

RISK MANAGEMENT (Q4 2019/20)

Overview

This report covers two aspects of risk management in Q4 2019/20 (January to March 2020):

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 and COVID-19

There were **no new strategic risks** identified in Q4 2019/20.

However, the COVID-19 pandemic emerged during the quarter and has radically reshaped the risk environment in which the Council operates.

As such, the risk register for Q4 has been updated to reflect the situation as of 31 March 2020.

The risks identified for 2020/21 (which the Committee was due to review at its cancelled meeting on 19 March 2020) have therefore been fundamentally updated given the risk environment that the Council will face as it moves into the recovery phase.

The updated risks will be approved by the Executive and reported to the newly formed Audit Committee.

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
Red risk	Where management should focus attention. Immediate actions should be identified and plans put in place to reduce risk as a priority .
Amber risk	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.
Yellow risk	These should have basic mechanisms in place as part of the normal course of management.
Green risk	Where risk is minimal if does not demand specific attention but should be kept under review.

Strategic risks (Q4 2019/20)

Ref	Risk description	Portfolio Holder	Rating
SR1	<p>Brexit</p> <p>There is a high possibility that the UK's exit from the European Union will result in disruption to the borough and Council services. However there is a high degree of uncertainty surrounding the scale of impact that could be experienced by the Council as a result of Brexit, therefore making this risk difficult for the Council to effectively manage and control.</p> <p><i>Note – this risk will transfer to the 2020/21 strategic risk register in an updated form (SR1 – Brexit).</i></p>	Cllr Schofield	GREEN
SR2	<p>Financial sustainability</p> <p>The Council receives no Revenue Support Grant from Central Government. Whilst council tax and business rates make up a significant portion of the Council's funding, they do not cover the full extent of the Council's expenditure.</p>	Cllr Schofield	AMBER

Ref	Risk description	Portfolio Holder	Rating
	<p>The Council's ability to generate income from investments may be restricted by changes in regulations and codes of practice.</p> <p>The Council must therefore put in place a capital investment strategy, supported by appropriate governance structures and resources, to generate additional income to sustain service provision. The failure to generate this income will jeopardise the delivery of corporate objectives. Managing this risk well is dependent on Officers and Members remaining ambitious.</p> <p><i>Note – this risk will transfer to the 2020/21 strategic risk register in an updated form (SR2 – Financial sustainability)</i></p>		
SR3	<p>Local Government reorganisation and partner public sector funding decisions</p> <p>The public sector as a whole is experiencing significant funding pressures. Budgetary decisions made by other public service providers will impact this borough's residents and businesses as well as the Council itself. The Council may need to increase its services or the support provided, which could have funding and resource implications.</p> <p>In addition, funding pressures could result in the financial failure of partner public sector organisations. A failure of this nature within Surrey may prompt a reorganisation of local government which could have adverse effects on this Council and the delivery of services for residents.</p> <p>These funding and structural pressures, juxtaposed with the outcome of the local government Fair Funding review, could also result in this Council assuming a range of new functions or responsibilities that have traditionally sat with Surrey County Council. This Council's ability to influence such decisions will be limited, however the mitigation of this risk may require the diversion of a disproportionate level of Council resources.</p> <p><i>Note – this risk will transfer to the 2020/21 strategic risk register. However it will be separated into two separate risks (SR3 – Local government reorganisation; SR4 – Partner public sector funding decisions). See section 3 for more information.</i></p>	Cllr Brunt	RED

Ref	Risk description	Portfolio Holder	Rating
SR4	<p>Organisational capacity and culture</p> <p>The Council is on the verge of implementing an ambitious Corporate Plan, supported by a capital investment strategy and housing strategy. Delivering on the ambitions in these plans – to ensure we remain an efficient and effective Council - will require a continually ambitious organisation and culture, including both Members and Officers.</p> <p><i>Note – this risk will transfer to the 2020/21 strategic risk register (SR5 – Organisational capacity and culture).</i></p>	Cllr Lewanski	AMBER
SR5	<p>Economic prosperity</p> <p>A prosperous economy is essential for the wellbeing of the borough, creating employment and wealth that benefits local people. Economic prosperity cannot be taken for granted and the current economic outlook is very uncertain.</p> <p>Prevailing economic conditions have a direct impact on the Council's financial position and likewise impacts upon the demand for Council services, particularly in terms of income derived from paid for services and the collection of monies owed. Challenging financial circumstances for residents may also increase their reliance on Council services.</p> <p><i>Note – this risk will transfer to the 2020/21 strategic risk register in an updated form (SR6 – Economic prosperity).</i></p>	Cllr Humphreys	RED
SR6	<p>Welfare reform</p> <p>The borough's residents are being affected by a combination of welfare reforms, increasing housing costs and economic changes. This increases the risk of household budgets being stretched and residents being threatened with homelessness. The latter could result in an increase in cost pressures on the Council as our services are increasingly relied upon.</p> <p><i>Note – this risk will transfer to the 2020/21 strategic risk register in an updated form (SR7 – Reliance on the welfare system).</i></p>	Cllr Knight	AMBER
SR7	<p>Cyber security</p> <p>Organisations are at an ever increasing risk of cyber attack as the use of digital systems and technologies increases. More sophisticated attacks and new variants</p>	Cllr Lewanski	AMBER

Ref	Risk description	Portfolio Holder	Rating
	<p>of malicious software underscore the risk of corporate defences being compromised.</p> <p>The effects of a cyber attack are wide and varied though at their worst could result in data destruction, disruption to the delivery of services and data theft.</p> <p><i>Note – this risk will transfer to the 2020/21 strategic risk register (SR8 – Cyber security)</i></p>		
SR8	<p>Fraud</p> <p>Due to the wide range of activities being undertaken by the Council, there is a risk of fraud being committed which therefore requires robust systems and processes to be in place.</p> <p><i>Note – this risk will transfer to the 2020/21 strategic risk register in an updated form (SR9 – Fraud)</i></p>	Cllr Schofield	AMBER
SR9	<p>Local plan</p> <p><i>This risk was closed in Q1 2019/20</i></p>	Cllr Biggs	CLOSED
SR10	<p>Marketfield Way</p> <p>Marketfield Way is a major place project for the Council and is critical to shaping Redhill and ensuring the town's continued vitality and viability. It will also generate income which can be reinvested in Council services. Delays to this project would have an impact on the delivery of Redhill's regeneration as well as a financial impact on the Council.</p> <p><i>Note – this risk will transfer to the 2020/21 strategic risk register in an updated form (SR10 – Marketfield Way)</i></p>	Cllr Humphreys	AMBER

Operational risks (exception reporting)

At the end of Q4 no operational risks were rated as RED.

eMembers room information

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