

26 September 2022

Risk Management Update – Strategic Risk Register (SRR2 and SRR7)

Ward(s): All

Portfolios: All

Purpose: For comment/review

1. Aim

1.1 To provide Audit Committee with assurance in relation to Strategic Risk Register (SRR) Risk 2 and Risk 7, following their consideration of the SRR in February 2022 and the Committee's request for the lead officer for Proud to be invited to a future meeting of the Committee to provide assurance in relation to controls in place to ensure delivery of savings and the inter-relationship between the two risks.

2. Summary

1.2 Audit Committee considered the SRR in February 2022 and specifically SRR 2 and 7, these being:

- Strategic Risk 2: The Proud Programme does not achieve the outcomes and benefits required to ensure that available resources are directed to deliver the greatest outcomes for the community, and
- Strategic Risk 7: Financial Resilience of the council is impacted by the failure to achieve the savings required or manage demand pressures to enable a balanced budget and Medium-Term Financial Plan to be delivered.

1.3 Members raised and officers responded to the following comments:

- The interrelationship between the two risk assessments in relation to the Proud transformational savings and the financial resilience of the organisation;
- That the delivery of Proud savings had been raised as a significant risk by the external auditor as part of their annual risk assessments;
- That Proud was identified as a mitigation in the financial resilience risk (SRR7) was the Proud Programme, which itself was a strategic risk.

1.4 Audit Committee agreed that additional assurance should be sought on the controls in place and requested that the lead officer for Proud be invited to a future meeting of the Committee to provide assurance in relation to controls in place to ensure delivery of savings and the inter-relationship between the two risks.

1.5 This report provides the latest updates for these 2 risks for Audit Committee's consideration. The Executive Director for Resources and Transformation, as the senior responsible officer for both risks will be in attendance at the meeting.

3. Recommendations

3.1 That Audit Committee consider SRR2 and SRR7 at Appendix 1.

4. Report detail - know

4.1 Appendix 1 contains the latest risks for SRR 2 and 7, summarised below.

Risk	Risk Description	Lead Directorate	Updated "current" score	Previous "current" score	Trend
2	The Proud Programme does not achieve the outcomes and benefits required to ensure that available resources are directed to deliver the greatest outcomes for the community	R&T	12	12	↔
7	Financial Resilience of the council is impacted by the failure to achieve the savings required or manage demand pressures to enable a balanced budget and Medium-Term Financial Plan to be delivered	R&T	16	16	↔

4.2 Proud continuous improvement is identified as a strategic risk (SRR2) and also as a control in relation to the financial resilience risk (SRR7). Strong financial governance and processes support financial resilience. Good financial management includes both managing cost and demand pressures and delivering savings approved by Council. There is an inter relationship between the SRR2 and SRR7 as successful delivery of Proud delivered and enabled savings helps to ensure that the council outturns on budget (in year and over the medium term financial outlook period), maintains its reserves intact and supports financial resilience into the medium term. Additionally, strong financial resilience enables transformational changes to happen in a planned and managed way, with adequate resources supporting it.

4.3 The council has a good track record of sound financial management (confirmed by external audit in the 2020/21 VFM audit); delivering services within budget. Whilst the delivery of Proud savings had been raised as a significant risk by the external auditor as part of their annual risk assessment, the council has good governance and processes in place to manage this, including;

- Regular reporting of progress in Proud delivery through Proud governance;

- Regular reporting through corporate financial performance reporting
- Early identification of variances to plans and therefore savings delivery, the reasons for this, identification of actions to address this, and, only where necessary, review and re-profiling of savings and implementation of mitigating and offsetting actions to address any resulting shortfall);
- Corporate processes to manage fluctuations in demand experienced by such a large, complex organisation, including risk assessed levels of reserves and contingencies.

4.4 The table highlights that there have been no changes to the overall risk scores between the last review as at February 2022 and the current review as at September 2022, however this is in line with expectations as both risks have ongoing actions / a number of actions which are scheduled to be completed during 2022 which may have an impact on their risk scores. The recent cost of living crisis has, however, meant that there is unlikely to be a reduction in the score for risk 7 in the foreseeable future, due to the additional pressures this may create and the continued uncertainty around local authority funding.

5. Financial Information

5.1 There are no direct financial implications arising from this report, however effective risk management and reporting of risks supports and contributes to the delivery of good financial management.

6. Reducing Inequalities

6.1 Effective governance arrangements ensure a focus on delivering Council Plan objectives, a key driver of which is reducing inequalities.

7. Decide

7.1 Audit Committee are asked to consider the updated risks and interrelationship between the two risks and comment as appropriate.

8. Respond

8.1 Audit Committee is 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 reviewing SRR2 and 7; calling in key business risks for review; and seeking assurance that risk management is thoroughly embedded within the organisation.

9. Review

9.1 The Risk Management Strategy sets out the formal review and reporting points for risks throughout the year and these will continue to be followed, with feedback on the actions set out within this report incorporated into those updates.

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Strategic Risk Register 2022/23



September 2022

No.	Risk	Corporate Goal	Existing Controls and Assurances	Impact	Likelihood	Risk score	Status & Trend	Further Actions	Deadline
	<i>Cause and Effect</i>	Lead							
2	<p>Proud Continuous Improvement does not achieve the outcomes and benefits 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. Behaviours and Culture would not change.</i></p>	ALL	<p>Existing Controls:</p> <ul style="list-style-type: none"> - As the Proud Programme transitioned into continuous improvement activity from April 2022, Proud governance arrangements were revised and approved and are in place for Walsall Proud Board (WPB), Business Design (BDA) and Technical Design Authorities (TDA). The Terms of Reference for Proud Board and BDA have been refreshed and aligned to the revised approach. Directors and SMG have been updated with the changes; - Proud Work Streams reaffirmed with CMT Sponsor and Work Stream Lead governed by Work Stream Steering Group (one for each Work Stream) and Programme Management from Proud Programme Management Office (PMO); - Monthly oversight by CMT of Proud activity on a weekly basis; - Programme definition baselined and roles and responsibilities approved; - Standard programme and project management processes now in place to track progress against plan, manage resources and risks; - PMO now established standard documentation for reporting to Board including highlight reports assurance against plan and risk register; - Proud Promises: Customer, Employee and Efficiencies being tracked by Highlight reporting on each Work Stream; - Work Force Strategy approved and being implemented taking account of 	4	3	12	<p>Current Score</p> <p>Red</p> <p>↔</p>	<p>1) Via the Proud Implementation Plan a resource profile has been produced to identify skills and capacity required to deliver the programme activity. This was approved at May Board and recruitment will commence. Recruitment to transformational roles continues to be challenging, in some areas temporary contracted resources are being used. Change Centre of Excellence roles now defined and evaluated, moving into recruitment.</p> <p>2) The Proud PMO is maturing and has implemented standards and processes to aid consistency of projects. This includes training and support for key roles such as SRO and Workstream lead. Training will be rolled out in Sept/Oct. An IT system is being implemented to show project and workstream progress.</p> <p>3) Resource requirements will continue to be monitored as transformation projects continue to be developed.</p> <p>4) Undergoing an LGA Peer Review which will cover Proud Programme delivery within its remit and will take onboard any recommendations and actions as appropriate</p>	Ongoing March 2023
			4	2	8	<p>Target Score</p> <p>Amber</p>			

Strategic Risk Register 2022/23



September 2022

No.	Risk <i>Cause and Effect</i>	Corporate Goal Lead	Existing Controls and Assurances	Impact	Likelihood	Risk score	Status & Trend	Further Actions	Deadline
			<p>findings from Employee Survey. Additional Employee Surveys undertaken (2 on Covid Working from Home) and a full employee survey completed September 2021;</p> <ul style="list-style-type: none"> - Workstream delivery aligned to services through the development of service transformation plans which is the delivery vehicle through which a balanced 2022/23 position and 4 year MTFO from 2023/24 will be achieved; - Regular reporting on benefits delivery via Board, and Cabinet / CMT; - Proud Communications releases regular updates on achievements and progress; - Refreshed risk register completed. <p>Assurances:</p> <ul style="list-style-type: none"> - <i>Monthly monitoring of financial benefit and highlight report on Proud activity and workstream progress to Board;</i> - <i>Regular reporting to Cabinet on benefit delivery;</i> - <i>Separate corporate financial reporting includes delivery of benefit savings and requirement to address any financial saving shortfalls to ensure council outturns within budget despite any in year financial and demand pressures; Evidenced by Outturn 2021/22 and previous years all within budget with unqualified audit.</i> 						

Strategic Risk Register 2022/23



September 2022

No.	Risk	Corporate Goal	Existing Controls and Assurances	Impact	Likelihood	Risk score	Status & Trend	Further Actions	Deadline		
	<i>Cause and Effect</i>	Lead									
7	<p>Financial Resilience of the council is impacted by the failure to achieve the savings required or manage demand pressures to enable a balanced budget and Medium-Term Financial Plan to be delivered.</p> <p>Demand and / or costs (individual / combined) increase beyond current forecasts, (including impact on economic growth and jobs, cost of materials, staffing shortfall, etc) in relation to:</p> <ul style="list-style-type: none"> • <i>Cost of living;</i> • <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> • <i>Covid-19 new wave etc;</i> • <i>Financial risk / uncertainty of exit from the EU;</i> • <i>Lack of certainty around funding and loss of European funds;</i> <p><i>This would affect the financial resilience of the council by having 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. Any ongoing impact of Covid, without further government support) would also impact on this situation, for instance with the risk of s114 in future years.</i></p>	Communities	<p>Existing Controls:</p> <ul style="list-style-type: none"> • Robust financial governance and financial planning and budget monitoring processes; • Corporate reporting of forecast demand and cost pressures in year and in budget setting includes forecast of cost of living impact (on contracts energy, pay inflation) and includes scenario planning; • Budget holders trained in budget responsibilities and supported by finance business partners who report to the statutory S151 Officer; • Financial risk assessment informs annual budget and level of recommended reserves and contingencies – Statutory Statement from S151 Officer including robustness of the budget estimates and adequacy of reserves; • Comprehensive service financial risk assessments in place as part of budget setting process; • Adequate corporate reserves and provisions to manage unforeseen financial issues in place and monitored regularly; • Service demand trackers in place in ASC and Children's to monitor, report on and manage volatile areas of demand (care packages, LAC, etc); • Silver/Gold governance remains to manage Covid-19 response – including approvals for Covid-19 spend; • Regular reporting of financial performance to CMT, Cabinet and Scrutiny including progress against delivery of savings and alternative actions where delivery is delayed; • Review of CIPFA's Finance Management Code requirements shows that the council is fully or substantially compliant in most areas, with actions identified in relation to outstanding areas. • Strategic Investment Board oversees the use of capital resources and ensure robust investment decisions in place. 	Current Score		4	4	16	Red ↔	<p>1) Continue to review savings delivery plans, demand and cost pressures in 2022/23 and potential impact on 2023/24;</p> <p>2) Ensure robust delivery plans for all identified MTFO savings;</p> <p>3) Review and impact analysis of expected funding announcements: settlement mid December 2022;</p> <p>4) Continued action regarding implementation of outstanding requirements in relation to CIPFA's Finance Management Code.</p> <p>5) Undergoing an LGA Peer Review which will cover Financial Resilience within its remit and will take onboard any recommendations and actions as appropriate</p>	<p>Ongoing and February Cabinet & Council 2023 – for inclusion in budget report</p> <p>When published</p> <p>Ongoing – by March 2023</p> <p>Feb/March 2023</p>
				Target Score		3	3	9	Amber		

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September 2022

No.	Risk <i>Cause and Effect</i>	Corporate Goal Lead	Existing Controls and Assurances	Impact	Likelihood	Risk score	Status & Trend	Further Actions	Deadline
			<ul style="list-style-type: none"> • CEO/CFO/DOF Monthly meetings include review of financial performance and savings realisation; • WMCA Constitution which sets out voting rights covering approval of WMCA budgets and steps to take if not approved. • Scheduled CEX and Leader briefings scheduled so significant concerns are flagged at WMCA Board being the ultimate decision making body. • <i>See Risk 2 for internal controls and related assurances in relation to Proud continuous improvement - this includes programme governance and reporting, including regular review of benefit savings delivery, aligned to the corporate financial reporting processes.</i> <p>Assurances:</p> <ul style="list-style-type: none"> - <i>Annual review of MTFS and regular review of savings tracker by Finance, CMT and Cabinet;</i> - <i>Annual Internal Audit of core financial systems;</i> - <i>External Audit conclusion on the council's arrangements for securing value for money and audit of the annual accounts.</i> - <i>Corporate financial reporting includes delivery of benefit savings and requirement to address any financial saving shortfalls is embedded across the council to ensure council outturns within budget despite in year financial and demand pressures; Evidenced by Outturn 2021/22 and previous years all within budget with unqualified audit.</i> 						

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>	>5%
3 Possible	30-60%	Once 2 years	3 Material	Up to one month <i>Up to 25%</i>	5-10%
4 Probable	60-90%	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%