

Taunton Deane Borough Council

Corporate Governance Committee – 28th September 2015

Risk Management Update

Report of the Performance Lead

(This matter is the responsibility of Executive Councillor Richard Parrish)

1. Executive Summary

This report provides an update on the corporate strategic risks which are being managed by the Joint Management Team (JMT).

2. Background

2.1 Introduction

- 2.2 Taunton Deane Borough Council recognises the importance of effective identification, evaluation and management of all key strategic and operational risks. This is endorsed by the increased focus on the importance of Corporate Governance to public sector bodies. The Council also has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts & Audit Regulations 2003:

“The relevant body shall be 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 the arrangements for the management of risk.”

- 2.3 Risk management is a key element of the Council’s overarching Governance arrangements.
- 2.4 Risk management is not about being ‘risk averse’ – it is about being ‘risk aware’. Risk is ever present and some amount of risk taking is inevitable if the Council is to achieve its objectives. Risk Management is about making the most of opportunities and about achieving objectives once those decisions are made. By being ‘risk aware’ the Council is in a better position to avoid threats and take advantage of opportunities.

3 Corporate Risk Management Update

- 3.1 The Corporate Risk Register is a ‘live’ document which highlights the key corporate risks facing the Council. The register is a joint one between Taunton Deane and West Somerset and is formally reviewed by JMT on a quarterly basis as part of the corporate performance review day. The last JMT review took place on 28 July 2015.

- 3.2 These regular reviews ensure that new strategic-level risks can be recognised; continuing risks can be re-assessed in the light of management actions to date; and risks which no longer warrant JMT focus can be removed.
- 3.3 Risk registers exist with divisions, teams, projects and programmes.
- 3.4 Risks which are managed at a corporate level are those which have a significant risk to the delivery of a corporate priority or which are cross-cutting risks that don't naturally sit with a single department or team. These risks have been identified and escalated from other risk registers within the Councils, officer concerns or from external sources.
- 3.5 There are currently 17 strategic risks identified and approved by JMT (15 joint risks and 2 TDBC-specific risks).
- 3.6 These risks have been plotted on a risk matrix below in order to provide a quick visual overview of the current assessment for these risks (the numbers shown relate to the Risk No. shown in the risk register).

		IMPACT				
		1. Insignificant	2. Minor	3. Significant	4. Major	5. Critical
PROBABILITY	5 Very Likely	Low Risk	Medium Risk	High Risk	High Risk	High Risk
	4 Likely	Low Risk	Low Risk	Medium Risk	High Risk	High Risk
	3 Feasible	Low Risk	Low Risk	Medium Risk 14	Medium Risk 9,10,11,12,16,17	High Risk 4,6,15
	2 Slight	Low Risk	Low Risk	Low Risk 13	Low Risk 5	Medium Risk 1,2,3,7,8
	1 Unlikely	Low Risk	Low Risk	Low Risk	Low Risk	Low Risk

3.7 A copy of the corporate risk register is attached at **Appendix A**.

4. Risk Movement

- 4.1 Since the last update to Corporate Governance, on 9th March 2015, 1 additional strategic risk has been added to the corporate risk register. This relates to the community impact of austerity. This is listed as risk number 17 within the register.
- 4.2 Mitigating actions have continued to be delivered in respect of the various risks. These are set out in the risk register and will continue in order to manage down the risks to an acceptable level.

5 External Scanning for Emerging Risk

- 5.1 To ensure the Council has a more complete awareness of emerging strategic risks we regularly look outside of the organisation.
- 5.2 This helps provide assurance that JMT are focussing on the 'right' risks and gives early warning of emerging risks which may need attention in case this has not been identified by our officers and managers.
- 5.3 We do this in a number of ways. The Councils are members of ALARM (Association of Local Authority Risk Managers) who hold regular meetings where emerging risks are discussed. The Corporate Strategy and Performance Manager attends these meetings and feeds back to JMT any emerging risks which are not already being managed by JMT for their consideration. The Corporate Strategy and Performance Manager also attends the South West Risk Managers Forum which carry out horizon scanning as well as comparing the corporate risk registers of a number of local authorities.

6 Finance Comments

- 6.1 None

7. Legal Comments

- 7.1 The Council has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts & Audit Regulations 2003.

8. Links to Corporate Aims

- 8.1 As this report covers the Council-wide approach to managing risk, all Corporate Priorities are affected.

9. Environmental and Community Safety Implications

- 9.1 There are no direct implications although any significant risks identified in these areas would be considered within the Corporate Risk Register.

10. Equalities Impact

- 10.1 Equalities impact has been considered in relation to this report. It has been concluded that since this is an update report only an Equalities Impact Assessment is not required.

11. Risk Management

- 11.1 There is the general risk that if the Council fails to make use of the risk management process it is likely to lead to uncontrolled exposure to many high level strategic and operational risks.

12. Partnership Implications

- 12.1 Partnership risk management is referred to in the Corporate Risk Register.

13. Recommendations

13.1 The Committee is recommended to:

- note the current position in relation to corporate risk

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TDBC & WSC Corporate Risk Register (last updated 1 September 2015)

Risk No.	Date raised	Risk group heading	Risk / Issue description	TDBC, WSC, or BOTH	Risk Owner	Current Assessment		Score	Movement ↓↑↔
						Probability	Impact		
1	Dec-13	Transformation	Joint-management & shared services ('JMASS') TDBC & WSC have now fully implemented the initial phase of the JMASS Business Case. As we continue to develop our knowledge across both Councils means we are still discovering "issues" and "backlogs" Risk of not adequately managing capacity issues now we have ONE team supporting both Councils. Effects: Member's expectations not met / loss of political support, breakdown in relationships between Leaders & CEO, savings projections / timeline not delivered, existing projects, priorities negatively impacted & demotivated workforce.	BOTH	Shirlene Adam	Slight(2)	Critical(5)	10	↔
2	Dec-13	Transformation	The wider transformation programme The Corporate Business Plan includes objectives to transform services and 'the way we work' - some projects have already been or are to be initiated (ie Customer Access & Council Accommodation). If a robust and effective approach to Programme and Change management is not implemented, or the existing contractual relationships in place for the supply of ICT services restricts the ability to deliver the new capability requirements - Risk of failure to deliver an effective programme of change to achieve the desired outcomes and benefits for the council(s) and Communities. Key effects: programme benefits not realised, financial loss, loss of political appetite for change, services do not embrace & adopt new ways of working, decline in staff morale & performance, detrimental impact on the quality of service & project delivery, failure to maximise service efficiency	BOTH	Shirlene Adam	Slight(2)	Critical(5)	10	↓
3	Dec-13	Transformation	Shared Services across Somerset and wider Public Sector Government policy is pushing wider transformation of public sector. No clear ambition has emerged for Somerset. RISK - wider transformation opportunities may be missed - or - if identified could slow down the pace of the TDBC / WSC transformation programme. Effects: (as per Risk no. 1 above)	BOTH	Penny James	Slight(2)	Critical(5)	10	↔
4	Jan-14	Political	National law and policy Changes advocated or made maybe missed or not evaluated in a timely manner. There is a risk that the Councils are failing to meet an existing legislative requirement or fail to implement new requirements. Key effects: The Councils are non-compliant leading to financial and /or reputational damage.	BOTH	Penny James	Feasible(3)	Critical(5)	15	↔
5	Jan-14	Financial	Asset Management RISK - failure to manage existing assets appropriately. Key effects: ~ financial (asset base that is unaffordable to maintain, inability to maximise income opportunities) ~ failure to comply with community requests relating to assets ~ increased risk & liabilities in relation to disrepair & compliance matters ~ Energy performance ~ Environmental sustainability ~ Adaptations and accessibility. ~ Lack of synergy in the integration of the asset management for the two councils. ~ Limiting the ability of the asset management function to be proactive and nimble in the provision of solutions.	BOTH	James Barrah	Slight(2)	Major(4)	8	↔
6	Dec-13	Financial	Medium Term Financial Planning (MTFP) The key financial risk factors are: continuing budgetary pressures due to demographic change and the impact of the Gov's austerity measures (such as: Business Rates retention, Revenue Support Grant, Council Tax & Council Tax Support, Income from Fees & Charges, Capital investment), uncertainty as to the long-term sustainability / affordability of the existing contract with Somerset Waste Partnership, the shrinking of the General Fund (impact on the HRA). Risk of failure to agree and deliver a sustainable MTFP for the next 5 years Key effects may include: ~ short-term or 'knee jerk' decisions with detrimental long-term implications ~ Government intervention ~ Adverse impact on the council's limited reserves & financial standing ~ Potential service closure / reduced service quality & therefore inability to deliver customer expectations ~ Insufficient capital resources to fund Corporate Strategy objectives ~ Inability to continue funding partnerships (eg Tone Leisure, SWP) ~ Unable to maximise investment returns	BOTH	Shirlene Adam	Feasible(3)	Critical(5)	15	↔
7	Dec-13	Partnerships	Southwest One The Southwest One contract is due to end in 2017 – there is uncertainty regarding future plans for the partnership beyond 2017. If there is no clear plan and timetable to reach a decision on the future of the SW1 partnership - Risk of failure to properly implement a succession plan for Southwest One services Key effects: deterioration of services (pre 2017), financial impact, reputational damage There is a risk of disruption to service delivery due to the proposed movement of SAP in 2015 from Warwick to a data centre in Bridgwater.	TDBC	Richard Sealy	Slight(2)	Critical(5)	10	↔
8	Dec-13	Leadership & People	Political leadership and decision-making Either Council has a 'no overall control' position, therefore the political balance of the council can present difficulties with decision-making. If there is a lack of clear political leadership, then - There is a risk of failure to reach decisions on key strategic issues. Key effects may include: ~ difficulties with long-term strategic & operational planning; ~ lack of cross-party buy-in to the corporate strategy There will be new political leadership in WSC from May 2015, this may require new relationships to be built within WSC and across the two Councils especially between the two political Leaders. Risks if these relationships are not effective or not developed in a timely manner.	BOTH	Penny James	Slight(2)	Critical(5)	10	↓

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9		Corporate Aim (TDBC)	<p>Corporate (strategic) risk re TDBC's vision and aims for 'a quality place' (Quality sustainable growth & development. A vibrant economic environment, A vibrant social, cultural and leisure environment)</p> <p>If the Growth Programme is not successful in the delivery of its projects (quality and timescale): RISK (threat): Failure to deliver the ambitions or realise the outcomes & benefits as defined in the Taunton Growth Prospectus and Taunton Rethink.</p> <p>Key effects: Taunton's key economic challenges may not be addressed, thus having a detrimental impact on the local economy and quality of life, ie: - transport & infrastructure needs not met - traffic worsens, inability to attract inward business investment - long-term increased flood risk (climate change) is not mitigated - no additional protection offered to existing development, future planned growth is prevented - Taunton town centre regeneration does not happen and the town centre stagnates - Taunton's full economic potential is not realised and opportunities for economic growth are not exploited (eg Hinkley Point) - Housing growth (as per proposals in the Development Plan) is not delivered, and/or unplanned development occurs - Employment land (as per proposals in the Development Plan) is not delivered, or fails to provide the optimum mix of uses to attract the targeted growth clusters - opportunity cost in terms of New Homes Bonus and Business Rates - Poor reputation for Taunton and TDBC</p>	TDBC	Brendan Cleere	Feasible(3)	Major(4)	12	↔
10	Dec-13	Corporate Aim (WSC)	<p>Hinkley Point The development of a the new Hinkley C power station (a 10 year construction period) may cause a variety of threats and opportunities to the achievement of our strategic objectives. There is a risk that the development will have an adverse impact on local accommodation, skills & employment and highways, and/or Economic & Social opportunities may not be realised (eg benefits to local businesses & the local economy of permanent inward migration, receipt of significant Community Fund grant monies). Key effects may include: ~ homelessness increases and the council is unable to discharge its homelessness obligations; ~ increase in housing demand & lack of affordable housing; ~ increased congestion (impacting on Growth & Regeneration goals / inward investment) ~ Local businesses are not able to win contracts to participate in the project ~ Local people aren't trained and are unable to gain employment on the project</p>	BOTH	Brendan Cleere / Andrew Goodchild	Feasible(3)	Major(4)	12	↔
11	Dec-13	Communities	<p>Welfare Reforms There is an on-going requirement to reduce benefit payments (CTRS, Business Rates, Universal Credit) - the Welfare Reforms will mean that people in the welfare system will receive less Council Tax support. It will also mean that Universal Credit will be paid directly to tenants rather than the HRA housing landlord. a) Risk of the Council failing to adequately support our community and services for the impact of the Government's Welfare Reform Agenda. b) Risk of the Housing Service having substantially reduced collection rates on introduction of Universal Credit Key effects include: ~ taxes and rents harder to collect ~ reduced rent collection could affect ambitions of HRA business plan ~ more vulnerable people - individuals & families may be unable to manage ~ increased pressure and demand on services</p>	BOTH	Paul Fitzgerald / Simon Lewis	Feasible(3)	Major(4)	12	↔
12	Dec-13	Communities	<p>Addressing deprivation Deprivation is worsening and deepening in North Taunton and Taunton East, with other key community issues being rural isolation and an ageing population, and in West Somerset, the key issues are rural deprivation, fuel poverty & 'access to services'. Initiatives such as Taunton Deane Partnership's 'Priority Areas Strategy' (PAS) programme and the Health & Wellbeing Strategy are being developed & delivered to address the issue, however, if the work is not supported, or not adequately resourced: There is a risk that the programmes & activities may be unsuccessful and we fail to reduce levels of deprivation in our most deprived communities. Key effects may include: ~ areas of deprivation remain or worsen; ~ other areas slip into deprivation; ~ community expectations are not managed or delivered ~ further burden on TDBC resources (eg increase in 'Troubled Families' interventions, Housing demand etc) ~ lost opportunities for additional funding, reduced service costs, reduced work duplication, improved experience for the customer ~ negative impacts on individuals, families & communities, plus the financial cost to public sector agencies increases</p>	BOTH	Simon Lewis	Feasible(3)	Major(4)	12	↔
13	Dec-13	Communities	<p>Gypsies & Travellers Local Authorities have a (planning) duty to allocate suitable provision for Gypsies & Travellers. TDBC has had previous experience of illegal Gypsy & Traveller encampments. There is a risk that TDBC is unable to identify suitable provision if required and cannot defend against future illegal encampments. Key effects may include: ~ unable to respond to community or political pressure; ~ financial impact (eg high legal fees); ~ reputational damage</p>	BOTH	Tim Burton + Terry May / Simon Lewis	Slight(2)	Significant(3)	6	↑

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14	Dec-13	Corporate Governance	<p>Corporate Governance arrangements on running the business</p> <p>There is a need for robust arrangements, and on-going monitoring and focus on embedding effective corporate governance arrangements (ie budget monitoring, risk management, debt management, performance management, Treasury management, compliance with audit recommendations, asset management, Equalities duties, Business Continuity Planning, Information Governance & Security, Health & Safety management).</p> <p>Risk of failure to comply with key internal controls & corporate governance arrangements.</p> <p>Key effects include:</p> <ul style="list-style-type: none"> ~ inaccurate budget forecasting & financial loss ~ failure to adhere to HRA ringfence ~ project or service failure or under-performance ~ reputational damage ~ Government intervention ~ Failure to comply with statutory duties & regulations (eg Health & Safety, Equalities, Data Security / Data Protection, Safeguarding) causing harm or injury ~ lack of resilience to unexpected events / failure of IT systems / data loss ~safeguarding 	BOTH	Shirlene Adam	Feasible(3)	Significant(3)	9	⇄
15	Dec-13	Communities	<p>Civil Contingency and Service Continuity</p> <p>There is a need for adequate planning and effective Civil Contingency arrangements to be in place and tested. The new joint management & shared services arrangements between TDBC & WSC have also extended the geography & facilities and widened the scope of our responsibilities.</p> <p>There is a risk that the council may be unprepared for and unable to provide an adequate response to a major emergency incident (including pandemic and widescale evacuation).</p> <p>Key effects may include:</p> <ul style="list-style-type: none"> ~ loss of life; ~ major disruption to services; ~ unplanned costs; ~ Reputational damage; 	BOTH	Chris Hall	Feasible(3)	Critical(5)	15	⇄
16	Oct-14	Leadership & People	<p>Staff Engagement & Development</p> <p>There is a risk that due to increased opportunities in the private sector, as the economy improves, and austerity continues within the public sector that the organisation finds it difficult to attract and retain the right skills - leads to use of expensive agency workers or disruption to service provision.</p> <p>The Organisation has also been through a period of significant restructure and needs to ensure its staff are fully engaged in the changes underway and being planned.</p>	BOTH	Shirlene Adam	Feasible(3)	Major(4)	12	⇄
17	Jul-15	NEW	<p>Community Impact of Austerity</p> <p>Austerity measures will impact on services to the community. This may manifest in a number of ways including (but not limited to):</p> <ul style="list-style-type: none"> - direct impact on household income e.g. through cap / reduction in benefits - leading to increased debt and subsequent issues - Lack of income where households are subject to DWP sanctions - leading to crisis and requirement for food banks - Reduced ability to pay council tax, housing rent (Council or private) and utility bills, leading to potential evictions, homelessness and health issues - reduction in level of support that can be delivered by the district councils directly, or through grant-funded providers e.g. reduced ability to support One Team measures through rent changes to HRA - leading to reduced support for deprived communities - Reduced ability to support Under 21s where they are unable to claim HB and need support with potential of increased homelessness and sofa surfing and associated risks (e.g. CSE) - impact of service reductions by other local authorities such as County Council (e.g. P4A and P2I cuts leading to increased homelessness) - Increasing aging population with unmet Health and Social Care needs struggling to live comfortably <p>This risk links to others on the register including Welfare Reform and Addressing Deprivation</p>	BOTH	Paul Fitzgerald / Simon Lewis	Feasible(3)	Major(4)	12	⇄