Report to:	**Audit and Standards Committee**
Date:	**24 September 2018**
Title:	**Lewes District Council - Update of the Strategic Risk Register**
Report of:	**Alan Osborne, Deputy Chief Executive**
Ward(s):	**All**
Purpose of report:	**To present the updated Strategic Risk Register taking account of changes made by Corporate Management Team (CMT)**
Officer recommendation(s):	**(1) To receive and note the update to the Strategic Risk Register**
Reasons for recommendations:	**The Council is committed to proper risk management and to regularly updating the Audit and Standards Committee with regard to the Strategic Risk Register.**
Contact Officer(s):	**Name: David Heath**
	Post title: Head of Audit and Counter Fraud
	E-mail: david.heath@lewes-eastbourne.gov.uk
	Telephone number: 01273 085157

1   Introduction

1.1   Risk management is about using common sense to take effective action to prevent or limit the impact of risks so as to help the Council meet its priorities and deliver services effectively. In September 2003, Cabinet adopted a Risk Management Strategy that set out the responsibilities for risk management at the Council, and which has been supported by a framework of procedures and guidance for the assessment of risks and the development of mitigating controls. The strategy was reviewed and updated, and endorsed by the Audit and Standards Committee in March 2018.

1.2   To support this strategy the Council has a standard approach for assessing risk which is applied to service planning, the management of major projects and decision making. The methodology reflects the need to manage the different aspects of the uncertainty that is inevitable when making changes in how the Council works and taking new approaches to regeneration and investment. The methodology recognizes both the uncertainty that could have an adverse impact leading to loss, harm or damage (i.e. a risk) and the uncertainty that could have a positive effect leading to benefits or rewards (i.e. an opportunity).

2   Approach to the reporting of strategic risks

2.1   In March 2018, the Audit and Standards Committee adopted changes in approach to the reporting of risks as follows:

- The Audit and Standards Committee to become the principal recipient of

the Strategic Risk Register and on-going updates. This aligns with the Committee's Remit as set out in the Constitution of the Council.

- Each risk to be scored on the basis of likelihood and impact before mitigation and after mitigation.
- Each strategic risk to become the responsibility of all of CMT.
- CMT to review the strategic risks on a quarterly basis. Where any changes are proposed they are reported to the Audit and Standards Committee with a detailed explanation of the changes in risks or the scoring.
- Consideration of a broader basket of risks that incorporate all the areas of strategic risk previously identified in the Annual Report on Risk Management to the Committee.

3   Quarterly review of the Strategic Risk Register by CMT

3.1   The following changes have been made by CMT since the March 2018 meeting of the Audit and Standards Committee:

- Risk 5 - Not being able to sustain a culture that supports organisational objectives and future development. The residual score after mitigation for likelihood has been raised from a 2 to 3. This raises the overall Current Risk Score from 8 to 12 (remains Amber).
- Risk 8 – Failure to meet regulatory or legal requirements. The residual score after mitigation for likelihood has been raised from a 1 to 2. This raises the overall Current Risk Score from 4 to 8 (from Green to Amber).
- Risk 9 – Commercial enterprises that are fully controlled by the authority do not deliver financial expectations or do not meet governance requirements. The original risk, before mitigation, had a score of 3 for impact and this has now been raised to a 4. This raises the overall Original Score from 9 to 12. The residual score after mitigation for likelihood has been raised from 2 to 3. This raises the overall Current Risk Score from 6 to 9. (remains Amber).

3.2   CMT considered that, in the current difficult economic and financial environment, the scores outlined above needed to be increased for the three risks.

4   Financial appraisal

4.1   There are no financial implications arising from the recommendations to this report other than those already contained within existing budgets. However, if a strategic risk is not subject to effective mitigation there could be significant financial impact on the Council.

5   Legal implications

5.1   There are no direct legal implications arising from this report.

6   Risk management implication

6.1   If the Council does not have an effective risk management framework that is subject to proper oversight by Councillors it will not be able to demonstrate that it has in place adequate means to safeguard Council assets and services, and it could be subject to criticism from the Council's external auditor or the public.

7   Equality analysis

7.1   An equalities impact assessment is not considered necessary because the report is seeking endorsement of existing risk management arrangements at the Council including the strategic risks identified by CMT.

8   Appendices

- Appendix 1 – Lewes District Council - Strategic Risk Register 2018/19 (updated)
- Appendix 2 – Scoring methodology for risks

9   Background papers

Report to the Audit and Standards Committee - Risk Management and the Strategic Risk Register 19 March 2018.

http://democracy.lewes-eastbourne.gov.uk/CeListDocuments.aspx?CommitteeId=423&MeetingId=2882&DF=19%2f03%2f2018&Ver=2

Appendix 1: Lewes District Council – Strategic Risk Register 2018/19 (updated)

Risk	Description	Likelihood	Impact	Original Risk Score	Mitigating controls	Risk Owner	Likelihood	Impact	Current Risk Score		Traffic Light
1. No political and partnership continuity/consensus with regard to organisational objectives	Sudden changes of political objectives at either national or local level renders the organisation, its current corporate plan and Medium Term Financial Strategy unfit for purpose.	4	4	16	1. Creation of inclusive governance structures which rely on sound evidence for decision making. 2. Annual review of corporate plan & Medium Term Financial Strategy. 3. Creating an organisational architecture through the Joint Transformation Programme that can respond to changes in the environment.	CMT	3	3	9	Amber
2. Changes to the economic and financial environment makes the Council economically less sustainable	1. Economic development of the district suffers. 2. Council objectives cannot be met.	4	4	16	1. Robust Medium Term Financial Strategy reviewed annually and monitored quarterly. Refreshed in line with macro-economic environment triennially. 2. Creating an organisational architecture through the Joint Transformation Programme that can respond to changes in the environment.	CMT	4	3	12	Amber
3.Unforeseen socio-economic and /or demographic shifts creating significant changes in demands and expectations.	1. Unsustainable demand on services. 2. Service failure. 3. Council structure unsustainable and not fit for purpose. 4. Heightened likelihood of fraud.	2	4	8	1. Ensuring significant corporate decisions are based on up to date, robust, evidence base. (e.g. Census information) 2. Ensuring community and interest group engagement in policy development (e.g. Neighbourhood Management Schemes; Corporate Consultation Programme)	CMT	2	3	6	Amber

Risk	Description	Likelihood	Impact	Original Risk Score	Mitigating controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light
4. The employment market provides unsustainable employment base for the needs of the organisation.	Employment market unable to fulfil recruitment and retention requirements of the Council resulting in a decline in performance standards and an increase in service costs.	4	4	16	1. Joint Transformation Programme to increase non-financial attractiveness of LDC to current and future staff. 2. Appropriate reward and recognition policies reviewed on a regular basis. 3. Review of organisation delivery models to better manage the blend of direct labour provision. Pursuit of mutually beneficial shared service arrangements.	CMT	2	2	4	Green
5.Not being able to sustain a culture that supports organisational objectives and future development.	1. Decline in performance. 2. Higher turnover of staff.	4	4	16	1. Deliver a fit for purpose organisational culture through the Joint Transformation Programme. 2. Continue to develop our performance management capability to ensure early intervention where service and/or cultural issues arise. 3. Continue to develop communications through ongoing interactions with staff.	CMT	**3**	4	12	Amber
6 Council prevented from delivering services for a prolonged period of time.	1. Denial of access to property (including plant and equipment) 2. Denial of access to technology/information 3. Denial of access to a significant contract or partnership.	3	5	15	1. Reviewed and tested Business Continuity Plans. 2. Reviewed and tested Disaster Recovery Plan. 3. Joint Transformation Programme has created more flexible, less locationally dependent service architecture.	CMT	2	4	8	Amber

Risk	Description	Likelihood	Impact	Original Risk Score	Mitigating controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light
					4. Adoption of best practice IT and Asset Management policies and procedures.					
7 Council materially impacted by the effects of an event under the Civil Contingencies Act.	1. Major incident caused by fire, flood or other disaster resulting in homelessness, disruption to Council services and local business community. 2. Service profile of the Council changes materially as a result of the impact of the event. 3. Cost profile of the Council changes materially as a result of the impact of the event.	3	5	15	1. Robust Emergency Planning/ use of Council's Emergency powers. 2. Ongoing and robust risk profiling of local area (demographic and geographic). e.g. flood risk 3. Review budget and reserves in light of risk profile to make funds available if an event occurs. 4. Working in partnership with other public bodies to put in place preventative measures and/or deal with effect of an incident once it has occurred.	CMT	1	3	3	Green
8. Failure to meet regulatory or legal requirements	1. Credibility of the Council is negatively impacted. 2. Deterioration of financial position as a result of regulatory activity/ penalties. 3. Deterioration of service performance as a result of regulatory activity/ penalties.	3	4	12	1. Maintain, monitor and continue to develop a robust governance framework for the Council. 2. Building relationships with regulatory bodies. 3. Performance Management capability in place and continue to further develop to ensure early intervention where service and/or cultural issues arise. 4. Ensure there is full	CMT	**2**	4	**8**	**Amber**

Risk	Description	Likelihood	Impact	Original Risk Score	Mitigating controls	Risk Owner	Likelihood	Impact	Current Risk Score		Traffic Light
	4. Increased probability of prosecutions and compensation claims as a result of inadequate management of Health and Safety duties. 5. Possibility of fraud and bribery. 6. Ensure compliance with legislation such as Data Protection and Safeguarding. 7. Entering into contracts etc. without having adequate finance in place.				understanding the impact of new legislation or regulations .e.g. GDPR 5. All managers are required to abide by the Council's procurement rules. 6. JTP Board considers activity mapping, ensuring that it covers regulatory/legal and main financial matters.						
9.Commercial enterprises and new significant joint ventures that are fully controlled by the authority do not deliver financial expectations or do not meet governance requirements.	1. Unfamiliar activity with staff inexperienced in this area. 2 Council finances affected if projects do not meet financial expectations. 3 Reputational damage if governance procedures are inadequate. 4 Failure to abide by company law.	3	4	12	1. Hire suitably qualified/experienced staff to give legal and specialist support. 2. Appoint Head of Commercial Activities. 3. Ensure that projects meet core principles. 4. Up or reskill staff to maximise commercial opportunities. 5. Maintain strong governance processes which are adhered to. When new commercial enterprises and significant joint ventures are	CMT	3	3	9	Amber	

Risk	Description	Likelihood	Impact	Original Risk Score	Mitigating controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light
					set up ensure strong governance processes are put in place.					

Appendix 2: Scoring methodology for risks

Assess the impact of risks.
Classify (and score) the risks (assuming that nothing is done to prevent the risks occurring) into:

- Very low impact
- Low impact
- Medium impact
- High impact
- Very high impact

Assess the likelihood or risk.
Classify (and score) the risks (assuming that nothing is done to prevent them). Risks are evaluated in terms of:

- Very low likelihood
- Low likelihood
- Medium likelihood
- High likelihood
- Very high likelihood

Evaluate the risks.
Each risk should be plotted on the risk matrix (see below). This allows you evaluate the overall effect of your risk assessment.

Evaluation of risk score

Colour	Score	Commentary
Green	1 to 4	Low Risk
Amber	5 to 14	Medium Risk
Red	15 to 25	High Risk

Determine the action or controls to deal with the risks.
Determine what can be done or what is already being done to deal with the risks that have been identified. There are four ways to deal with risks:

- **Accept**

Some risks may be accepted if they have a low impact or are not likely to occur, or are considered to be risks worth taking to secure a business advantage.
- **Reduce/Treat/Mitigate**
  Risks may be reduced by taking steps to control or reduce the risk. It is for managers to take appropriate action to limit the threat posed by risks.

  Effective control systems already exist in many areas of the Council's activities. However, it is important that existing controls are **not** assumed to mitigate all the risks identified by the risk assessment exercise. As the risk environment needs regular monitoring, so will managers need to consider whether new controls or improvements to existing controls are needed.

Where significant new controls are required these need to be planned as part of the Service Plan. If additional resources are necessary, managers will need to discuss requirements with their Director and the Head of Finance to determine if resources are available.

- **Avoid**

If the risk is too great for the Council and it is not practical to reduce the risk, then it may be decided that the risk should be avoided. Please note that areas of greatest uncertainty may provide the greatest opportunity for significant benefits to the Council. In that context, decisions to avoid risks should be taken after a full assessment of the positive/negative impacts.

- **Transfer**

Insurance is the normal method of transferring risks, particularly high impact risks that cannot be accepted. It may be necessary to consider additional insurance cover and the Council's Insurance Officer will be able to offer further advice on this if required. It is possible to transfer some risks by contracting out certain functions/services, but the contracting process itself can create other risks.

Specify what can be done to reduce/mitigate/control the risk.
Identify what action or control would reasonably deal with the risk and the managers responsible.

Rescore the risk.
Once the mitigation or control is in place you should re score the impact and likelihood to reflect the current position.

Risk matrix
IMPACT

5	🟨	🟨	🟥	🟥	🟥
4	🟩	🟨	🟨	🟥	🟥
3	🟩	🟨	🟨	🟨	🟥
2	🟩	🟩	🟨	🟨	🟨
1	🟩	🟩	🟩	🟩	🟨
	1	2	3	4	5

LIKELIHOOD