	<p>1) Ensure the Corporate Risk Management Framework supports the refreshed Proud programme activity, and this is interconnected with the wider framework.</p> <p>2) Provision in audit plan for 2019/20 to provide assurances.</p>	<p>March 2019 revised to June 2019 Revised to September 2019</p> <p>March 2020</p>

Reducing inequalities and maximising potential

Strategic Risk Register 2019/20

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No.	Risk	Corporate Goal	Controls	Impact	Likeli-hood	Risk score	Status & Trend	Further Actions	Deadline
	Cause and Effect	Lead	Assurances						
5	External Changes in Political and/or legislative environment. • <i>Brexit</i> • <i>Changes in political direction from government;</i> • <i>Changes in priority locally.</i> The effect of this risk materialising is that some of the generational change required for example long term regeneration plans or public health driven initiatives may be subject to changing landscape where strategic direction or political landscape changes. EU Exit – Trading Standards - Impact both short, medium and long term on Trading Standards - their portfolio of enforcement responsibilities is almost certainly the largest and most varied in local government and even small changes in law or guidance are difficult to keep up with especially against a back drop of local, regional and national shortfall of officer and specialist resource unprecedented in modern times.	All Executive Director Resources and Transformation	<ul style="list-style-type: none">• Regular statutory officers’ meetings review and consider national and local environment.• Main record of the council’s statutory obligations is contained within the Constitution.• The council monitors legislative and policy changes and implements change where necessary to ensure it acts lawfully. CMT oversight ensures organisation remains flexible to change.• Medium term financial strategy and rolling 4-year medium term financial outlook in place and regularly reviewed and updated for national and local changes in policy and legislative changes. Enables and supports forward planning and responsiveness to change.• Focus on ensuring there is cross party support and the business driver is the Corporate Plan.• Reshaping of transformation programme approved – WPP• Member of the WM Brexit Commission providing regular updates linked in with central government.• Developed the Local industrial strategy for the WM to support industries post Brexit.• Pooled 50% of government funding alongside other WM authorities given to WMCA to support people and business.• Part of the WM local resilience forum watching brief on emergency planning.• CMT review of Strategic Risks (quarterly)• Formal horizon scanning exercise at least annually for emerging risks, to ensure that on-going activity feeds the processes and formal proactive action plans are in place when is most efficient and effective to do so.• Member of the Brexit MHCLG group, reporting on a weekly basis of concerns and issues, such as resource issues for Trading Standards. <i>Management mechanisms in place – no unexpected or unforeseen changes in last 12 months.</i> <i>Peer Review 2017.</i> <i>Internal Audit work on RIPA -Substantial Assurance</i>	Current Score				N/a	N/a
				3	2	6	Amber ⇄ ↓		
				Target Score					
				3	2	6	Amber		

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	<i>Cause and Effect</i>		<i>Assurances</i>						
7	Failure to achieve the savings required or manage demand pressures to enable a balanced budget and Medium-Term Financial Plan to be delivered. <ul style="list-style-type: none"> <i>Demand increases in statutory services;</i> <i>Unforeseen expenditure via a fine or extraordinary event;</i> <i>Failure in budget management across multiple departments;</i> <p>The effect of this would be to have to use reserves to balance the budget putting future stability and sustainability of finances at more risk. As reserves are set at a Prudent level, replenishment would be required from services, adding to the financial pressure. Having to set an even more challenging savings programme in future years to address lack of achievement from current plans, which would impact services and result in reputational damage.</p>	Communities Executive Director Resources and Transformation	<ul style="list-style-type: none"> Robust financial planning and budget monitoring processes External audit conclusion on the council's arrangements for securing value for money. Annual review of MTFS and savings tracker by Finance, CMT and Cabinet Regular reporting of financial performance to Cabinet and Scrutiny. Walsall Proud Programme CEO/CFO/HOF Monthly meetings include review of financial performance and savings realisation. Annual report to Council by CFO on robustness of the Budget Estimates and Adequacy of Reserves. Comprehensive financial risk assessments in place as part of budget setting process. Adequate corporate reserves and provisions to manage unforeseen financial issues. Service demand trackers in place in ASC and Children's to monitor, report on and manage volatile areas of demand (care packages, LAC, etc). Production of benefits realisation plan to meet (fully/in part) the MTFO requirements. <p><i>Internal Audit work - in 2018/19 on:</i></p> <ul style="list-style-type: none"> <i>Budgetary control and savings realisation (Good Assurance),</i> <i>Streamlining Services (Substantial Assurance)</i> 	Current Score					
				3	3	9	Amber		
				↓	↓		↓		
				Target Score					
				3	3	9	Amber		

Risk Management Quick Guide

Current – with the current controls/mitigations

Target – the score that brings the rating to within appetite for the risk.

Direction of Travel (Trend):

↓ Risk score reduced ⇔ no change to risk score ↑ risk score increased

Risk appetite level – Risks above this level will need particular resources and focus

Risk Matrix

5 Catastrophic			15	20	25
4 Severe			12	16	20
3 Material	3			12	15
2 Minor	2	4			
1 Negligible	1	2	3		
	1 Rare	2 Unlikely	3 Possible	4 Probable	5 Almost Certain

Risk acceptance level (activity below which attracts minimum effort and resources)

LIKELIHOOD

Risk Ratings: 1 – 4 = low risk (Green) / 4 – 10 = medium risk (Amber) / 12 – 25 – high risk (Red)

Reducing inequalities and maximising potential

Likelihood and Impact guide.

Likelihood			Impact		
Score 1-5	% chance	Time Frequency	Score 1-5	Disruption to Services and/or Residents affected or aware	Budget
1 Rare	< 10%	Rare occurrence	1 Negligible	Minor disruption to services <i>Up to 5%</i>	≤ 1%
2 Unlikely	>10% ≤ 30%	Once in 5 years	2 Minor	1-2 weeks <i>Up to 10%</i>	>1% ≤ 5%
3 Possible	>30% ≤ 60%	Once 2 years	3 Material	Up to one month <i>Up to 25%</i>	>5% ≤ 10%
4 Probable	>61% ≤ 90%	Once a year	4 Severe	1 – 3 month <i>Up to 50%</i>	>10%≤ 20%
5 Almost Certain	> 90%	within 6 months	5 Catastrophic	Over 3 month <i>Over 50%</i>	>20%

Reducing inequalities and maximising potential