

AUDIT COMMITTEE

26 JUNE 2014

REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES)

A.2 CORPORATE RISK REGISTER UPDATE

(Report prepared by Steve Blake)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To present to the Audit Committee the Council's updated Corporate Risk Register.

EXECUTIVE SUMMARY

The format of the Council's Corporate Risk Register has evolved to provide a greater focus on high level corporate risks.

The Corporate Risk Register has been updated as part of the on-going review process with a number of additional risks now included.

RECOMMENDATION(S)

(a) That the Audit Committee notes the current Corporate Risk Register.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Risk assessment, monitoring and control forms the central tool for managing the strategic risks that may prevent the Council from achieving the corporate priorities as identified in the Corporate Plan and associated corporate goals.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The risk management approach can be delivered within existing budgets.

Risk

The subject of risk and its management by the Council is set out in the main body of this report.

LEGAL

There are no specific legal implications.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

There are no other direct implications.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

At its meeting on 12th December 2013 the Committee noted the revised Corporate Risk Management Procedure and the Corporate Risk Register current at that time.

The Corporate Risk Management Procedure sets out the framework for the approach to risk management across the Council.

Risks are captured in two standard Risk Registers: -

- The Corporate Risk Register, which forms the content of this report; and
- Departmental Risk Registers (embedded in the departmental planning process) which is managed within departments.

The Corporate Risk Register has been developed from both the risks identified in each service area within departments and those business risks identified by the Management Team.

A brief overview of the Council's approach to risk management is summarised as follows: -

- Departmental Risk Registers are reviewed and updated regularly by each Department
- The Management Team review and update the Corporate Risk Register regularly
- The Corporate Risk Register is reported to the Audit Committee every 6 months with interim exception reporting as appropriate
- The Corporate Risk Management Procedure is subject to ongoing review with updates made as appropriate, which would be included within the 6 monthly reports to Audit Committee.

In terms of the review by Management Team, risk management is a standing item on their agenda, although they have formally identified the review of the scores and mitigating factors of the risks identified as a specific activity to be undertaken by them in the next 3 months.

CURRENT POSITION

Since the Corporate Risk Register was last reported to the Audit Committee at its meeting in December 2013 the structure and format of the register has evolved to provide a greater focus on high level corporate risks to the Council with the detail now being provided as a second tier within each high level risk. As this change is primarily a presentational issue rather than procedural an updated Risk Management Procedure is not being presented to the Committee at this time.

Risks requiring inclusion within the Corporate Risk Register have been grouped into 9 identified corporate risks. The number of risks at this level may vary over time as the risk exposure of the Council changes.

All the risks previously identified remain included within the Corporate Risk Register. The detail regarding these risks has been updated where appropriate. A number of additional corporate risks have been identified and added to the Risk Register as part of the on-going

review process with a summary as follows:

- 1a Failure to effectively manage assets
- 1b Catastrophic IT network failure
- 1c Ineffective communication / management of information
- 2f Ineffective delivery of Transforming Tending project
- 2g Replacement of cremators at Weeley Crematorium
- 2h Essex Family / Family Solutions
- 3b Failure to comply with legislative requirements
- 6b Tending Intelligence Sharing Project
- 6c Disconnection from PSN Network
- 6d Virus / Malware
- 9a Ineffective Emergency Planning
- 9b Ineffective Business Continuity Planning

Further details against each risk are set out in the Risk Register.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

Appendix A – Corporate Risk Register



Corporate Risk Register June 2014

Tendring
District Council



INTRODUCTION

The management of Risk is a key element to any organisation in order to protect its resources (human & physical), finances and reputation. By undertaking regular, stringent and structured analysis of the risks faced by the organisation senior managers are able to take strategic decisions to mitigate against such risks whilst still being able to take the necessary decisions for a progressive council.

This document explains the methodology used to analyse and identify the risks which are considered to be of a sufficient level to be monitored corporately. The process of identifying risks is a linear examination at service, departmental and subsequently corporate level. It is only by undertaking a thorough and detailed risk assessment that this can be achieved.

Each risk is assessed for the likelihood of the risk occurring, as well as the potential impact of such an occurrence. The combination of these two factors gives an initial risk rating. Each risk is then 'managed' by the implementation of control measures. It is then re-assessed to give a residual risk rating.

Only risks which would have a significant corporate-level impact upon the ability of the Council to undertake its normal service delivery, finances, safety, or reputation are reported at this level.

DEFINITIONS

Risk: A risk is an event or action which may adversely affect the Council. It can arise from the possibility of not realising opportunities as well as from a threat materialising. Risk management is embedded across the organisation and forms part of each directorate's everyday function. They follow the format '[x...] leading to [y...] resulting in [z]'. Please note that as we increase our partnership and multi-agency work, risks become increasingly complex as controls may become out of our direct control.

Inherent risk: This is the level of risk that is present before controls have been applied. These are measured on a numerical scale from 1-5.

Residual risk: Once controls have been put in place to mitigate risks and/or their impact, this is the remaining level of risk. They are measured on the same basis as inherent risk to allow comparison and to demonstrate the effectiveness of controls.

Control: Controls are a key mechanism for managing risk and are put in place to provide reasonable assurance. Controls can include policies or implementation of recommendations resulting from internal audits.

Actions: Actions are things undertaken to bring the residual risk rating within the Council's risk appetite. These should always be SMART.

Warning indicators: These are current or future areas of concern which may show an increased risk to the Council. These can be internal or external to the organisation.

RISK RATING CATEGORIES

High Risks (Rating of 15-25)

- These risks require immediate attention and, as a high priority, a plan needs to be put together for their mitigation because they are likely to impact on ability to effectively deliver the corporate strategy. Strategic risks, and those operational risks with potential impact across the council, will be owned by the Management Team and an appropriate Director will be allocated the management of each risk.
- The risk details will be presented to the Audit Committee along with a plan of action to reduce the risk. The risk registers will clearly indicate who is responsible for taking the action and timescales will be put on each action point.
- The Audit Committee will also receive notification of the trend of each risk. Those with increasing risk levels will therefore be treated more urgently than those being currently managed down through an action plan.



Medium Risks (Rating of 6-12)

- Medium Risks should be recorded in the Departmental Risk Register. These risks will be owned and managed within the directorate because the level of risk is generally in the range that the council is prepared to tolerate. This means that we are satisfied that current controls are at an adequate level compared to the level of risk.
- However, these risks are close to the tolerance threshold so they should be monitored on at least a quarterly basis to ensure that controls continue to be effective and/or that the inherent risk is not increasing.
- The trends of risks should be included in directorate risk monitoring because:
 - If the risk is increasing, we need to find out whether it could become a high risk, and be proactive in trying to avoid this happening.
 - If the risk is decreasing it may indicate that we are focussing our efforts in the wrong areas.



Low Risks (Rating of 1-5)






- These risks should be included in the risk registers and monitored on a quarterly basis. No action needs to be identified to reduce these risks further.


CORPORATE RISK REGISTER


Risk No	Risk Details	Inherent Risk			Controls We control the risk by:	Warning Indicators	Action Owner	Target/ Review Date	Residual Risk			 	Contribution to / Secondary Risk Supported
		Impact 1-5	Probability 1-5	Inherent Risk Rating					Impact 1-5	Probability 1-5	Residual Risk Rating		
1	Failure to deliver key services												
1a	NEW Failure to effectively manage assets	5	3	15	<p>Bringing the management of assets together within a dedicated team rather than devolved across the organisation.</p> <p>Implementing and developing an Asset Strategy and associated delivery plan and ensuring an effective and flexible property dealing policy</p>	Loss of developments or transactions	Andy White	Summer 14	3	2	6	↓	2 & 3
1b	NEW Catastrophic IT network failure	5	3	15	<p>On-going work with BT to remove single points of failure and implement dynamic routing and monitoring network</p> <p>Resilience built into IT Investment Strategies</p>	Network monitoring alarms	John Higgins	Sep-14	5	1	5	↓	2 & 3
1c	NEW Ineffective communication / management of information Failure to adopt, implement and foster effective communication and information systems with an adverse impact on the ability to deliver services or relationship with key stakeholders.	5	3	15	<p>Implement and develop key communication 'routes' such as consultations and petitioning schemes.</p> <p>Development of 'electronic' approaches to communication such as the Council's website and improving transparency such as through improvements to the systems used to access reports and decisions . The Council now has access to 'Survey Monkey' and the Intranet is being replaced / re-developed focussing on staff self-service / self help and ease of use.</p> <p>Develop information systems and databases such as IDOX to ensure information is captured centrally and accessible by services in a timely and effective way. The IDOX Electronic Document Records System is being implemented across the Council during 2014/15.</p>	Annual IT staff survey, Communications Group and departmental IT Champions	John Higgins	Apr-15	5	2	10	↓	2 & 3
1d	Careline - Potential loss of ECC contract. Currently considering tender for delivery of ECC contract. The loss and subsequent competition from an aggressive new provider in the marketplace would have a significant impact upon the unit.	4	3	12	<p>Operating high quality service focusing on reducing costs.</p> <p>Working to establish a high quality, locally focused bid (that can also be offered outside the district) to deliver a level of service (including response), not offered by national providers.</p>	Bid failure	Mark Westall	Dec-14	4	3	12	↔	3 & 8



Risk No	Risk Details	Inherent Risk			Controls		Warning Indicators	Action Owner	Target/ Review Date	Residual Risk			Contribution to / Secondary Risk Supported
		Impact 1-5	Probability 1-5	Inherent Risk Rating	We control the risk by:					Impact 1-5	Probability 1-5	Residual Risk Rating	
2	Failure to deliver key projects												
2a	Coastal defence scheme - Unforeseen expenditure / delivery Unforeseen expenditure may be required on sea defences; which if left to deteriorate could cause catastrophic cliff failure and impact safety of residents/visitors nearby. There is a strong possibility of further structural failure before the long-term strategic work can be implemented.	5	4	20	Propping up the existing sea wall with rock armour but this will not guarantee the stability of the wall in the medium term. Further schemes are being promoted to try to avert failure in the short to medium term. Continue to monitor structures on a regular basis and implement work as necessary. On completion, coastline will be safely maintained for 100 years. Contingency budget in place (circa £6 Million). Robust Risk Plan in place for project.	Under review	Mike Badger	Summer 2014	1	1	1	↓	3
2b	Failure to deliver IER Significant Council project to roll out new electoral registration system	5	2	10	Effective Project Management arrangement in place.	Failure to meet Electoral Commission "readiness tests"	Management Team (Martyn Knappett)	Monthly	5	1	5	↓	3
2c	Community Leadership Projects Potential for impact to the reputation of the Council and impact on Communities, through failure to deliver key projects with partners.	4	3	12	Clearly defined ToR agreed between ECC & TDC. Action plans agreed as appropriate for each project and reviewed on a regular basis.	Action plan not delivered (regular monitoring and feedback to Locality Board)	Jon Barber	Jun-15	4	2	8	↓	3
2d	Building Council Homes No lifting of borrowing cap impacts on ability to deliver.	4	2	8	Limited control available as risk is external.	Under review	Paul Price	Annually	4	2	8	↔	-
2e	Dovercourt Pool Refurbishment Risks associated with major works programme - unforeseen additional financial pressures / scheme overrun resulting in prolonged facility closure.	3	2	6	Project Plan in place - regular monitoring undertaken.	Under review	Mike Carran	Monthly	3	1	3	↓	5 & 8
2f	NEW Ineffective delivery of Transforming Tending project Failure to provide effective change management and the coordination of corporate resources with an adverse impact on organisational focus and delivery	5	3	15	Through the provision of effective organisational leadership through culture, change management, vision, values, communication and encouraging innovation and empowering staff.	To be reviewed once project proposal agreed by members	Management Team (Martyn Knappett)	Monthly once project live	3	1	3	↓	3

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		Impact 1-5	Probability 1-5	Inherent Risk Rating					Impact 1-5	Probability 1-5	Residual Risk Rating		
2	Failure to deliver key projects												
2g	NEW Replacement of cremators at Weeley Crematorium Current cremator reaching the end of its operational life so tenders have been sought for its replacement. Risk of current cremator failing before a new replacement comes is possible; leading to no available cremators and impacting upon service levels.	2	2	4	Tenders for new cremators have been received and the commencement date for the project is November 2014. However we will continue to have interim arrangements in place with other local crematoria for assistance during any periods of cremator failure.	Cremator failure	David Hall	Nov-14	1	1	1	↓	5 & 8
2h	NEW Essex Family / Family Solutions A TDC appointed Family Support Worker working within Tendring Family Solutions Team. Working with families both at an intervention level and supporting families maintain sustainable outcomes	5	3	15	Matrix management arrangements in place between TDC and ECC with clear workload management. The TDC FSW will be subject to the same control environment as other team members within Family Solutions. TDC has increased management capacity to oversee the FSW position.	Family complaints / non disengagement from statutory providers	Jon Barber	Ongoing and at end of project Oct-15	5	2	10	↓	3
3	Reputational damage												
3a	Staff / Member conduct	4	3	12	Conduct arrangements agreed by Council, review after 6 months and regular reports to Standards Committee.	Group Leader complaints	Management Team (Lisa Hastings)	Monthly	4	1	4	↓	-
3b	NEW Failure to comply with legislative requirements Risk of judicial reviews or injunctions being sought against the Council, causing delay in service delivery and financial loss to defend actions.	4	4	16	Ensuring that communication between the Directors and Service Managers with the Legal Team is kept up to date with regards to priorities and project planning. Meetings to be held 6 monthly with Services. Manager of Legal Services to be kept informed of new developments through management team and Cabinet agendas.	Pre-action protocol letters being received for potential judicial review claims	Lisa Hastings	On-going	2	1	2	↓	-

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4	Ineffective workforce management and planning												
4a	Loss of Key Staff Loss of key staff either through service changes or natural turnover impacting on delivery.	4	3	12	Effective HR Processes in place (being developed) to identify early signs of workforce issues (including age profile) and processes in place for recruitment of right skills. Skills focus and flexible approach across Council.	Staff turnover rates / inability to recruit	Management Team (Anastasia Simpson)	Monthly	4	1	4		1, 2, 6, 7 & 8
4b	Lack of capacity to deliver core services	4	3	12	Identification of areas of key person dependency, skills and competency matching and corporate approach to the delivery of key services and projects through secondments / cross service working.	Staff turnover rates / inability to recruit	Management Team (Anastasia Simpson)	Monthly	4	1	4		3 & 5

5	Failure to deliver a balanced and sustainable budget												
5a	Financial Strategy The impact of achieving a balanced budget in an ever-tightening financial environment on service delivery objectives.	5	3	15	<ul style="list-style-type: none"> 5 Year Financial Planning. Financial Strategy Preparation including identifying and capturing significant risks such as changes to government funding. Robust and Timely Budget Monitoring Processes. Engagement with key stakeholders, members and senior management as early as possible. 	Adverse Financial Forecasts / Medium Term Financial Planning. Adverse issues identified via the Corporate Budget Monitoring Process.	Richard Barrett	No outstanding actions	5	2	10		1, 2, 3, 4 & 8

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6	Ineffective management of information												
6a	Loss of sensitive and/or personal data through malicious actions loss theft and/or hacking	4	5	20	Security contract to manage/ maintain firewalls outsourced to reputable UK contractor. Annual 3rd party IT Healthchecks and resolution/mitigation regime and quarterly PCI healthchecks. New network segregation works to enhance security for key sensitive data scheduled for completion 27/09/13. Staff training/ vigilance plus ALL laptops are encrypted prior to release so data could only be hacked by a 'highly gifted individual' or professional hacker or foreign gov't.	Security Incident report	John Higgins	Ongoing	5	2	10	↓	3
6b	NEW Tendring Intelligence Sharing Project Multi agency project seeking new approach to information sharing across partners - risk of inappropriate data sharing and fine by ICO	5	4	20	Phased approach 1 data mapping with data anonymised 2 non-electronic information 3 investigation of ICT solution Migration Review of the national projects (Margate) and discussion with ICO	Security incident report	Jon Barber	Aug-14	5	2	10	↓	1 & 3
6c	NEW Disconnection from PSN Network Failure to achieve PSN recertification resulting in disconnection from PSN services, eg DWP, IER etc and urgent alternative arrangements to continue providing statutory service	5	4	20	Actions required to remediate / resolve issues identified by April 2014 IT healthcheck. Subsequent IT healthcheck scheduled for October 2014 giving 2 months remediation / resolution prior to new revised submission date. Note - Council remains at risk from any new rules introduced prior to certification approval.	Failure of 3rd submission	John Higgins	Feb-15	5	1	5	↓	1 & 3
6d	NEW Virus / Malware Malicious code entering the TDC network and performing actions without consent	5	4	20	All TDC servers, desktops and laptops include Anti-Virus and Malware protection and are updated / patched with latest software revisions. Standard users are further protected as administrator rights are required to run executable files and standard users do not have this level of access. All internet traffic is routed through firewall and proxy server. All emails routed through email filtering system. User education	Virus / malware production alerts. Users reporting unusual / suspicious activity. Monitoring programs alerting of suspicious activity	John Higgins	Ongoing	5	1	5	↓	1, 2 & 3

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		Impact 1-5	Probability 1-5	Inherent Risk Rating					Impact 1-5	Probability 1-5	Residual Risk Rating		
7	Failure to adopt a sound Local Plan				We control the risk by:								
7a	Local Plan Failure to identify no of sites for the assessed level of homes Failure to deliver the revised Local Plan within statutory deadlines and the subsequent damage to the reputation of TDC and impact upon planning decisions in the future.	4	4	16	The newly formed Local Plan Committee reviews the Local Plan in a timely fashion and continues to consult with the local community, consultees and the Planning Inspectorate	Not meeting statutory, or locally imposed deadlines for progression.	Catherine Bicknell; Gary Guiver	Various	4	3	12	↓	3, 5 & 8
8	Failure of income streams to meet Council's financial requirements and obligations to other bodies												
8a	Failure to collect levels of income required from Council Tax in order to fund the Council's financial requirements.	5	4	20	Regular budget monitoring including reports to ICab by tracking payments against budgetary profile. Monitored monthly in the TDC Performance Report.	Income below profile	Harry Bates	Monthly	5	2	10	↓	5
8b	Failure to collect income required from Non Domestic Rates in order to meet the shares between the Government, Essex County Council, Essex Fire Authority and Tendring District Council	5	4	20	Regular budget monitoring including reports to ICab by tracking payments against budgetary profile. Monitored monthly in the TDC Performance Report.	Income below profile	Harry Bates	Monthly	5	2	10	↓	5
9	Failures in Emergency and Business Continuity Planning												
9a	NEW Ineffective Emergency Planning The Council fails to effectively respond to an emergency and the community is adversely effected.	4	3	12	Continue to develop and regularly test the Council's Emergency Plan including working with necessary partner organisation.	Extreme weather / disaster	Damian Williams	Ongoing	3	2	6	↓	3
9b	NEW Ineffective Business Continuity Planning The Council fails to effectively respond to an emergency / adverse event with an adverse impact on the delivery of services.	5	3	15	Development and testing of Business Continuity plans	Loss of infrastructure / staff	Management Team, John Higgins, Damian Williams	Ongoing	3	2	6	↓	1, 2 & 3

APPENDIX – METHODOLOGY FOR CALCULATING RISK

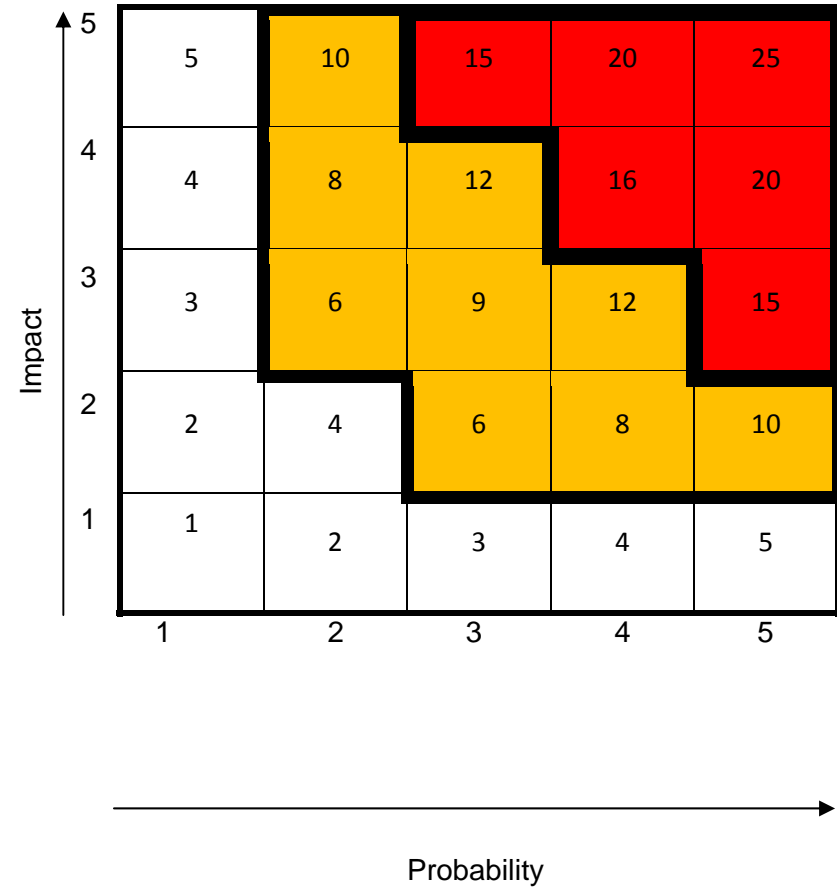
RISK RATING ELEMENTS - IMPACT

Risk level	Impact				
	Level	Financial	Service Delivery	Safety	Reputation
5	Critical	Loss of more than £1m	Effective service delivery is unachievable.	Fatality (Single or Multiple)	Reputation damage is severe and widespread i.e. Regulatory body intervention
4	Major	Loss above 250K but below £1m	Effective service delivery is severely disrupted in one or more areas	Multiple serious injuries requiring professional medical treatment	Reputation damage occurs with key partners.
3	Sizeable	Loss above £25K below £250K	Effective service delivery is disrupted in specific areas of the Council.	Injury to an individual(s) requiring professional medical treatment	Reputation damage is localised and/or relatively minor for the Council as a whole
2	Moderate	Loss above £5K below £25K	Delays in effective service delivery	Minor injury - no professional medical treatment	Slight reputation damage
1	Minor	Loss of up to £5K	Minor disruption to effective service delivery i.e. Staff in unplanned absence for up to one week	No treatment required	Reputation damage only on personal level

RISK RATING ELEMENTS - PROBABILITY

Timescale ----- Likelihood	Up to 6 months	To 12 months	To 24 months	To 60 months	60+ months
Over 80%	5	4	3	2	1
65%-80%	4	4	3	2	1
50 – 64%	3	3	3	2	1
30 – 49%	2	2	2	2	1
Under 30%	1	1	1	1	1

RISK CALCULATION MATRIX



Impact x Probability = Overall Risk Rating