

## RISK MANAGEMENT

### Overview

This report covers two aspects of risk management:

#### *Strategic risks*

Strategic risks are defined as those risks that have an impact on the medium to long term ambitions and priorities of the Council as set out in the Five Year Plan and the Medium Term Financial Strategy. The Management Team has shared responsibility for the Strategic Risks.

#### *Operational risks*

Operational risks are those short term risks that are encountered in the course of the day to day delivery of services and functions. Individual operational managers will have responsibility for their own operational risks. The Management Team will be responsible for monitoring the operational risk registers.

### New strategic risks

There were **no new strategic risks** identified in Q4 2018/19.

On 14 March 2019 (agenda item 10) the Executive agreed the new strategic risks for 2019/20. All strategic risks from 2018/19 will either be transferred and/or incorporated to the 2019/20 risk register or will be closed.

### Risk update

In quarters 2 and 4 an update on the risk rating of all strategic risks and RED rated operational risks is provided.

All risks are actively monitored by the Management Team to ensure that appropriate controls are in place.

The table below provides a definition of the risk ratings that the Council employs.

Rating	Action
<b>Red risk</b>	Where management should focus attention. Immediate actions should be identified and plans put in place to reduce risk <b>as a priority</b> .
<b>Amber risk</b>	Where management should ensure that contingency plans are in place. These may require immediate action and will require monitoring for any changes in the risk or controls. These will be a key area of assurance focus.

Rating	Action
<b>Yellow risk</b>	These should have basic mechanisms in place as part of the normal course of management.
<b>Green risk</b>	Where risk is minimal if does not demand specific attention but should be kept under review.

## Strategic risks

Ref	Risk description	Rating
<b>SR1</b>	<p><b>Long-term financial sustainability</b></p> <p>The Council receives no Revenue Support Grant from government, and although piloting local retention, we anticipate business rate income to reduce significantly.</p> <p>The Council is therefore reliant on other income including council tax, fees &amp; charges. Increasingly these are impacted by wider economic factors.</p> <p>The Council also has long term Capital requirements and will need to address replenishment of capital.</p> <p>The Council will set out an Investment Strategy to support Revenue and Capital budget requirements in order to help ensure the Council's long term financial sustainability. The Council will therefore need to determine the extent to which we will need to invest further in Treasury management, property and other commercial activities to generate revenue income and capital returns.</p> <p>The Council is therefore seeking a diverse range of investment and commercial opportunities. These will require capacity, skills, expertise and behaviours within the organisation to generate new initiatives that can be used to invest in our services to residents and businesses. Without this investment, there is a risk that funding reductions or economic downturn could result in cuts to service provision.</p> <p><i>Note: this risk will be managed under SR2 – 'Financial sustainability' on the Strategic Risk Register from Q1 2019/20.</i></p>	<b>Yellow</b>
<b>SR2</b>	<p><b>Housing, homelessness and welfare</b></p> <p>An increasing number of residents are being affected by a combination of welfare reforms – such as Universal Credit – and increasing housing costs. This increases the risk of residents being threatened with homelessness, leading to their health and wellbeing being affected, which could also subsequently increase cost pressures on the Council.</p> <p>A lack of affordable accommodation increases the Council's reliance on expensive bed and breakfast, although following the opening of temporary emergency accommodation we are expecting this to stabilise.</p>	<b>Amber</b>

Ref	Risk description	Rating
	<p>At the same time, the Homelessness Reduction Act – coming into effect from 3 April 2018 – has significantly increased the statutory requirements of local authorities in respect of homelessness, including a new prevention duty.</p> <p>As a result, we will experience a marked increase in casework, administration and statutory reviews, which will have resource implications. As well as this, the number of households that we have a statutory obligation to accommodate is likely to increase, and for longer periods.</p> <p><i>Note: this risk will be managed under SR6 – ‘Welfare reform’ on the Strategic Risk Register from Q1 2019/20.</i></p>	
SR3	<p><b>Development Management Plan</b></p> <p>Following the Regulation 18 consultation in 2016/17, in 2017/18 the draft Development Management Plan has been prepared, and further consultation (Regulation 19) has been undertaken prior to submission to the Secretary of State for Examination.</p> <p>The process for the allocation of specific sites for development will be politically sensitive and could result in negative publicity, impacting on the Council’s reputation.</p> <p>Formal allocation of development sites through an adopted Local Plan will help the Council manage where and how development goes ahead, and will minimise the risk of speculative (particularly greenfield) planning applications.</p> <p>It is important that the draft DMP complies with the national planning policies: at the Examination a planning inspector will need to be satisfied that the plan is sound (evidence based, deliverable and consistent with national policy). If the draft DMP is found to be not sound, the adoption of the plan will be delayed until issues are rectified.</p> <p><i>Note: this risk will be managed under SR9 – ‘Local plan’ on the Strategic Risk Register from Q1 2019/20.</i></p>	Amber
SR4	<p><b>Property Development</b></p> <p>In order to support the Council’s financial sustainability, we will need to invest further in property to generate revenue income. The Council will need a well-defined and resourced Asset Management Plan to support this activity, with a programme of investments, developments and acquisitions. This may be carried out by the Council, the property company, or as part of joint working arrangements within and outside the Borough.</p> <p>Expanding our activities in this area increases our exposure to the property market fluctuations and the normal development risks.</p> <p>Also the future uncertainty surrounding access to borrowing from the Public Works Loan Board may make it necessary for the Council to have to seek funding from the money markets in line with other commercial</p>	Amber

Ref	Risk description	Rating
	<p>property companies</p> <p>These risks may be exacerbated by Brexit, as markets react to the negotiations that are ongoing following the triggering of Article 50.</p> <p>Failure to invest in property will result in the Council not delivering the required savings and income to deliver services and to fulfil our corporate objectives.</p> <p><i>Note: from Q1 2019/20 this risk will be incorporated into SR2 – ‘Financial sustainability’ on the Strategic Risk Register.</i></p>	
<b>SR5</b>	<p><b>Cyber security</b></p> <p>Computer Viruses including new Trojans such as Ransomware are being released onto the Internet at an ever increasing rate. More sophisticated approaches and new variants suggest that on occasions it is possible that viruses will get through corporate defences and could be activated by unsuspecting ICT consumers. The effects of activating a virus are varied but at their worse the results can be destructive, service affecting or can leave the organisation with data protection issues.</p> <p><i>Note: from Q1 2019/20 this risk will be managed as SR7 – ‘Cyber security’ on the Strategic Risk Register.</i></p>	<b>Amber</b>
<b>SR6</b>	<p><b>Economic prosperity</b></p> <p>Economic prosperity is essential for the wellbeing of the borough, creating employment and wealth that benefits local people.</p> <p>Increasingly, this also has a direct link to the Council's finance position and impacts on the demand for our services. Reforms to the business rate system mean that the council is liable for any reductions, but also has the potential to benefit from increases (especially through the business rate pilot).</p> <p>Economic prosperity cannot be taken for granted, and there are risks such as uncertainty from the withdrawal from the EU, future interest rate levels, increasing consumer debt and high housing costs.</p> <p><i>Note: from Q1 2019/20, the Brexit element of this risk will be managed under SR1 – ‘Brexit’ on the Strategic Risk Register, whilst the rest will be managed under SR5 – ‘Economic prosperity’.</i></p>	<b>Amber</b>
<b>SR7</b>	<p><b>Partner decisions</b></p> <p>Funding pressures are impacting the whole public sector, not just RBBC. Decisions by other public service providers in our area may impact on our residents, businesses, and directly on RBBC itself. SCC are the social care provider, and reductions in funding may impact on the service and support that is provided to our communities, and RBBC may need to increase services or support as a result.</p> <p><i>Note: from Q1 2019/20 this risk will be managed under SR3 – ‘Local government reorganisation and partner public sector funding decisions’.</i></p>	<b>Red</b>

Ref	Risk description	Rating
SR8	<p><b>Recycling credits</b></p> <p>There is a risk that Surrey County Council and the Surrey Waste Partnership could withdraw recycling credits which would have a further negative impact on the council's budget.</p> <p><i>Note: SR8 will be closed, with a revised risk on the Waste and Resources Strategy added to the Council's operational Risk Register from Q1 2019/20.</i></p>	Yellow
SR9	<p><b>Data Protection and General Data Protection Regulations (GDPR) – Now the Data Protection Bill passing through Parliament</b></p> <p>We have always been aware of the potential risk of personal information being disclosed in breach of the Data Protection Act 1998 (DPA) and the associated penalty notice and other enforcement actions that would have a negative impact on the Council reputation. On 25 May 2018 the General Data Protection Regulations (GDPR) will replace the DPA and represents the biggest change to data protection law for 20 years.</p> <p>The implications of breaching the GDPR are potentially significant, with some breaches carrying fines of up to 4% of global annual turnover or 20 million Euros.</p> <p><i>Note: SR9 will be closed on the strategic risk register with a revised risk added to the Council's operational risk register from Q1 2019/20.</i></p>	Amber

### Operational risks (exception reporting)

The table below highlights those operational risks that have been rated as RED.

At the end of Q4 the following risk was rated as RED:

Ref	Risk description
OR13	<p><b>Community centres</b></p> <p>It is possible that the Council may be required to introduce an alternative delivery model for the Community Centres service, potentially at short notice and at a considerable cost.</p> <p><i>This risk description was agreed by Corporate Governance Group in February 2019.</i></p>

**eMembers room information**

The strategic and operational risk registers are available in the eMembers portal.