

Report of:	Head of Governance and Corporate Services
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Key Decision:	No
Report Track:	Cabinet: 14/06/18 Audit & Gov Cttee: 19/06/18

AUDIT & GOVERNANCE COMMITTEE

19 JUNE 2018

STRATEGIC RISK REGISTER

1 Purpose of Report

- 1.1 To set out details of the Council's Risk Management arrangements for managing the Strategic Risks facing the Council in delivering its objectives.

2 Recommendations

- 2.1 That the Committee note the progress made in the identification and management of the strategic risks.

3 Key Issues and Reasons for Recommendation

- 3.1 All strategic risks and associated action plans have been reviewed and the Council's risk profile is summarised in the table below:

Risk Colour	Number of Risks at 1 Oct 2017	Number of Risks at 1 April 2018
Red	1	1
Amber	5	4
Green	0	0
TOTAL	6	5

4 Relationship to Corporate Priorities

- 4.1 This report supports the Council's Corporate Priorities as follows:
- (i) Risk management is a systematic process by which key business risks / opportunities are identified, prioritised and controlled so as to contribute towards the achievement of the Council's aims and objectives.
 - (ii) The strategic risks set out in the Appendices have been categorised against the Council's priorities.

5 Report Detail

- 5.1 The Accounts & Audit Regulations 2015 state that:
- "A relevant body must ensure that it has a sound system of internal control which:-
- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - (b) ensures that the financial and operational management of the authority is effective; and
 - (c) includes effective arrangements for the management of risk."
- 5.2 Risk can be defined as uncertainty of outcome (whether positive opportunity or negative threat). Risk is ever present and some amount of risk-taking is inevitable if the council is to achieve its objectives. The aim of risk management is to ensure that the council makes cost-effective use of a risk process that has a series of well-defined steps to support better decision making through good understanding of risks and their likely impact.

Management of Strategic Risks / Opportunities

- 5.3 Central to the risk management process is the identification, prioritisation and management of strategic risks / opportunities. Strategic risks / opportunities have been identified and prioritised, action plans are in place for their effective management and delivery of the action plans is monitored. A summary of the Council's strategic risk register as at 1st April 2018 is attached at **Appendix 1**.

The risk summary illustrates the risks / opportunities using the "traffic light" method i.e.

RED	risk score 12 and above (action plan required to reduce risk and/or regular monitoring)
AMBER	risk score 5 to 10 (action plan required to reduce risk)
GREEN	risk score below 5 (risk tolerable, no action plan required)

5.4 The number of strategic risks has fallen from 6 to 5 as follows:

- 2 risks have been deleted; and
- 1 new risks have been added.

5.5 The 2 risks that have been deleted are:

- Risk number 20 “Vulnerability of the Council’s Housing Revenue Account due to the new government housing policies.” - this has been deleted as the Government Policy on Pay to Stay has been abolished and the HRA Business Plan refreshed to incorporate additional provision to continue with the Council’s housing building & estate regeneration initiatives.
- Risk 24 “Failure to have an attractive and safe environment to encourage businesses and residents into the District.” - this has been deleted but has been replaced by the new risk below.

5.6 The new risk is:




- Risk 25 “There is a reduction in investor confidence in the District”

5.7 All other risks remain unchanged.

5.8 A progress update for those actions due up to the end of March 2018 is included in the full strategic risk register attached at **Appendix 2**.

5.9 Additional information for red and amber risks can be found in the Strategic Risk Register (**Appendix 2**) in the form of an ‘Overall Progress Summary’ this is accompanied by a symbol to indicate whether progress is on target or otherwise.

The table below outlines the overall progress made in reducing risks since 1st October 2017:

Progress Indicator	Current position
 No progress made in reducing the risk	0 Risks
 Some progress made in managing the risk	4 Risks
 Risk on target to be reduced	0 Risks

The new risk does not have a progress report and is not included in the figures above.

6	Implications
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6.1 **Financial**

None

6.2 **Legal**

None

6.3 **Human Resources**

None

6.4 **Section 17 (Crime Prevention)**

None

6.5 **Human Rights Act**

None

6.6 **Data Protection**

None

6.7 **Risk Management**

The Risk Management implications are included within the body of the report and appendices.

6.8 **Equality & Diversity**

None

6.9 **Best Value**

None

7	Appendices to the Report
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Appendix 1 Summary of Strategic Risks 2017-18

Appendix 2 Strategic Risk Register - Detailed

Previous Consideration

N/A

Background Papers

File of papers kept in the Chief Internal Auditor & Risk Manager's office.

Appendix 1**SUMMARY OF STRATEGIC RISKS AS AT 01/04/2018**

Risk No	Potential Risks	Risk Owner	Date Added to Register	Score at Oct 2017	Score at Apr 2018	Direction of Travel over period reported
Red Risks						
18	Vulnerability of Cannock Chase Council's financial stability as a result of public expenditure reductions and changes to the Government's funding regime	Head of Finance	April 2014	12	12	↔
Amber Risks						
16	Impact of Welfare Benefit Reform	Heads of Finance and Housing & Partnerships	April 2013	9	9	↔
19	The organisation does not have sufficient Management / Officer capacity to deliver its corporate priorities and statutory duties	Managing Director	April 2015	9	9	↔
23	Failure to repel or recover from Cyber-attack including targeted ransomware, malware and Distributed Denial of Service (DDoS) attacks	Head of Technology	April 2017	9	9	↔
25	There is a reduction in investor confidence in the District	Head of Economic Prosperity	April 2018	N/A	9	N/A

Key to Direction of Travel

↓ Risk has decreased ↔ Risk level unchanged ↑ Risk has increased


Deleted Risks

Risk No	Potential Risks	Risk Owner	Date Added to Register	Score at Oct 2017	Score at Apr 2018	Direction of Travel over period reported
20	Vulnerability of the Council's Housing Revenue Account due to the new government housing policies	Head of Housing & Partnerships	April 2015	8		
24	Failure to have an attractive and safe environment to encourage businesses and resident into he District.	Head of Economic Development	April 2017	9		

Cannock Chase District Council – Strategic Risk Register

Ref No: 16	Risk: Impact of Welfare Benefit Reform (e.g. Introduction of Universal Credit, Single Fraud Investigation Service etc.)		
Risk Owner: Head of Finance / Head of Housing & Partnerships		Portfolio: Corporate Improvement, Health & Wellbeing and Housing.	
<p>Consequences Of Risk:</p> <ul style="list-style-type: none"> Increased demand for services (additional workload, pressure on service delivery, additional resourcing etc); Increase in arrears on Council Tax; Increase in Rent Arrears; Negative impact on ability to perform “Compliance” functions and adverse effect on income. 			
<p>Links To Priority Delivery Plan: Customers</p> <ul style="list-style-type: none"> Community Wellbeing 			
Gross Risk Score (ie without controls)	Likelihood: 4	Impact: 3	Total Score: 12 RED
<p>Controls in Place</p> <ul style="list-style-type: none"> Manage the Council’s housing stock; Monitoring impact of localisation of Council Tax Support; Liaison with DWP on implementation timetable for Universal Credits; Budget workshops for affected residents to better manage their budgets set up 			
Residual/Net Risk Score (ie with controls)	Likelihood: 3	Impact: 3	Total Score: 9 AMBER
Provisional Assessment of Risk – does the residual risk score need to be reduced		YES	

Actions Planned	Timescale/Person Responsible	Progress/Comments
Monitor impact of Benefit Reform to identify areas of concern.	Quarterly Head of Finance	An on-going monitoring routine is in place.
Identifying number of additional people falling into arrears with Council Tax payments	Quarterly Head of Finance / Local Taxation & Benefits Manager	This forms part of the overall monitoring.
Introduction of Tenancy Sustainment Service	Completed	Tenancy Sustainment Officer (TSO) service embedded – completed

<p>Overall Progress Summary: The full impact of benefit reform cannot be determined until the phased introduction of Universal Credits. The impact of existing reforms continues to be monitored.</p> <p>The emphasis has been shifted to look more holistically at pursuing rent recovery in line with the roll out of Universal Credit and impact of welfare reforms.</p> <p>The Tenancy sustainment service is now embedded in housing.</p>	<p>AMBER</p> 
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Ref No: 18	Risk: Vulnerability of Cannock Chase Council's financial stability as a result of public expenditure reductions and changes to the Government's funding regime		
Risk Owner: Head of Finance		Portfolio: This risk cuts across all Portfolio's	
Consequences Of Risk: <ul style="list-style-type: none"> • Council size becomes too small to sustain a viable organisation; • Unable to provide desired levels of service 			
Links To Priority Delivery Plan: Corporate			
Gross Risk Score (ie without controls)	Likelihood: 4	Impact: 5	Total Score: 20 - RED
Controls in Place <ul style="list-style-type: none"> • Medium term financial plan in place • Annual Financial Plan and Medium Term Financial Strategy in place • The Revenue Budget is balanced for 2018-19 but requires support from balances • Reliance on New Homes Bonus is reduced on an annual basis. • Corporate Budget Monitoring • Evaluation of consultation on changes to government funding regimes 			
Residual/Net Risk Score (ie with controls)	Likelihood: 4	Impact: 3	Total Score: 12 - RED
Provisional Assessment of Risk – does the residual risk score need to be reduced		YES*	

Actions Planned	Timescale/ Person Responsible	Progress/Comments
Responding to Government proposed legislation in relation to key funding regimes	On-going Head of Finance	Work streams of DCLG/LGA and CIPFA in relation to 75% Business Rates Schemes and pilot areas to be monitored Detailed responses to be submitted in relation to self-sufficient local government, 75% business rates retention and fair funding review as more technical detail becomes available

Actions Planned	Timescale/ Person Responsible	Progress/Comments
Review criteria for 2019/20 Business Rates Pilot and subject to approval of partners submit application	On going	In Progress
Determine impact of Government proposals for key funding regime	On-going	In Progress
Production and refresh of medium term financial plan	On-going	In Progress
Mill Green DOV Development Project Board Established	On-going	In Progress
Refresh Budget Strategy to ensure external funding sources maximised and efficient and effective use of all resources	On-going	In Progress
Council looking to maximise all funding opportunities for economic growth, transport, infrastructure, additional jobs and better skills for residents	Head of Economic Development	

Overall Progress Summary: The Approved Budget and Plan currently provides an ongoing balanced budget with the use of balances required in 2019/20 pending the opening of Mill Green DOV in 2020/21.

The Balanced Budget in 2020/21 in addition is based upon the current Local government Finance Regime, however fundamental changes, to Government Funding, details still to be determined, are set to take place in 2020/21 (implementation of 75% Business Rates Retention; Fair Funding and Business Rates Reset) combined with the ongoing uncertainty in relation to the longevity of the New Homes Bonus grant scheme creates a key strategic risk for the financial stability of this and all other councils.

Details are unlikely to become clear before the Autumn of 2019 and hence Budget strategies need to be developed reflecting the various scenarios and efficiency savings implemented as soon as practically possible.


AMBER



Ref No: 19	Risk: The organisation does not have sufficient Management / Officer capacity to deliver its corporate priorities (e.g. Corporate Plan & PDP's) and statutory duties.		
Risk Owner: Managing Director		Portfolio: This risk cuts across all portfolios	
Consequences Of Risk: <ul style="list-style-type: none"> The Council's priorities are not fully delivered with impact on residents / the public. 			
Links To Priority Delivery Plan: Corporate			
Gross Risk Score (ie without controls)	Likelihood: 4	Impact: 3	Total Score: 12 RED
Controls in Place <ul style="list-style-type: none"> Scoping of management capacity for delivery of PDP's by Heads of Service (Assessments of Management Capacity) Management capacity issues are monitored by Leadership Team; Adherence to Sickness Management Policy 			
Residual Risk/Net Score (ie with controls)	Likelihood: 3	Impact: 3	Total Score: 9 AMBER
Provisional Assessment of Risk – does the residual risk score need to be reduced	YES*		

Actions Planned	Timescale/ Person Responsible	Progress/Comments
Ensuring that all priorities in the PDP's are resourced appropriately	Ongoing All Heads of Service	The majority of PDP priorities are on target but there are a small number of Yellow 'not on target' areas in part due to management capacity.
Where necessary, considering whether resources from other parts of the Council can be transferred for a period.	Ongoing Managing Director / Leadership Team	PDP Priorities not on target are being reviewed by Leadership Team and resource implications are being re-considered.


Actions Planned	Timescale/ Person Responsible	Progress/Comments
Leadership Team maintaining an overview of performance through “managing the business” performance indicators	Ongoing Managing Director / Leadership Team	Quarterly Performance Indicator reports agreed for 2017/18
Requests for additional projects may be refused or deferred until subsequent year(s)	Ongoing Managing Director	A number of requests for new projects in year have had to be refused in order to protect delivery of the Council’s agreed Corporate Priorities.
The Property Services Manager post will be re-established	December 2018 Managing Director	

<p>Overall Progress Summary:</p> <p>The Councils management capacity will be monitored closely and action has already been taken by not accepting new project requests in year in order to protect capacity to deliver the agreed PDP priorities.</p> <p>Leadership Team have recently started to review delivery of the Council's General Fund and S106 Capital Programme and will be considering in further detail the need for additional project and programme management capacity</p>	<p style="text-align: center;">AMBER</p> <div style="text-align: center;">  </div>
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Ref No: 23	Risk: Failure to Repel or Recover from Cyber-attack including targeted ransomware, malware and Distributed Denial of Service (DDoS) attacks		
Risk Owner: Head of Technology		Portfolio:	
<p>Consequences Of Risk:</p> <ul style="list-style-type: none"> • Data, Systems and Applications inaccessible • Inability to deliver Council services • Cybercrime/ Fraud/ Ransom demands/ Financial harm • Reputational damage locally and nationally • Data Loss & breach of Data Protection Act (DPA) • Financial Loss 			
Links To Priority Delivery Plan - Corporate			
Gross Risk Score (ie without controls)	Likelihood: 4	Impact: 5	Total Score: 20 - RED
<p>Key Controls in Place:</p> <ul style="list-style-type: none"> • Information Risk Management Regime – Assess the risks to our information assets, effective governance structure, LT engagement with cyber risk, produce supporting information management policies. • Secure configuration – Corporate policies and processes to develop secure baseline builds • Network Security – Protection and secured perimeter of external security threats and untrusted networks • Managing user privileges – All users of ICT systems provided with privileges suitable for their role • User education and awareness – Security policies that describe acceptable and secure use of ICT assets • Incident management – Incident response and disaster recovery capabilities that address the full range of incidents that can occur • Malware prevention – Produce policies that directly address the business processes (such as email, web browsing, removable media and personally owned devices) • Monitoring – Established monitoring taking into account previous security incidents and attacks. Annual IT Health Check and penetration testing conducted by a Council of Registered Ethical Security Tester (CREST)/ Communications-Electronics Security Group (CESEG) Listed Advisor Scheme (CLAS) - accredited Government Communication Headquarters (GCHQ) approved consultants. • Removable media controls – Produce removable media policies that control the use of removable media for the import and export of information • Home and mobile working – Assess the risks to all types of mobile working including remote working and develop appropriate security policies 			

Residual/Net Risk Score (ie with controls in place)	Likelihood: 3	Impact: 3	Total Score 9 -AMBER
Provisional Assessment of Risk - does the residual risk score need to be reduced			YES*

Actions Planned	Timescale/Person Responsible	Progress/Comments
Information Risk Management- Continuous review and work on our information risk management regime	Ongoing/ Head of Technology	Policies under review. Some elements will be dealt these will be reviewed
Monitoring – External and Internal checks. Threat and vulnerability assessment and remediation including Annual IT Health Check by CLAS approved consultant with remedial work carried out	Ongoing/ Head of Technology	Procurement in progress for the Annual Healthcheck
Application Security Assessment and Remediation action taken	Annually Head of Technology	The healthcheck will produce an action plan to feed into this. Other work will also be carried out to address
Security Compliance Assessment included in the survey	Annually/ Head of Technology	As above
Threat intelligence, Vulnerability management, Operational management, via internal and external monitoring.	December 2018/ Head of Technology	Will review the webfilter and internet filter to replace the current
Exploring options to improve security for sharing information with external partners	December 2018/ Head of Technology	New action

<p>Overall Progress Summary: Work has been completed and actions are in progress. However, the environment means that new risks and challenges are always developing and attacks are becoming more sophisticated.</p>	<p>Amber</p> 
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Ref No: 25	Risk: There is a reduction in investor confidence in the District		
Risk Owner: Head of Economic Prosperity		Portfolio: All	
Consequences Of Risk: <ul style="list-style-type: none"> • Business Growth in the District reduces • Employment Opportunities decline • NNDR / Council Tax Income does not grow • Schemes in the District get abandoned 			
Links To Priority Delivery Plan: This fully links in with the Economic Prosperity PDP			
Gross Risk Score (i.e. without controls)	Likelihood: 4	Impact:5	Total Score: 20
Controls in Place <ul style="list-style-type: none"> • The Local Plan Framework to identify development opportunities • Proactive work with GBSLEP/West Midlands Combined Authority • Business Relationships work/promoting the District via Economic Development function 			
Residual Risk/Net Score (i.e. with controls)	Likelihood: 3	Impact: 3	Total Score: 9
Provisional Assessment of Risk – does the residual risk score need to be reduced		YES	

Actions Planned	Timescale/Person Responsible	Progress/Comments
Economic Prosperity Strategy to be developed	Head of Economic Prosperity March 2019	N/A
Continue to dedicate resources to the GBSLEP/Combined Authority	Head of Economic Prosperity Ongoing	N/A
Revised Local Plan to be produced and delivered	Head of Economic Prosperity Plan to be adopted by September 2021	N/A
Reestablishment of a Further Education offer in the District (Retail Skills Academy/Engineering Academy)	Head of Economic Prosperity March 2019	N/A

In accordance with the Risk Management Strategy, the green risks below are deemed to be tolerable (with existing controls in place) and will be monitored but require no further action at this time.

GREEN RISKS			
Risk No:	Risk Owner	Risk:	Score:
	NONE		

KEY TO PROGRESS SYMBOLS

Progress Indicator	
	No progress made in reducing the risk
	Some progress made in managing the risk
	Risk on target to be reduced