Governance, Risk and Best Value Committee

10.00am, Thursday, 22 December 2016

Resources Team Risk Update

Item number	7.4
Report number	
Executive/routine	
Wards	

Executive summary

The risk information in this paper describes key risks of the Resources Service Area as at November 2016.

The risks and current mitigating controls have been challenged and discussed by the Resources Senior Management Team (SMT) and mitigation plans have been developed for further review and scrutiny.

The risk register is a dynamic working document and is updated regularly and refreshed annually to reflect the changing risks to the Service Area.

The risk management process continues to enhance the capture and treatment of risk in the Council through the quarterly CLT and SMT Risk Committees.

Links

Coalition pledges	PO30
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Single Outcome Agreement	

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Report

Resources Team Risk Update

1. Recommendations

1.1 To review the attached prioritised risk information for the Resources SMT and to invite relevant officers to discuss key risks and mitigating actions as required.

2. Background

2.1 The Council's Governance, Risk and Best Value Committee (GRVB) is responsible for monitoring the effectiveness of the Council's risk management arrangements, including monitoring internal financial control, corporate risk management and key corporate governance areas. The purpose of this report is to provide a quarterly update to the GRBV Committee on the key corporate level risks facing the Council.

3. Main report

3.1 The risk summary attached in Appendix 1 reflects the current priority inherent risks of the Resources Directorate and identifies the controls to mitigate the risks.

3.2 The Resources Risk Committee in October 2016 discussed how a new Major Projects Team is being set up in response to the challenges around our capacity to deliver key programmes and projects commercially and successfully. A paper has been discussed at CLT proposing options around governance, enhanced clarity over roles and inter dependency of assurance, risk management, commercial excellence and contract management. The Major Projects Team will take on a partnering role and ensure benefits and consistencies are achieved from synergies and standardisation.

3.3 There is now an improved governance framework around ERP implementation which will involve escalation of regular updates to the Risk Committee. It is critical that the Council maintains scrutiny on progress and the risks around implementation and expectations.

3.4 The Risk Committee discussed the issue of the formation of a new Council Administration and how that could lead to significant loss of knowledge through departing Members and how it may also lead to a requirement for new governance and partnership arrangements. The Acting Head of Strategy and Insight reassured the SMT that plans are in place to manage the transition and to ensure that Councillors are adequately informed and supported. This was not

considered to be a key risk at this time but has been escalated to the CLT Risk Register.

3.5   The SMT agreed that at future Resources Risk Committees they would speak to their Service Team key risk exposures and explain the key actions being taken to mitigate them.

3.6   Each risk reported in Appendix 1 has been assigned an indicator to show whether the risk is escalating or decreasing in profile as a result of activity in the quarter.

3.7   The risk register is a dynamic working document and is updated regularly to reflect the changing risks of the Council. The Resources Risk Register has recently undergone a refresh involving all members of the SMT.

4.   Measures of success

4.1   Fully embedded risk management practices should ensure that key risks of the Council are prioritised and relevant action plans are put in place to mitigate these risks to tolerable levels.

5.   Financial impact

5.1   None.

6.   Risk, policy, compliance and governance impact

6.1   Risk registers are a key management tool to help mitigate risks and to implement key strategic projects of the Council.

7.   Equalities impact

7.1   None.

8.   Sustainability impact

8.1   There is no direct sustainability impact arising from the report's contents

9.   Consultation and engagement

9.1   The attached risk summary has been challenged and discussed by Resources SMT and a plan has been developed for further review and scrutiny.

10. Background reading/external references

10.1 None.

Hugh Dunn

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Links

Coalition pledges	P30 - Continue to maintain a sound financial position including long-term financial planning Council outcomes CO25 - The Council has
Council outcomes	CO25 - The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	
Appendices	Appendix 1 Resources prioritised inherent risks November 2016

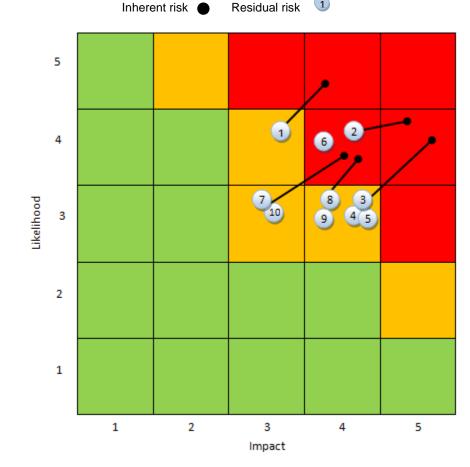# Appendix 1 Resources prioritised inherent risks November 2016

1. **Capacity to manage workloads**
   Reduction in staff leads to gaps in specialist knowledge (eg Housing Benefit subsidies, pensions) required to deliver objectives on time and on budget. Significant pressure on remaining workforce leading to higher absence levels, more leavers and an inability to manage workloads sensibly and successfully.

2. **Safety of physical estate**
   Resource constraints could lead to an inadequate or unsustainable repairs and maintenance regime across the physical estate which could result in breaches of H&S legislation, increased risk of incident, reputational damage, and service disruption.

3. **Commercial excellence**
   The Council may not have the professional project management capacity or capability to deliver key transformational change projects and/or major programmes resulting in under delivery, failure to deliver planned savings, project overspend and reputational damage.

4. **ERP implementation**
   Insufficient quality of resource and focus to deliver the new ERP system could result in costly delays in implementation, inadequate controls around key processes such as payroll and a lack of engagement and buy in from the business.

5. **Management of sensitive data and documents**
   Ineffective governance and controls around management of sensitive data and documentation could lead to breach of the Data Protection Act and significant reputational exposure.

6. **Rationalisation of physical estate**
   The Council's approach to rationalising the capital estate may not have sufficient traction to ensure that an affordable and fit estate is achieved on time and efficiently

7. **Management focus**
   The focus of management on transformational change could result in insufficient attention on 'business as usual' services resulting in inefficiencies or potential problems in delivery.

8. **Achievability of savings**
   Unrealistic savings targets, including straight line savings required across services rather than a more prioritised approach and/or weak implementation plans, could result in Service Area budget over runs for 2016/17 or risk compromising statutory obligations.

9. **Service delivery through transformation**
   The transition of services to future state operating models may not be synchronised and planned for appropriately leading to gaps in service provision.

10. **In-house capacity**
    Failure to attract and retain skilled staff due to uncompetitive pay could lead to an over-reliance on third parties and consultancy at the expense of developing existing staff and could result in unsustainable budgets and poorer staff morale.

Resources prioritised inherent risks with mitigating actions

	Category	Risk description	Inherent Risk		Current key mitigating controls	Residual Risk		Further actions
			I	L		I	L	
1	Strategic	**Capacity to manage workloads** Reduction in staff leads to gaps in specialist knowledge (eg Housing Benefit subsidies, pensions) required to deliver objectives on time and on budget. Significant pressure on remaining workforce leading to higher absence levels, more leavers and an inability to manage workloads sensibly and successfully.	4	5	• Workforce Strategy developed to support design of a flexible, motivated, high performing workforce with right capabilities, capacity, culture • Contingency in place to draw upon consultants as needed • Absence levels monitored and reported	3	4	• Developing Strategic Workforce Planning • Designing formal continuity arrangements for when staff leave
2	Operational	**Safety of physical estate** Resource constraints could lead to an inadequate or unsustainable repairs and maintenance regime across the physical estate which could result in breaches of H&S legislation, increased risk of incident, reputational damage, and service disruption.	5	4	• Inspection and maintenance work programme in place • Acceleration of condition surveys on all buildings to be completed by May 2017 • Intrusive surveys on high risk buildings following PPP issues • Additional revenue of £1.2m available in FY 16/17 • Additional staff earmarked for the compliance and R&M team	4	4	• Ensure asset management strategy clear, prioritised, affordable, deliverable • North Bridge Improvement Plan formalised • Finalise procurement for contract to inspect all boundary walls by Dec 2018
3	Strategic	**Commercial excellence** The Council may not have the professional project management capacity or capability to deliver key transformational change projects and/or major programmes resulting in under delivery, failure to deliver planned savings, project overspend and reputational damage.	5	4	• Robust governance of major projects alongside new Major Projects Team • Formal plans to enhance contract and supplier management	4	3	• Develop project evaluation, prioritisation • Develop and train project management • Work with services to develop PM resource
4	Strategic	**ERP Implementation** Insufficient quality of resource and focus to deliver the new ERP system could result in costly delays in implementation, inadequate controls around key processes such as payroll and a lack of engagement and buy in from the business.	5	4	• New Programme Manager • Improved project and governance procedures in place • Regular monitoring by CEC and Risk Committee	4	3	• Extend focus of improvements to lower profile projects and commitments in the change program

	Category	Risk description	Inherent Risk		Current key mitigating controls	Residual Risk		Further actions
			I	L		I	L	
5	Integrity	**Management of sensitive data** Ineffective governance and controls around management of sensitive data could lead to breach of the Data Protection Act and significant reputational exposure.	5	4	• Key contract and document controls • Laptop and media encryption • Key contract and document controls • Data awareness campaign • Service automation controls in place • Dedicated review session supported by industry experts • Leavers process includes removal of access to IT applications	4	3	• Assess priority and exposure of systems across the whole ICT environment • Ongoing programme of improvements • Rolling internal audit
6	Strategic	**Rationalisation of physical estate** The Council's approach to rationalising the capital estate may not have sufficient traction to ensure that an affordable and fit estate is achieved on time and efficiently	4	4	• Rationalisation Plan drafted and in review	4	4	• Develop robust business plan including full picture of properties and realisation values
7	Operational	**Management focus** The focus of management on transformational change could result in insufficient attention on 'business as usual' services resulting in inefficiencies or potential problems in delivery.	4	4	• Ongoing monthly performance service standards reporting • Escalation of key service pressures with action plans to mitigate risks • Roles and responsibilities agreed for key tasks	3	3	
8	Financial	**Achievability of savings** Unrealistic savings targets, including straight line savings required across services rather than a more prioritised approach and/or weak implementation plans, could result in Service Area budget over runs for 2016/17 or risk compromising statutory obligations.	4	4	• Regular review of budget framework income assumptions • Incorporation of contingency where feasible • Opportunities to target additional savings once transformational change bedded in	4	3	• Provide business change and process improvement resources to work with services
9	Operational	**Service delivery through transformation** The transition of services to future state operating models may not be synchronised and planned for appropriately leading to gaps in service provision.	4	4	• Regular tracking of current and expiring contracts to identify gaps in external service provision • Scoping of transferred services and interim management arrangements to provide cover • Transformational governance with fulltime resource	4	3	• Business change and process improvement work with services • Engaging with services to develop BC plans
10	Organisation and people	**In-house capacity** Failure to attract and retain skilled staff due to uncompetitive pay could lead to an over-reliance on third parties and consultancy at the expense of developing existing staff and could result in unsustainable budgets and poorer staff morale.	4	4	• Transformation team has developed structure to reward key staff and provide development opportunities to encourage staff retention	3	3	• Undertake employee motivation survey

Guidance for assessing Impact and Likelihood of risk

Likelihood	1 – Rare	2 – Unlikely	3 – Possible	4 – Likely	5 – Almost Certain
Probability	0-15%	16-35%	36-60%	61-80%	81-100%
Chance of Occurrence	Hard to imagine, only in exceptional circumstances	Not expected to occur, unlikely to happen	May happen, reasonable chance of occurring	More likely to occur than not	Hard to imagine not happening
Timeframe	Greater than 10 years	Between 5-10 years	Likely between 3-5 years	Likely between 1-3 years	Likely within 1 year

Impact	1 – Negligible	2 – Minor	3 – Moderate	4 – Major	5 - Catastrophic
Effect on outcomes	Minimal effect	Minor short term effect	Part failure to achieve outcomes	Significant failure to achieve obligations	Unable to fulfil obligations
Financial effect	Corporate: up to £250k Services: up to £100k	Corporate: £250k - £750k Services: £100k - £300k	Corporate: £750k - £5m Services: £300k - £1m	Corporate: £5m - £20m Services: £1m - £5m	Corporate: £20m + Services: £5m +
Reputational damage	None	Minor	Moderate loss of confidence and embarrassment	Major loss of confidence and adverse publicity	Severe loss of confidence and public outcry

Likelihood	1 Negligible	2 Minor	3 Moderate	4 Major	5 Catastrophic
5 Almost Certain	Low	Medium	High	High	High
4 Likely	Low	Low	Medium	High	High
3 Possible	Low	Low	Medium	Medium	High
2 Unlikely	Low	Low	Low	Low	Medium
1 Rare	Low	Low	Low	Low	Low

Impact