

# Public Document Pack

## **Argyll and Bute Council** **Comhairle Earra Ghaidheal agus Bhoid**

Customer Services  
Executive Director: Douglas Hendry



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17 June 2013

### **SUPPLEMENTARY PACK 2**

**PERFORMANCE REVIEW AND SCRUTINY COMMITTEE - COUNCIL CHAMBERS, KILMORY, LOCHGILPHEAD on THURSDAY, 20 JUNE 2013 at 10:30 AM**

I enclose herewith item 14 (**STRATEGIC RISK REGISTER**) which was marked copy to follow on the Agenda for the above Meeting.

Douglas Hendry  
Executive Director – Customer Services

### **ITEMS TO FOLLOW**

- 14. STRATEGIC RISK REGISTER**  
Report by Head of Strategic Finance (Pages 1 - 14)

### **PERFORMANCE REVIEW AND SCRUTINY COMMITTEE**

|                             |                           |
|-----------------------------|---------------------------|
| Councillor Gordon Blair     | Councillor Iain MacDonald |
| Councillor Duncan MacIntyre | Councillor John McAlpine  |
| Councillor Ellen Morton     | Councillor Gary Mulvaney  |
| Councillor Dick Walsh       | Ian M M Ross              |
| Paul Connelly               | Derek Leslie              |
| Douglas Cowan               |                           |

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**ARGYLL AND BUTE COUNCIL****PERFORMANCE REVIEW AND  
SCRUTINY COMMITTEE****STRATEGIC FINANCE****20 JUNE 2013**

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**REVIEW OF STRATEGIC REGISTER**

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**1 SUMMARY**

- 1.1 This report sets out the updated Strategic Risk Register (SRR). The SRR should be viewed as a starting point for managing strategic risks and kept under review on a regular basis.

**2 RECOMMENDATIONS**

- 2.1 The Performance Review and Scrutiny Committee note the updated SRR and provide any comments for consideration at the Council meeting on 27 June.

**3 DETAIL****Background**

- 3.1 Officers have recently undertaken a review of the SRR. Appendix 1 to this report sets out the revised SRR for the Council. The updated SRR is the start of a process rather than the end. The updated SRR should be viewed as a starting point from which to consider how the Council monitors and manages strategic risks on an ongoing basis. It is not a definitive final statement of strategic risks. To ensure the Council actively monitors and manages its strategic risks it is proposed the SRR is reviewed and reported on each quarter.
- 3.2 Strategic risks are those which are fundamental to the success of an organisation. They tend to be organisation wide and significant representing key threats and opportunities to achievement of objectives. Strategic risks are those with the greatest consequences to an organisation and may have a material impact on its survival. They are not every high scoring risk. It is possible that there may be higher scoring risks on the operational risk registers that do not appear on the SRR.
- 3.3 The SRR focusses on the key risks facing the Council. It does not need to be a list of all risks. In considering the strategic risks a framework based around the following categories has been used:
- Finance – Income and funding.
  - Finance – Expenditure.
  - Infrastructure – Leadership and management.
  - Infrastructure – Management of services and resources.
  - Infrastructure – Conditional and suitability of overall infrastructure and asset base.
  - Infrastructure – Civil contingencies and business continuity.

- Operating Environment – Demographic change.
- Operating Environment – Population and economic decline.
- Operating Environment – Partnership governance.
- Reputation.
- Engagement –Alignment of service delivery.
- Topical – Welfare reform.
- Topical – Health and social care integration.

3.4 Strategic risks have been assessed based on likelihood and impact. A gross risk score has been calculated and the effect of any mitigation has been considered and resulting residual risk arrived at. The risk assessment has been carried out based on a risk assessment matrix of 1-5 for likelihood and 1-5 for impact. A copy of the risk assessment matrix is attached as Appendix 2. Appendix 1 sets out the proposed SRR. A combined score of 15 or more is classed as a red risk, a combined score of between 6 and 14 is classed as an amber risk and a combined score of 5 or less is classed as a green risk.

3.5 The proposed SRR is set out in Appendix 1. The SRR will be kept under review. There may be changes to the risks, the likelihood and impact of risks and the effect of mitigating actions. A report will be prepared on a quarterly basis to review the SRR.

### Summary Of SRR

3.6 The risks set out in the updated SRR are summarised below. There are a total of 13 strategic risks identified. The gross risk classes 7 as red and 6 as amber. After mitigation 1 is classed as red and 12 are classed as amber.

| Risk  | Description  | Score/<br>Assessment |
|---|--|----------------------|
| Finance – Income and funding.               | A major reduction in income /funding as result of a reduction in grant funding, reduced collection of council tax or fees and charges<br><br>This may arise from global or local economic circumstances, government policy on public sector budgets and funding or data that determines grant funding formula. | 12<br>Amber          |
| Finance – Expenditure.                      | Major unforeseen expenditure creates significant overspend or a need to make significant and unplanned reductions in expenditure or redirection of budgets.  | 8<br>Amber           |
| Infrastructure – Leadership and management. | A lack of Strategic Leadership and Direction will have a negative impact on the ability of the Council to set out strategic objectives and then align service delivery and resources to ensure these objectives are achieved.<br><br>May also the impact on development of                                     | 12<br>Amber          |

|   |   |                     |
|---|---|---------------------|
|   | <p>the community planning partnership.</p> <p>Risk that organisation is not focussed on outcomes /objectives resulting in poor decision making and inadequate governance arrangements.</p>  |                     |
| <p>Infrastructure – Management of services and resources.</p>                                 | <p>Services and resources are not effectively managed.</p> <p>Services fail to achieve agreed performance levels and as a result are not contributing fully to Council objectives</p> <p>Resources are poorly managed with result that agreed outcomes and objectives are not fully achieved.</p> <p>Unable to achieve continuous improvement and improve effectiveness and efficiency.</p> | <p>6<br/>Amber</p>  |
| <p>Infrastructure – Conditional and suitability of overall infrastructure and asset base.</p> | <p>Infrastructure and asset base does not meet current and future requirements.</p> <p>Infrastructure and asset base is not being used or managed efficiently or effectively.</p>   | <p>12<br/>Amber</p> |
| <p>Infrastructure – Civil contingencies and business continuity.</p>                          | <p>The arrangements in place for civil contingencies and business continuity are not effective.</p>   | <p>8<br/>Amber</p>  |
| <p>Operating Environment – Demographic change.</p>  | <p>The Council fails to recognise, plan and deliver services in a way that takes account of demographic trends.</p>   | <p>12<br/>Amber</p> |
| <p>Operating Environment – Population and economic decline.</p>                               | <p>Projected population decline and potential economic decline and failure to identify factor causing the decline and then develop and action strategies to address that decline.</p>   | <p>16<br/>Red</p>   |
| <p>Operating Environment – Partnership governance.</p>  | <p>Inadequate Partnership Governance Arrangements.</p> <p>Risk that partnership arrangements are poorly defined and constituted leading to an inability to deliver outcomes and objectives or being democratically deficient.</p>   | <p>9<br/>Amber</p>  |
| <p>Reputation.</p>  | <p>Poor image and reputation including negative external scrutiny.</p> <p>The Council fails to maintain its general reputation with residents, the Community and the wider Local Government Community.</p> <p>Poor performance and poor audit and</p>   | <p>12<br/>Amber</p> |

|  |   |             |
|--|---|-------------|
|  | inspection results.   |             |
| Engagement – Alignment of service delivery.  | The Council fails to understand community needs and align service delivery to meet these.                                 | 8<br>Amber  |
| Topical – Welfare reform.                    | Implementation of welfare reform is not managed with resulting in increased poverty and deprivation or short term crisis. | 12<br>Amber |
| Topical – Health and social care integration | Implementation of health and social care integration is not managed effectively.  | 12<br>Amber |

### Operational Risks

3.7 Operational risks are managed through service operational risk registers (ORRs). The ORRs contain the most significant risks facing services. The ORRs are a split into demand risks which cover the risks around the demand/requirements for a service and supply risks. Supply risks relate to the matters that may become obstacles or issues in terms of a service achieving the commitments contained in the service plan. Demand risks are specific to each service but supply risks are categorised under the following headings:

- Finance,
- Human Resources,
- Assets,
- Supply Chain,
- Operating Processes,
- Information & IT,
- Projects,
- Partnerships.

3.8 Operational risks are assessed on the same 1-5 likelihood and impact risk assessment matrix as set out at Appendix 2. ORRs are reviewed on a quarterly basis and considered at service management teams with a summary of the position reported through performance scorecards and in Pyramid. Reporting on ORRs as well as summarising the overall ORR will also identify significant matters which may be high scoring risks, risks that are above the risk appetite, sudden changes in risk score or long term trends in risk score.

## 4 CONCLUSION

4.1 This report sets out the background to the updated SRR attached as Appendix 1.

## 5 IMPLICATIONS

5.1 Policy – Strategic risks should be considered as part of policy development.

5.2 Legal – None.

5.3 Human Resources – None.

5.4 Finance – None.

5.5 Risk Management – Sets out key risks to be monitored and managed by the Council.

5.6 Equalities – None.

5.7 Customer Service – None.

For further information contact Bruce West Head of Strategic Finance 01546-604220

Bruce West  
Head of Strategic Finance  
17 June 2013

| DRAFT UPDATED STRATEGIC RISK REGISTER – APPENDIX 1 |  |   |            |    |    |  |  |               |    |    |   |
|--|--|---|------------|----|----|--|--|---------------|----|----|---|
| Risk No  | Description Of Risk  | Example Consequences  | Gross Risk |    |    | Desired Outcome                                | Control Processes/ Mitigation  | Residual Risk |    |    | Risk Owner  |
|  |  |   | Li         | Im | Sc |  |  | Li            | Im | Sc |   |
| Finance – Income and funding                       | A major reduction in income /funding as result of a reduction in grant funding, reduced collection of council tax or fees and charges<br><br>This may arise from global or local economic circumstances, government policy on public sector budgets and funding or data that determines grant funding formula. | Lack of income /funding to support Council objectives.<br><br>Requirement to reduce service provision or budget allocations.<br><br>Reduced income impacts on performance levels. | 4          | 4  | 16 | The Councils finances are managed effectively. | Effective framework for longer term financial planning that takes account of longer term funding projections.<br><br>Monitoring of grant funding formula.<br><br>Effective management arrangements for billing and collection of council tax and fees and charges. | 3             | 4  | 12 | Head of Strategic Finance and Head of Customer and Support Services |
| Finance - Expenditure                              | Major unforeseen expenditure creates significant overspend or a need to make significant and unplanned reductions in expenditure or redirection of budgets.  | Resources need to be diverted.<br><br>Reduced levels of performance.  | 2          | 4  | 12 | The Councils finances are managed effectively. | Revenue and capital budget preparation including review of base budget, inflation, cost and demand pressures.<br><br>Revenue and capital budget monitoring.  | 2             | 4  | 8  | Head of Strategic Finance   |



|   |  |  |          |          |           |  |  |          |          |           |                        |
|---|--|--|----------|----------|-----------|--|--|----------|----------|-----------|------------------------|
| <p>Infrastructure – Leadership and management</p> | <p>A lack of Strategic Leadership and Direction will have a negative impact on the ability of the Council to set out strategic objectives and then align service delivery and resources to ensure these objectives are achieved.<br/>May also the impact on development of the community planning partnership.</p> <p>Risk that organisation is not focussed on outcomes /objectives resulting in poor decision making</p> | <p>No clear strategic direction/set of objectives.<br/>Objectives not achieved as services and resources are not fully aligned to objectives.<br/>Opportunities missed to demonstrate community leadership.<br/>Confidence in, and reputation of, the Council harmed.<br/>Fail to adapt to changing environmental, social and economic conditions.</p> | <p>3</p> | <p>4</p> | <p>12</p> | <p>The Council has a clear strategic direction and service and resources are aligned to ensure Council objectives are achieved.</p>  | <p>Maintaining an adequate contingency within General Fund reserve.<br/>Adequate insurance coverage.</p> | <p>3</p> | <p>4</p> | <p>12</p> | <p>Chief Executive</p> |
|   |  |  |          |          |           | <p>Corporate Plan sets out overall Council objectives.<br/>Community Plan/SOA sets out CPP objectives with clear links to Council contributions (being developed).<br/>Corporate Improvement Plan.<br/>PPMF and service planning and performance monitoring to ensure service outcomes and activity is in line with Council objectives and performance is meeting targets.<br/>Community</p> |  |          |          |           |                        |

|   |  |  |  |          |  |  |          |          |          |   |
|---|--|--|--|----------|--|--|----------|----------|----------|---|
| <p>Infrastructure<br/>- Management<br/>of services<br/>and resources</p>  | <p>and inadequate<br/>governance<br/>arrangements</p>  | <p>Fail to meet service<br/>needs of citizens.</p>   | <p>3</p>   | <p>3</p> | <p>9</p>   | <p>engagement and<br/>consultation to<br/>understand activity<br/>local needs.<br/><br/>Development of a<br/>corporate plan</p>  | <p>2</p> | <p>3</p> | <p>6</p> | <p>Executive Directors<br/>Heads of Service</p> |
| <p>Services and<br/>resources are not<br/>effectively<br/>managed.<br/><br/>Services fail to<br/>achieve agreed<br/>performance levels<br/>and as a result are<br/>not contributing<br/>fully to Council<br/>objectives<br/><br/>Resources are<br/>poorly managed<br/>with result that<br/>agreed outcomes<br/>and objectives are<br/>not fully achieved.<br/><br/>Unable to achieve<br/>continuous<br/>improvement and<br/>improve<br/>effectiveness and<br/>efficiency.</p> | <p>Poor performance.<br/><br/>Increased costs.<br/><br/>Negative publicity.<br/><br/>Unable to<br/>demonstrate best<br/>value.</p> | <p>Performance<br/>targets achieved.<br/><br/>Performance<br/>improves over time<br/>and compared to<br/>others.<br/><br/>Improved use of<br/>resources.</p> | <p>Regular<br/>performance<br/>monitoring and<br/>review.<br/><br/>Performance<br/>scorecards and<br/>Pyramid.<br/><br/>PPMF and service<br/>planning.<br/><br/>Corporate<br/>Improvement Plan<br/>and monitoring of<br/>progress.</p> | <p>9</p> | <p>Performance<br/>targets achieved.<br/><br/>Performance<br/>improves over time<br/>and compared to<br/>others.<br/><br/>Improved use of<br/>resources.</p> | <p>Regular<br/>performance<br/>monitoring and<br/>review.<br/><br/>Performance<br/>scorecards and<br/>Pyramid.<br/><br/>PPMF and service<br/>planning.<br/><br/>Corporate<br/>Improvement Plan<br/>and monitoring of<br/>progress.</p> | <p>2</p> | <p>3</p> | <p>6</p> | <p>Executive Directors<br/>Heads of Service</p> |

|   |  |  |          |           |  |  |   |          |          |  |  |
|---|--|--|----------|-----------|--|--|---|----------|----------|--|--|
| <p>Infrastructure<br/>- Condition and suitability of overall infrastructure and asset base.</p> | <p>Infrastructure and asset base does not meet current and future requirements.<br/>Infrastructure and asset base is not being used or managed efficiently or effectively.</p> | <p>Infrastructure and asset base do not support overall Council objectives.<br/>Infrastructure and asset base do not support delivery of service outcomes.<br/>Infrastructure and asset base is allowed to deteriorate resulting in cost, lost opportunities and wasted resource.</p>      | <p>4</p> | <p>4</p>  | <p>16</p>  | <p>The Council has an infrastructure and asset base that is maintained, safe, efficient and fit for purpose and which supports development of the area and achievement of objectives.</p>              | <p>Corporate Plan.<br/>Capital planning process.<br/>Asset Management planning process.</p> | <p>3</p> | <p>4</p> | <p>12</p>  | <p>Executive Director of Development and Infrastructure<br/>Head of Facility Services.</p> |
| <p>Infrastructure<br/>- Civil Contingencies and Business Continuity</p>                         | <p>The arrangements in place for civil contingencies and business continuity are not effective.</p>  | <p>Ineffective management of major emergencies affecting Council services and communities in Argyll and Bute in response to a major emergency.<br/>Incident and recovery phase of an emergency lead to greater inconvenience and hardship and a longer timescale for return to normal.</p> | <p>4</p> | <p>12</p> | <p>Effective plans and procedures in place to respond to a major event affecting Council services and/or the general public.</p> | <p>On-going training programme in place and continual update of Emergency Plans and procedures.<br/>Recent review of business continuity arrangements in 2012. All critical activities identified.</p> | <p>2</p>  | <p>4</p> | <p>8</p> | <p>Head of Improvement and HR<br/>Head of Governance and Law</p> |  |

|  |  |   |   |   |    |  |   |   |   |    |                              |
|--|--|---|---|---|----|--|---|---|---|----|------------------------------|
| Operating - Demographic Change                     | The Council fails to recognise, plan and deliver services in a way that takes account of demographic trends.   | Council unable to effectively deliver its own services as a result of an emergency.   | 4 | 4 | 16 | Performance of key priority services and other key areas identified by the public maintained or improved | Monitoring of population trends.<br>Corporate and service planning process.<br>Performance monitoring process (PPMF).<br>Community Engagement Strategy.               | 3 | 4 | 12 | Head of Improvement and HR   |
| Operating Market - Population and economic decline | Projected population decline and potential economic decline and failure to identify factor causing the decline and then develop and action strategies to address that decline. | Economic decline results in a vicious circle of decline with reduced employment, lower earnings, failing businesses and poor perception of the area.<br>Population decline reduces funding and reduces scope for efficiencies and economies of scale in service delivery. | 5 | 4 | 20 | Sustainable economic growth and population growth in Argyll and Bute.                                    | Single outcome agreement targets population and economic recovery. Plans will need to be developed to action commitments in SOA.<br>Economic Development Action Plan. | 4 | 4 | 16 | Head of Economic Development |

|  |   |   |   |  |  |   |   |   |    |   |   |  |                        |  |  |   |   |   |   |   |  |   |   |  |   |    |  |  |                            |
|--|---|---|---|--|--|---|---|---|----|---|---|--|------------------------|--|--|---|---|---|---|---|--|---|---|--|---|----|--|--|----------------------------|
| Operating Environment - Partnership Governance | Inadequate Partnership Governance Arrangements.<br>Risk that partnership arrangements are poorly defined and constituted leading to an inability to deliver outcomes and objectives or being democratically deficient | Poor image and reputation including negative external scrutiny.<br>The Council fails to maintain its general reputation with residents, the Community and the wider Local Government Community. | Combined population and economic decline may increase need and costs for some services. | Lack of Accountability.<br>Lack of democratic input to key decisions.<br>Partnership viewed as having failed and not achieving objectives.<br>Wasted resources and effort.<br>Reputational damage. | Reputation declines.<br>Negative impact on morale.<br>Poor reputation undermines action being taken to target population and economic growth.<br>Increased risk of | 4 | 4 | 4 | 12 | 3 | 4 |  | SOA outcomes achieved. | The reputation of the Council is protected and enhanced. |  | SOA (currently being drafted).<br>Clear line of sight from SOA to individual partner contributions (being developed).<br>CPP governance arrangements and partnership agreement. | Community Engagement Strategy.<br>Communications Strategy.<br>Action plans to improve customer services.<br>Planning and performance management | 3 | 3 | 3 |  | 3 | 4 |  | 9 | 12 |  | Head of Improvement and HR<br>Head of Governance and Law | Head of Improvement and HR |
|--|---|---|---|--|--|---|---|---|----|---|---|--|------------------------|--|--|---|---|---|---|---|--|---|---|--|---|----|--|--|----------------------------|

|   |   |   |   |   |    |  |  |   |   |    |                                       |
|---|---|---|---|---|----|--|--|---|---|----|---------------------------------------|
| Engagement - Alignment of service delivery. | Poor performance and poor audit and inspection results.   | audit and inspection activity.  | 3 | 4 | 12 | The Council understands local needs and aligns service deliver accordingly.  | Community Engagement Strategy. Operation & development of: Panels & Forums - Young Peoples Panel - Youth Website - Citizens Panel etc  | 2 | 4 | 8  | Head of Improvement and HR            |
| Topical – Welfare Reform                    | Implementation of welfare reform is not managed with resulting in increased poverty and deprivation or short term crisis. | Increase in demand or costs for Council services.<br>Financial crisis and hardship for individuals.<br>Adverse impact on local economic development.<br>Adverse impact on communities.<br>Potential widening of inequalities gap. | 5 | 4 | 20 | Well managed implementation of welfare reform in a way that minimise impact on individuals and communities but does not create a financial burden for the Council. | Separate project established to manage welfare reform with clear plans, resources and risks identified. Joint working with DWP, CPP and other Agencies to plan response to potential impact. Discussions on-going at national level re local services support framework. | 3 | 4 | 12 | Head of Customer and Support Services |

|   |   |  |          |          |           |  |   |          |          |           |  |
|---|---|--|----------|----------|-----------|--|---|----------|----------|-----------|--|
| <p>Topical – Health and Social Care integration</p> | <p>Implementation of health and social care integration is not managed effectively.</p> | <p>Unable to proceed with health and social care integration on a managed basis and/or in accordance with timescales.<br/><br/>Integration has a negative impact on health and social care service delivery.</p> | <p>4</p> | <p>4</p> | <p>16</p> | <p>Planned and managed implementation of health and social care.</p> | <p>Establish a separate project to focus on implementation and identifying and addressing the issues arising.</p> | <p>3</p> | <p>4</p> | <p>12</p> | <p>Executive Director – Community Services</p> |
|---|---|--|----------|----------|-----------|--|---|----------|----------|-----------|--|

Li = Likelihood  
 Im = Impact  
 Sc = Score

| Risk Assessment Matrix – Appendix 2 |  |  |
|-------------------------------------|--|--|
| Score                               | Likelihood   | Impact   |
|                                     | Description  | Description  |
| 1                                   | Remote – Very unlikely to ever happen.                           | None – minimal impact on objectives, budget, people and time   |
| 2                                   | Unlikely – Not expected but possible.                            | Minor – 1%/10% budget, first aid, minor impact objectives, 1wk/3 months delay.                             |
| 3                                   | Moderate – May happen occasionally.                              | Moderate – 10%/30% budget, medical treatment required, objectives partially achievable, 3/12 months delay. |
| 4                                   | Likely – Will probably occur at some time.                       | Major – 30%/70% budget, permanent harm, significant impact on service delivery, 1/2 years delay.           |
| 5                                   | Almost certain – Will undoubtedly happen and possibly frequently | Catastrophic – Over 70% budget, death, unable to fulfil obligations, over 2 years delay.                   |

A combined score of 15 or more is classed as a red risk.

A combined score of between 6 and 14 is classed as an amber risk.

A combined score of less than 5 or less is classed as a green risk.