

# Public Document Pack

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

Customer Services  
Executive Director: Douglas Hendry



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24 February 2014

### **SUPPLEMENTARY PACK 1**

**PERFORMANCE REVIEW AND SCRUTINY COMMITTEE - COMMITTEE ROOM 1, KILMORY, LOCHGILPHEAD on THURSDAY, 27 FEBRUARY 2014 at 2:00 PM**

I enclose herewith item 11 STRATEGIC RISK REGISTER MONITORING REPORT AS AT 31 DECEMBER 2013 which was marked to follow on the Agenda for the above Meeting.

Douglas Hendry  
Executive Director – Customer Services

### **ITEMS TO FOLLOW**

- 11. STRATEGIC RISK REGISTER MONITORING REPORT AS AT 31 DECEMBER 2013**  
Report by Head of Strategic Finance (Pages 1 - 16)

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

Ian M M Ross (Chair)	Councillor Gordon Blair
Councillor Maurice Corry	Councillor Anne Horn
Councillor Iain MacDonald	Councillor John McAlpine
Councillor John Semple	Councillor Sandy Taylor
Paul Connelly	Douglas Cowan
Derek Leslie	

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**ARGYLL AND BUTE COUNCIL****PERFORMANCE REVIEW AND SCRUTINY  
COMMITTEE****STRATEGIC FINANCE****27 February 2014**

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**MONITORING OF STRATEGIC RISK REGISTER**

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**1. SUMMARY**

- 1.1 This report updates PRS on the key strategic risks facing the Council, the associated mitigating actions and changes in these risks.
- 1.2 The strategic risk register (draft) is reviewed and updated on a live basis. As the process matures review updates will include the following key issues:
- The following risks have been added to the strategic risk register (SRR).
    - None this quarter but updated as required.
  - The following risks have been deleted from the SRR (risk score now zero).
    - None this quarter but updated as required.
  - The following risks are classed remain red after mitigation.
    - Population and Economic decline
  - The following risks have a raw score which classifies them as red but mitigation reduces the assessment to amber.
    - Welfare Reform
    - Income & Funding
    - Asset Base
    - Reputation
    - Demographics
    - Health and Social Care Integration
  - These are the risks which have moved risk category (red/amber/green) in the last quarter.
    - None this quarter but updated as required.
  - These are the risks that are at variance from the agreed risk appetite.
    - None this quarter but updated as required.

**2. RECOMMENDATIONS**

- 2.1 PRS to note content of report and further note the strategic risk register will be subject to challenge review process at a SMT development meeting.

**3. DETAIL****Background**

- 3.1 The Council deferred a decision on a revised strategic risk register. The current version therefore is still in “draft” format. Dates are currently being identified for a members’ seminar to discuss risk management and the content of the strategic risk register. It is hoped that this will take place May 2014.
- 3.2 Subject to council approval, the process for reviewing the strategic risk register is outlined below:
  - Designated risk owner to update in consultation with appropriate chief officers /service managers and spokespersons.
  - SMT to consider review report.
  - Strategic risk group consider the SRR at its meeting.
  - Performance Review and Scrutiny committee to consider review reports.
- 3.3 There are currently no material changes to the draft strategic risk register.
- 3.4 As the review process matures review reports will provide a summary of the main changes and trends in scoring and /or mitigation from quarter to quarter and from the start of the financial year. The reports will also identify any new or emerging risks and any risks which have been closed off or removed.
- 3.5 Strategic risks by their nature look at the longer term risks applicable to the organisation hence there is often limited movement between quarters however SRR management remains a live process.
- 3.6 There are currently 14 strategic risks identified. Appendix 1 details the draft SRR. SMT are scheduled to undertake a “do we have this right review” at a development meeting and will consider whether the risks identified are relevant and whether the scoring including mitigating actions are appropriate and reflective of the current issues facing the organisation. The review questions are detailed below.

Do we have this right?

- Is the strategic risk register reflective of the key issues facing the Council?
- Are the risks identified appropriate to the Council?
- Is the raw and residual scoring reflective of the status or profile of the risk?
- What is being done to manage the risk?
- Are the mitigating actions and control appropriate?
- Are there any gaps in control or mitigating actions which need addressed?
- Do controls or mitigating actions need escalated?
- What assurance does SMT have the risks are being actively managed?
- Should strategic risks be prioritised?

**Risks Added To And Deleted From The SRR**

- 3.7 The table below sets out any new risks that have been added to the SRR in the last quarter. (None this quarter)

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3.8 The table below sets out any risks that have been removed from the SRR in the last quarter. This is because the likelihood and/or impact has now reduced or been mitigated to zero. (None this quarter)

Theme	Risk	Description	Previous Residual Score	Explanation For Removal

**Red Risks**

3.9 It is important to consider those risks that remain red even after mitigation and management action. The table below sets out detail of all of the risks where the residual risk category is red.

Theme /Risk/Description	Raw Score	Mitigation	Residual Score
<p>Operating Market</p> <p>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>	20	<p>Single outcome agreement targets population and economic recovery. Plans to be developed to action commitments in SOA.</p> <p>Economic Development Action Plan</p>	16

3.10 Those risks which were initially assessed as red but where mitigation and management action has reduced the risk score to amber are also important. The table below sets out detail of all of the risks where the raw risk category is red.

Theme - Risk - Description	Raw Score	Mitigation	Residual Score
<p>Topical Welfare Reform</p> <p>Implementation of welfare reform is not managed well resulting in increased poverty and deprivation or short term crisis</p>	20	<p>Separate project established to manage welfare reform with clear plans, resources and risks identified.</p> <p>Joint working with DWP, CPP and other Agencies to plan response to potential impact.</p>	12

		Discussions on-going at national level re local services support framework	
Finance: Income & Funding: A major reduction in income /funding as result of a reduction in grant funding, reduced collection of council tax or fees and charges	16	Effective framework for longer term financial planning that takes account of longer term funding projections.  Monitoring of grant funding formula.  Effective management arrangements for billing and collection of council tax and fees and charges	12
Infrastructure: Asset Base: Infrastructure and asset base does not meet current and future requirements. Infrastructure and asset base is not being used or managed efficiently or effectively.	16	Corporate Plan. Capital planning process. Asset Management planning process	12
Operating Market: Demographics: The Council fails to recognise, plan and deliver services in a way that takes account of demographic trends.	16	Monitoring of population trends.  Corporate and service planning process.  Planning and performance management framework (PPMF).  Community Engagement Strategy.  Workforce planning.	12
Reputation: Reputation	16	Community Engagement Strategy.  Communications Strategy.  Action plans to improve customer services.	12
Topical: Health & Social Care Integration	16	Establish a separate project to focus on implementation and	12

		identifying and addressing the issues arising	
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**Risk Changes And Trends**

3.11 It is important to draw out for consideration those risks where the residual score has changed during the quarter and these are set out below. (None this Quarter)

Theme	Risk	Description	Previous Residual Score	Revised Residual Score	Explanation Of Change

3.12 Appendix 2 contains a number of charts that show the trend in residual risk scoring since the review of SRR/start of the financial year. (No trend data available)

**Variation From Risk Appetite**

3.13 The residual risk scores when the SRR was reviewed have been adopted as the risk appetite for each risk in the SRR. The table below sets out the risks which are currently assessed as being above or below the risk appetite. If a risk is assessed as being above the risk appetite the Council is exposed to more risk than originally planned. If a risk is assessed as being below the risk appetite the Council may be directing too much resource to managing the risk or the risk is reducing. (None this quarter)

Theme	Risk	Description	Risk Appetite	Current Residual Score	Variance From Risk Appetite
Risks Where Current Score Exceeds Risk Appetite					
Risks Where Current Score Is Less Than Risk Appetite					

**4. CONCLUSION**

4.1 This report sets out the purpose and process associated with strategic risk register quarterly review reports and summarises the current position.

**5. IMPLICATIONS**

5.1 Policy – None directly but the SRR should be used to assist the Council in setting and reviewing its strategic direction and performance.

- 5.2 Financial – None directly from this report but effective risk management assists with effective governance and stewardship of council resources
- 5.3 Personnel – None
- 5.4 Equal Opportunities – None
- 5.5 Legal – None.
- 5.6 Risk – The report sets out the strategic risks facing the Council and changes to these over the last quarter.
- 5.7 Customer Service – None.

**Bruce West**  
**Head of Strategic Finance**  
**27 February 2014**



**UPDATED STRATEGIC RISK REGISTER – APPENDIX 1**

Risk Ref	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	<p>A major reduction in income /funding as result of a reduction in grant funding, reduced collection of council tax or fees and charges</p> <p>This may arise from global or local economic circumstances, government policy on public sector budgets and funding or data that determines grant funding formula.</p>	<p>Lack of income /funding to support Council objectives.</p> <p>Requirement to reduce service provision or budget allocations.</p> <p>Reduced income impacts on performance levels.</p>	4	4	16	The Councils finances are managed effectively.	<p>Effective framework for longer term financial planning that takes account of longer term funding projections.</p> <p>Monitoring of grant funding formula.</p> <p>Effective management arrangements for billing and collection of council tax and fees and charges.</p>	3	4	12	Head of Strategic Finance and Head of Customer and Support Services
Finance - Expenditure	<p>Major unforeseen expenditure creates significant overspend or a need to make significant and unplanned reductions in expenditure or redirection of budgets.</p>	<p>Resources need to be diverted.</p> <p>Reduced levels of performance.</p>	3	4	12	The Councils finances are managed effectively.	<p>Revenue and capital budget preparation including review of base budget, inflation, cost and demand pressures.</p> <p>Revenue and capital budget monitoring.</p>	2	4	8	Head of Strategic Finance

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

	and inadequate governance arrangements	Fail to meet service needs of citizens.					engagement and consultation to understand activity local needs.  Development of a corporate plan				
Infrastructure - Management of services and resources	<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>Poor performance.</p> <p>Increased costs.</p> <p>Negative publicity.</p> <p>Unable to demonstrate best value.</p>	3	3	9	<p>Performance targets achieved.</p> <p>Performance improves over time and compared to others.</p> <p>Improved use and management of resources.</p>	<p>Regular performance monitoring and review.</p> <p>Performance scorecards and Pyramid.</p> <p>PPMF and service planning.</p> <p>Corporate Improvement Plan and monitoring of progress.</p> <p>Argyll and Bute Manager Programme.</p>	2	3	6	<p>Executive Directors</p> <p>Heads of Service</p>

<p>Infrastructure - Condition 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>Infrastructure and asset base do not support overall Council objectives.</p> <p>Infrastructure and asset base do not support delivery of service outcomes.</p> <p>Infrastructure and asset base is allowed to deteriorate resulting in cost, lost opportunities and wasted resource.</p>	4	4	16	<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.</p> <p>Capital planning process.</p> <p>Asset Management planning process.</p>	3	4	12	<p>Executive Director of Development and Infrastructure</p> <p>Head of Facility Services.</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>Ineffective management of major emergencies affecting Council services and communities in Argyll and Bute in response to a major emergency.</p> <p>Incident and recovery phase of an emergency lead to greater inconvenience and hardship and a longer timescale for return to normal.</p>	3	4	12	<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.</p> <p>Recent review of business continuity arrangements in 2012. All critical activities identified.</p>	2	4	8	<p>Head of Improvement and HR</p> <p>Head of Governance and Law</p>

		Council unable to effectively deliver its own services as a result of an emergency.									
Operating - Demographic Change	The Council fails to recognise, plan and deliver services in a way that takes account of demographic trends.	Mismatch of resources and service requirements.  Services not configured to meet user/citizen requirements.	4	4	16	Performance of key priority services and other key areas identified by the public maintained or improved	Monitoring of population trends.  Corporate and service planning process.  Planning and performance management framework (PPMF).  Community Engagement Strategy.  Workforce planning.	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 circle of decline with reduced employment, lower earnings, failing businesses and poor perception of the area.  Population decline reduces funding	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.  Economic Development	4	4	16	Head of Economic Development

		and reduces scope for efficiencies and economies of scale in service delivery.  Combined population and economic decline may increase need and costs for some services.					Action Plan.				
Operating Environment - Partnership Governance	Inadequate Partnership Governance Arrangements.  Risk that partnership arrangements are poorly defined and constituted leading to an inability to deliver outcomes and objectives or being democratically deficient	Lack of Accountability.  Lack of democratic input to key decisions.  Partnership viewed as having failed and not achieving objectives.  Wasted resources and effort.  Reputational damage.	4	3	12	SOA outcomes achieved.	SOA (currently being drafted).  Clear line of sight from SOA to individual partner contributions (being developed).  CPP governance arrangements and partnership agreement.	3	3	9	Head of Improvement and HR  Head of Governance and Law
Reputation	Poor image and reputation including negative external scrutiny.  The Council fails to maintain its general reputation with residents, the Community and the	Reputation declines.  Negative impact on morale.  Poor reputation undermines action being taken to target population	4	4	16	The reputation of the Council is protected and enhanced.	Community Engagement Strategy.  Communications Strategy.  Action plans to improve customer services.	3	4	12	Head of Improvement and HR

	wider Local Government Community.  Poor performance and poor audit and inspection results.	and economic growth.  Increased risk of audit and inspection activity.					Planning and performance management framework to ensure services properly planned and managed and performance targets achieved.				
Engagement - Alignment of service delivery.	The Council fails to understand community needs and align service delivery to meet these.	Gaps between community needs and Council services.  Also impacts on reputation.	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 well resulting in increased poverty and deprivation or short term crisis.	Increase in demand or costs for Council services.  Financial crisis and hardship for individuals.  Adverse impact on local economic development.  Adverse impact on communities.  Potential widening of inequalities gap.	5	4	20	Well managed implementation of welfare reform in a way that minimises 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

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

Li = Likelihood  
Im = Impact  
Sc = Score



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

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