



## Report to Audit Committee

16 April 2014

**Title:** Strategic Risk Register

**Report of:** Managing Director

### Purpose of Report

1. To recommend to the Board an updated Strategic Risk Register for the company.

### Background

2. The Board, at its meeting held on 11 November 2010, approved an updated Strategic Risk Register following a review of risk management by Price Waterhouse Coopers.
3. The Board, at its meeting held on 8 July 2010, approved an updated Risk Management Policy. The Policy requires the strategic risk register to be reviewed by the Board.
4. The Board, at its meeting on 21 March 2014, agreed that future Strategic Risk Registers be scrutinised by this committee prior to being presented to the Board for approval. The register was also presented in an amended format.

### Strategic Risk Register

5. Strategic risks are those which are critical to the direction of an organisation. Strategic risks may be driven by government policy, competition or a change in stakeholder requirements.
6. The Strategic Risk Register has been updated to reflect the strategic risks currently facing the Company. A copy is attached as the Appendix.
7. The following four scale matrix has continued to be used for impact and likelihood:

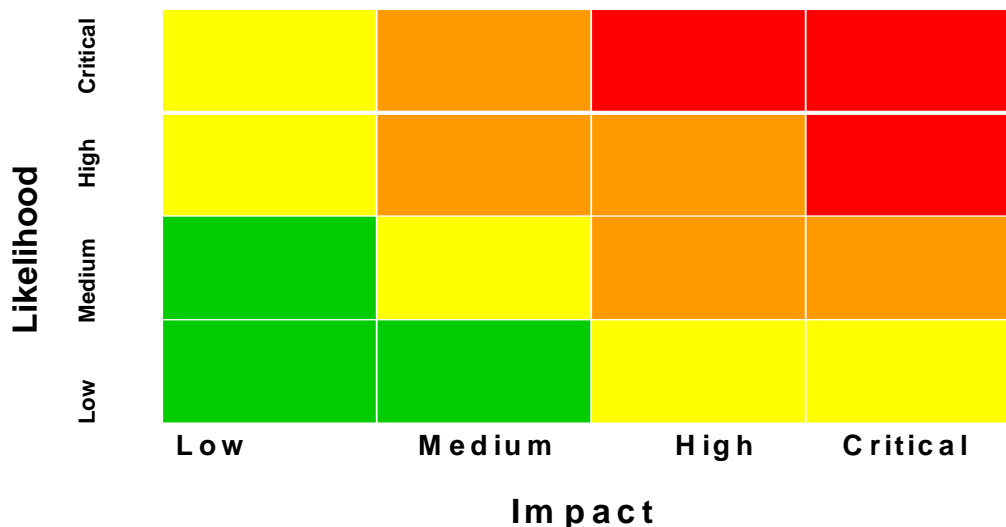
#### Likelihood

Scoring	Definition	Timing of occurrence
4	Almost certain	Less than 3 months
3	Likely	3 – 6 months
2	Moderate	6 – 12 months
1	Unlikely	In excess of 12 months

### Impact – Strategic Risks

Scoring	Definition	Example of impact
4	Critical	Total service loss for significant period Fatality Financial loss over £500,000 Government / Council intervention
3	High	Significant service disruption Major/disabling injury Financial loss over £100,000 Adverse national media coverage
2	Medium	Service disruption Loss time injury Financial loss over £50,000 Adverse local media coverage / lots of service user complaints
1	Low	Minor service disruption / short term inconvenience Minor injury Financial loss under £50,000 Isolated service user complaints

8. The following four scale matrix demonstrates how the risks will be assessed using a traffic light system: -



### Link to Values

9. This report links to the following corporate values: -

- Being a listening and learning organisation
- Being honest, accountable and transparent
- Being motivated, trained and committed
- Being customer focused, innovative and professional
- Embracing equality

### Risk Management Implications

10. The risk management implications are identified throughout this report.

### **Financial Implications**

11. There are no financial implications directly arising from this report, however financial risks are identified in the risk register.

### **Equality and Diversity Implications**

12. There are no equality and diversity implications directly arising from this report.

### **Health Implications**

13. Although there are no implications directly arising from this report, the successful implementation of the recommendations will have a positive impact on the health and well being of Gateshead residents.

### **Environmental Implications**

14. There are no environmental implications directly arising from this report.

### **Value for Money Implications**

15. There are no value for money implications directly arising from this report.

### **Consultation carried out**

16. The Strategic risks, existing and planned controls have been discussed and agreed with the managers responsible for the relevant areas..

### **Impact on Customers**

17. An effective risk management process will maintain the delivery of services to customers.

### **Recommendation**

18. The committee is asked to recommend to the Board approval of the updated Strategic Risk Register.

## Strategic Risks - Heat map as at March 2013

<b>Likelihood</b>	Almost certain			1	
	Likely			1	
	Moderate	1	1		
	Unlikely	2	4		
		Low	Medium	High	Critical
		<b>Impact</b>			

Risk No	Risk	Likelihood	Impact	Owner
SR1	Failure to focus on the customer	1	3	Director of Customers & Communities
SR2	Failure to manage the Company's finances & demonstrate value for money	1	3	Head of Corporate Services
SR3	Failure to manage organisational capacity	1	2	Managing Director
SR4	Failure to deliver on new projects	2	3	Director of Customers & Communities
SR5	Failure to deliver effective asset management	2	2	Head of Investment & Property
SR6	Failure to effectively manage business continuity	1	3	Head of Corporate Services
SR7	Failure to manage effective corporate governance	1	2	Managing Director
SR8	Failure to maintain a positive reputation	1	3	Managing Director
SR9	Adverse impact of welfare reform legislation	4	4	Head of Customer Services
SR10	Adverse impact of right to buy	3	4	Head of Corporate Services

<b>SR1</b>	<b>Failure to focus on the customer</b>	<b>Director of Customers and Communities</b>
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<b>Consequence of the risk</b>	Risk of customer dissatisfaction and poor standards of service
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Current Likelihood	Current Impact
<b>1</b>	<b>3</b>

Previous Likelihood	Previous Impact
<b>1</b>	<b>3</b>

**Existing Controls**

1	2-year Delivery Plan agreed by the Board
2	Annual delivery plan produced and agreed in line with customer priorities
3	Annual customer satisfaction surveys monitored and lessons learnt
4	Accreditation of customer services
5	Regular review of service delivery and performance by the Council
6	Scrutiny of service delivery areas by TALISMAN
7	Service Improvement Groups involved in service developments
8	Performance Management Framework in place
9	Monitoring of complaints and implementing learning

**Planned Controls**

		Timescale
1	Annual Customer Satisfaction Survey	<b>April 2015 (Agreed to issue biennially in line with delivery plan)</b>
2	Customer Service Excellence Assessment	<b>Mock assessment 22 October, Full Assessment 18/19 November</b>
3	Review of service delivery and performance by the Council	<b>2013/15</b>
4	Annual programme of service delivery areas by TALISMAN	<b>2013/15</b>
5	Annual programme of Service Improvement Group Activity	<b>2013/15</b>
6	Working with the Complaints Panel to review of complaints performance, learning and service delivery	<b>2013/15</b>

Future Likelihood	Future Impact
<b>1</b>	<b>3</b>

Without the planned controls there is a risk of the likelihood increasing.

<b>SR2</b>	<b>Failure to manage the Company's finances and demonstrate value for money</b>	<b>Head of Corporate Services</b>
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<b>Consequence of the risk</b>	Financial loss to the Company that we are unable to meet through our reserves, inability to deliver services and maintain staffing levels
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<b>Current Likelihood</b>	<b>Current Impact</b>
<b>1</b>	<b>3</b>

<b>Previous Likelihood</b>	<b>Previous Impact</b>
<b>1</b>	<b>3</b>

**Existing Controls**

1	Regular, accurate budget monitoring scrutinised by TGHC Resources Committee & GMBC Quarterly Meeting
2	2014/15 budgets approved by Board
3	Comprehensive internal audit programme reported to Audit Committee
4	External Audit carried out annually, no significant issues ever raised
5	Robust insurance arrangements in place
6	Qualified finance team in place
7	Value for money strategy in place and Service Improvement Group
8	Financial Regulations and standing orders in place and regularly reviewed

**Planned Controls**

		<b>Timescale</b>
1	Medium term financial strategy to be updated	<b>30 June 2014</b>
2	Revised financial regulations and standing orders to be approved by the Board	<b>31 March 2015</b>
3	Updated Value for money strategy to be approved by the Board	<b>31 March 2015</b>

<b>Future Likelihood</b>	<b>Future Impact</b>
<b>1</b>	<b>3</b>

Whilst the planned controls are unlikely to improve the current likelihood and impact, there is a risk of the likelihood and impact increasing if these planned controls are not implemented.

<b>SR3</b>	<b>Failure to manage organisational capacity</b>	<b>Managing Director</b>
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<b>Consequence of the risk</b>	Loss of key members of staff, increase in turnover of staff, increase in sickness absence rates - specifically around an increase in stress levels amongst existing staff
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<b>Current Likelihood</b>	<b>Current Impact</b>
<b>1</b>	<b>2</b>

<b>Previous Likelihood</b>	<b>Previous Impact</b>
<b>1</b>	<b>2</b>

## Existing Controls

1	Detailed staffing budgets in place and closely monitored
2	Procedures in place to replace staff who leave
3	Sickness absence closely monitored - ultimately by Resources Committee
4	Dedicated training provided to staff
5	Sickness Absence review meetings held with staff (agreed trigger points)
6	Excellent working relationship with the trade unions
7	Work life balance policy in place
8	Development of health and wellbeing service - advocates appointed

## Planned Controls

		<b>Timescale</b>
1	Action plan to retain Investors in people	<b>30 June 2014</b>
2	Staff succession plan	<b>31 March 2015</b>

<b>Future Likelihood</b>	<b>Future Impact</b>
<b>1</b>	<b>2</b>

Whilst the planned controls are unlikely to improve the current likelihood and impact, there is a risk of the likelihood and impact increasing if these planned controls are not implemented.

<b>SR4</b>	<b>Failure to deliver on new projects</b>	<b>Director of Customers and Communities</b>
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<b>Consequence of the risk</b>	Loss of reputation with the Council, partner agencies and stakeholders leading to reduced opportunities to generate additional income and customer dissatisfaction.
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<b>Current Likelihood</b>	<b>Current Impact</b>
<b>2</b>	<b>3</b>

<b>Previous Likelihood</b>	<b>Previous Impact</b>
<b>2</b>	<b>3</b>

## Existing Controls

1	Annual Risk Appetite report to the Board September 2012
2	Specific projects or new ventures are subject to Board approval.
3	Systems in place to ensure accountability and resources identified to support new projects
4	Project management systems in place to deliver new projects and services

## Planned Controls

		<b>Timescale</b>
1	Annual Risk Appetite report to the Board	<b>30 September 2014</b>
2	Specific projects or new ventures are subject to Board approval.	<b>Ongoing</b>
3	Linked to the delivery of new projects effective risk management process will maintain the delivery of services to customers.	<b>Ongoing</b>
4	Specific projects or new ventures are subject to evaluation by the Board.	<b>Ongoing</b>

<b>Future Likelihood</b>	<b>Future Impact</b>
<b>2</b>	<b>3</b>

Specific projects or new ventures are subject to Board approval and evaluation.
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<b>SR5</b>	<b>Failure to deliver effective asset management</b>	<b>Head of Investment &amp; Development</b>
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<b>Consequence of the risk</b>	Properties will fall into non decency, increasing corporate complaints and potential for negative publicity and reputational damage to Council and TGHC. Sustainability of tenancies and neighbourhoods will be adversely affected. Without effective asset management, investment decisions will be ill informed and priorities for the stock not addressed jeopardising longer term sustainability.
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<b>Current Likelihood</b>	<b>Current Impact</b>
<b>2</b>	<b>2</b>

<b>Previous Likelihood</b>	<b>Previous Impact</b>
<b>2</b>	<b>2</b>

### Existing Controls

1	Regular operational meetings with Investment Partner and Capital monitoring meetings to oversee progress. Contractors report with progress and KPI performance included for review.
2	Agreed 5 year capital programme to enable a strategic approach to investment decisions.
3	Regular meetings and close working relationship with R&M teams to ensure maintenance issues are identified at earliest opportunity and factored into decisions.
4	Asset, Development and Investment Committee that provide scrutiny to asset management decisions.
5	Revisions to Staffing Structure approved by Resource Committee in September 2013 giving some flexibility to recruit resources to support delivery of new areas of work. (External Funding New Build, ECO etc)
6	Opportunities for external funding and innovative ways to improve energy efficiency of stock are identified and taken forward as appropriate.
7	

### Planned Controls

		<b>Timescale</b>
1	Finalise and publicise Asset Management Strategy	<b>30 June 2014</b>
2	Implement Planned Maintenance Module with scheduled investment works programmes being managed within Northgate System and increase awareness of planned works to wider organisations - particularly R&M	<b>01 July 2014</b>
3	Revisit Stock Condition Surveys using Foundation Tablet approach - Initially to target estates where data is known to contain flaws and be in need of refresh. From there to look to integrate stock condition surveys with other areas of activity using same tablet based approach.	<b>Ongoing</b>

<b>Future Likelihood</b>	<b>Future Impact</b>
<b>2</b>	<b>2</b>

Condition of stock will not change so investment needs are only likely to increase going forward. Funding available under decent homes is unlikely to be repeated so emphasis is on maintaining decency and ensuring we take a strategic approach to long term asset management. Risks are unlikely to be reduced however.

<b>SR6</b>	<b>Failure to effectively manage business continuity</b>	<b>Head of Corporate Services</b>
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<b>Consequence of the risk</b>	Inability to deliver services, leading to an impact on customer satisfaction and potential financial losses to the Housing Revenue Account
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Current Likelihood	Current Impact
<b>1</b>	<b>3</b>

Previous Likelihood	Previous Impact
<b>1</b>	<b>3</b>

**Existing Controls**

1	Business Continuity Plan in place
2	Business Continuity Plan exercise carried out
3	Business Continuity team in place
4	MEARS have their owned dedicated plans in place

**Planned Controls**

		Timescale
1	Review and update of the Business Continuity Plan	<b>30 September 2014</b>
2	Implementation of the recommendations from the BCP exercise	<b>30 September 2014</b>
3	Work with MEARS to ensure the appropriateness of their plans	<b>30 June 2014</b>

Future Likelihood	Future Impact
<b>1</b>	<b>3</b>

The planned controls will ensure that this risk continues to be appropriately managed.

<b>SR7</b>	<b>Failure to manage effective corporate governance</b>	<b>Managing Director</b>
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<b>Consequence of the risk</b>	Failure to manage effective corporate governance could lead to poor strategic decision making, reputational damage to the company and could ultimately lead to direct intervention from the Council.
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Current Likelihood	Current Impact
1	2

Previous Likelihood	Previous Impact
1	2

## Existing Controls

1	Board consisting of 5 tenants, 5 independent and 5 Councillor Directors
2	Training and annual appraisal programme in place for all Board Members
3	Annual Governance Review undertaken
4	Revised Committee Structure approved and rolled out including separate Audit Committee
5	Board Governance Pack provided to all Board Members
6	Comprehensive tailored induction programme provided to all new Board Members (recently updated)
7	Board members code of conduct in place
8	Internal and External Audits of the company undertaken

## Planned Controls

		Timescale
1	Recruitment of replacement Tenant Director	<b>30 September 2014</b>
2	Board Appraisals for 2014/15	<b>31 December 2014</b>

Future Likelihood	Future Impact
1	2

This is an area that is already being effectively controlled and the future planned controls will ensure this continues

<b>SR8</b>	<b>Failure to maintain a positive reputation</b>	<b>Managing Director</b>
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<b>Consequence of the risk</b>	Loss of confidence from the Council and our customers, negative press stories
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<b>Current Likelihood</b>	<b>Current Impact</b>
<b>1</b>	<b>3</b>

<b>Previous Likelihood</b>	<b>Previous Impact</b>
<b>1</b>	<b>3</b>

**Existing Controls**

1	Regular meetings with the Council - Quarterly Strategic Monitoring Meetings, regular monthly meeting with all key Council officers, attendance at housing portfolio meetings, area portfolio meetings and ward issues estate tours.
2	Regular involvement opportunities for customers with a number of different options available to them eg Service Improvement Groups, focus groups, tenants directors on the board / committees
3	Communications team in place to provide positive press stories and react to negative stories

**Planned Controls**

		<b>Timescale</b>
1	Continue to attend meetings with the Council	<b>Ongoing</b>
2	Continue to involve customers in service delivery	<b>Ongoing</b>

<b>Future Likelihood</b>	<b>Future Impact</b>
<b>1</b>	<b>3</b>

Despite the planned future controls this is an area where it is unlikely to be able to reduce the risk further.

<b>SR9</b>	<b>Adverse impact of welfare reform legislation</b>	<b>Head of Customer Services</b>
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<b>Consequence of the risk</b>	Tenants unable or not willing to pay rent. TGHC and partners unable to meet requests for assistance. Mismatch between demand and supply of appropriately sized properties. Increase in levels of voids, with associated increase in demands on resources. Some properties at risk of being unsustainable, with high turnover and low demand. Rental income significantly reduced due to increased rent arrears and void rent loss. Will lead to TGHC being unable to meet budgetary requirements within revenue, repair and capital budgets; - reduction in satisfaction with services and loss of confidence in ability to manage
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Current Likelihood	Current Impact
4	4

Previous Likelihood	Previous Impact
4	4

**Existing Controls**

1	Specialist teams provide information, advice and guidance, arrears prevention and recovery services and referral.
2	2 x Advice and Support Officer posts embedded within Rent and Income Service
3	Membership of various council-led partnership groups
4	Partnership arrangements with public, private and third sector agencies
5	Advice and support for tenants looking to downsize
6	Assistance given to tenants with applications for Discretionary Housing Payments
7	

**Planned Controls**

		Timescale
1	Develop proposal to redesignate properties at highest risk of becoming unsustainable	by June 2014
2	Review approach to marketing hard to let properties	by Sept 2014
3	Further measure to assist with fuel poverty and reduce expenditure for tenants: "Energy Angels"	by Sept 2014
4	With partners, prepare for implementation of Universal Credit	throughout 2014/15

Future Likelihood	Future Impact
4	4

Planned controls will reduce the impact of welfare reform, but the financial impact (and impact on tenants) will continue to be (at least) high, and probably critical.

<b>SR10</b>	<b>Adverse impact of right to buy</b>	<b>Head of Corporate Services</b>
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<b>Consequence of the risk</b>	Reduction in stock numbers with the subsequent impact on the HRA Business Plan.
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<b>Current Likelihood</b>	<b>Current Impact</b>
<b>3</b>	<b>4</b>

<b>Previous Likelihood</b>	<b>Previous Impact</b>
<b>2</b>	<b>4</b>

**Existing Controls**

1	Quarterly review with the Council on applications to purchase and numbers sold
2	Right to Buy Update provided to the Board
3	
4	
5	
6	
7	

**Planned Controls**

		<b>Timescale</b>
1	In conjunction with the Council, continue to review of Right to Buy sales and the impact on the investment programme, properties available to let and HRA Business Plan	<b>Annual - March 2015</b>
2	2013/14 Annual update on impact of the Right to Buy to be provided to the Board	<b>01 July 2014</b>
3		
4		

<b>Future Likelihood</b>	<b>Future Impact</b>
<b>3</b>	<b>4</b>

Planned activity will monitor the financial impact on the HRA. The likelihood will continue to be (at least) high, and probably critical.