



<u>Committee and Date</u>	<u>Item</u>	<u>Paper</u>
Audit Committee – 4 <sup>th</sup> March 2021		

## STRATEGIC RISK REPORT FEBRUARY 2021

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### 1. Summary

- 1.1 This report sets out the current strategic risk exposure following the December 2020 quarterly review.

### 2. Recommendations

- 2.1 Members are asked to accept the position as set out in the report.

## REPORT

### 3. Current Strategic Risk Exposure

- 3.1 The management of strategic risk is a key process which underpins the successful achievement of our priorities and outcomes. Strategic risks are linked, where appropriate, with the Annual Governance Statement Targeted Outcomes.
- 3.2 Our strategic risks are reviewed on a quarterly basis ensuring that the level of risk exposure is monitored regularly in our rapidly changing environment.
- 3.3 The review on this occasion was achieved through the annual strategic risk workshop with Directors and the Chief Executive where each of the risks was discussed in detail. The strategic risk profiles were then updated to reflect the discussions and the additional control owners were then tasked with updating their actions.
- 3.4 The Risk Profile & Action Plans for managing our strategic risks are completed and fully embedded. These detail the direction of travel for each strategic risk over the year and clearly articulate the current controls in place and the additional controls required to mitigate and manage our strategic risk exposure effectively. Any slippage on outstanding actions is also identified and challenged.
- 3.5 The Risk Profile & Action Plan also includes target scores for each strategic risk to be achieved by the end of the current financial year. This year has been challenging with all efforts concentrating on the response to Covid-19, therefore it is anticipated that the majority of the target scores will not be achieved this year.

3.6 As at the December 2020 review there were 17 strategic risks on the strategic risk register and these are each managed by specific Directors. These are detailed below together with the direction of travel following the review:

Risk	Risk Owner	L	I	Status	Travel
Ability to fund Adult Services.	Tanya Miles	5	5	25	=
Ability to fund Children's Services.	Karen Bradshaw	5	5	25	=
Sustainable Budget	James Walton	4	5	20	=
Future funding levels	James Walton	4	5	20	=
Mental health & wellbeing of Staff	James Walton	4	4	16	↓
Commercial Strategy	Mark Barrow	4	4	16	=
The effects of climate change.	Mark Barrow	4	4	16	=
Failure to safeguard vulnerable children.	Karen Bradshaw	4	4	16	=
Economic Growth Strategy	Mark Barrow	4	4	16	=
The impact of Covid-19	Andy Begley	4	4	16	↓
Economic Impact of Brexit	Mark Barrow	4	4	16	=
Governance	James Walton	4	3	12	=
Reputation	James Walton	2	4	8	↓
Strategic Vision and Strategy	Andy Begley	2	4	8	=
Failure to safeguard adults with care and support needs.	Tanya Miles	2	3	6	=
Failure to adhere to legislation in relation to DOLS	Tanya Miles	2	3	6	=
Cyber and ICT infrastructure reliance (new risk definition)	James Walton	TBA	TBA	TBA	New Risk

<b>High Risks</b>
<b>Medium Risks</b>
<b>Low Risks</b>

3.7 There were several changes to the risk scores during the review and these are detailed below.

3.7.1 **Failure to manage and mitigate the mental health and wellbeing of staff** - This risk was redefined to reflect the risk more appropriately. The original risk definition was 'Increases in work related stress impacts the ability to deliver Council outcomes.' Following a discussion at the workshop, subsequent discussions with Sam Williams from HR, and based on the feel of the organisation the risk was scored 4x4=16 and remained a high risk.

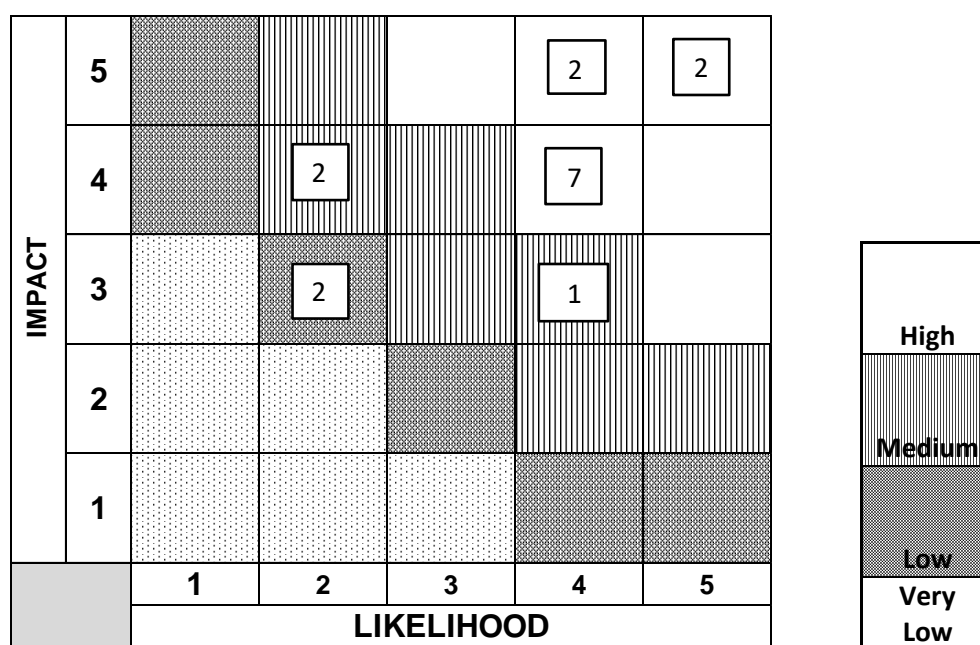
- 3.7.2 **Reputation** - During the review there was agreement that the manner in which Shropshire Council has responded to the Covid-19 epidemic has been excellent and this has been supported by a continual presence on the radio and relationships have improved with the local media as a result. Complaints have reduced and compliments increased as a result of the proactive response from the Council. The risk was therefore reduced to a medium risk  $2 \times 4 = 8$  from a high  $4 \times 4 = 16$  risk, recognising the impact should we lose the positive reputation we have worked to achieve. The appointment of a new communications manager will also benefit this risk.
- 3.7.3 **The Impact of Covid-19** - This risk saw the likelihood score decrease from a 5 to a 4. The risk remains a high risk at  $4 \times 4$  but it was considered that the council had responded well to the impact of Covid-19 with processes and procedures in place to respond to the risks. However, it was noted that for some services the pressure is still increasing on both resources and the ability to be able to deliver statutory services due to the continued response to Covid-19 and protecting the community and businesses.
- 3.8 The workshop with Directors led to some good discussion and it was agreed that one risk should be archived and several should be redefined and new risk profiles created. These are detailed below.
- 3.8.1 **Inadequate retention and recruitment of experienced and qualified staff results in insufficient capacity and experience to sustain Council's service provision** - There was an awareness that this was more of an operational risk, with small pockets of the organisation having difficulties recruiting. It was also recognised that with changes in the way staff work going forward i.e. home working – the staffing market widens as people no longer need to necessarily live in close proximity to the county. It was therefore agreed that this risk should be archived and dealt with under operational risks but could be reinstated if it becomes more of a council wide strategic concern.
- 3.8.2 **Cyber and ICT Infrastructure Reliance (Digital Transformation Programme Redefined risk)** - The original risk related to the DTP programme but as the three key systems within the DTP have been installed and are working satisfactorily, it was considered that the key risk now is that of cyber-attack and the reliance of the council on the ICT infrastructure. With staff now working from home primarily the reliance on ICT has become paramount and the failure of the ICT or a cyber-attack would be a huge strategic risk to the authority. The importance of data breaches linked to ICT security is also a key risk. It was agreed that this risk would be redefined and a new risk profile created. This work is underway.
- 3.8.3 **Governance** - The move to people working primarily from home has changed the risk landscape around governance and data security. The underlying control framework and culture needs to be revisited as does the strategic risk surrounding this. It was agreed that this risk should be redefined and a new

risk profile created. This work is underway and the original score has been retained whilst this work is developed.

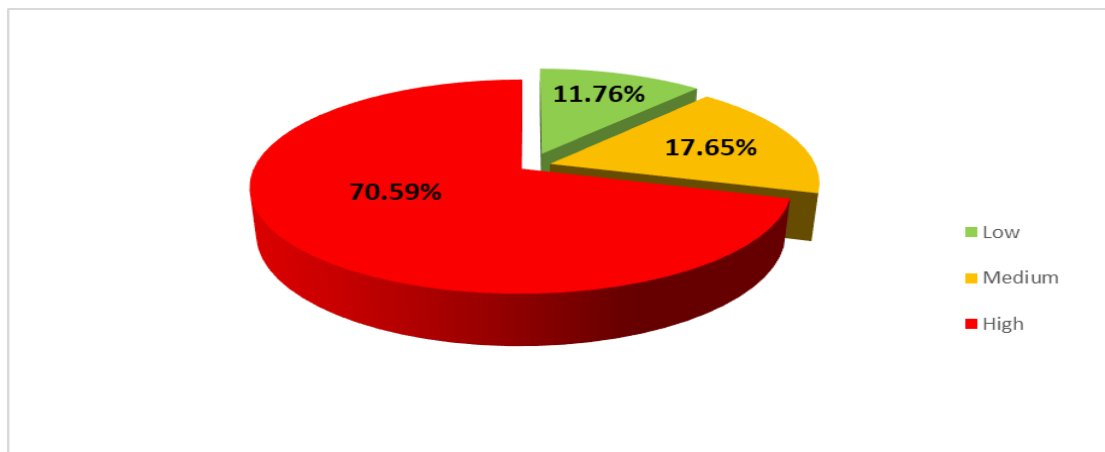
**3.8.4 Failure to clearly articulate the strategic vision and strategy for the Council results in inability to deliver outcomes.** With the fast-moving pace of change within the authority due to Covid-19 and other developments, it was recognised that the risks around the strategic vision and strategy for the council required some detailed work from Directors. It was agreed that this piece of work would be undertaken by Directors together with consideration of the ownership of the strategic risks. The score and the risk definition have therefore not been altered pending the review by Directors.

**3.8.5 Sustainable Budget Risk and Future Funding Risk -** It was agreed that these two risks required further work to reflect the changing economic picture and how this reflects the current financial position and the sustainability of this going forward. The scores have remained the same whilst the review is underway.

**3.9** Our current risk exposure, when plotted on our matrix is demonstrated as follows:-



**3.10** Our overall current risk exposure following the latest review is demonstrated below. This shows that the strategic risk exposure above our tolerance level (i.e. high and medium risks) is currently just over 88%. The unscored cyber risk has been included as a high risk for the purposes of the risk exposure.



3.11 The next review is due in March 2020. As with the operational and project risks, we are looking to move the strategic risks on to SharePoint during the next review. This will allow risk owners and those officers with additional controls to have real time access to the risk profiles. This will mean they can be updated between the regular updates and reporting can be done from Sharepoint.

#### **4. Assurance**

4.1 Due to the work pressures on managers and the fact that several of the risks are to be redefined, we have not undertaken an assurance review on this occasion.

#### **5. Emerging Risks**

Two emerging risks were identified during this review, both regarding Covid-19. One related to the ongoing pressures for staff and their welfare and the second was in relation to the risk of a new variant and the additional pressures this would bring.

#### **5. Monitoring**

5.1 Behind all of the strategic risks are Risk Profiles and Action plans which elaborate in greater detail the risk and the current controls and outstanding actions which are in place and are monitored. Audit Committee can at any time elect to have a more detailed examination of any of the strategic risks and can invite the risk owner to a committee meeting to discuss their risk.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

Annual Governance Statement

Opportunity Risk Management Strategy

**Cabinet Member**

David Minnery, Portfolio Holder Resources & Support

**Local Member**

N/A

**Appendices**