

## **Report to Audit Committee**

**Subject: Corporate Risk Management Scorecard**

**Date: 12<sup>th</sup> September 2017**

**Author: Deputy Chief Executive and Director of Finance**

### **1. Purpose of the Report**

To update members of the Audit Committee on the current level of assurance that can be provided against each corporate risk.

### **2. Background**

The current Risk Management Strategy was last considered and approved by the Cabinet in April 2007. However this did receive regular updates, the last of which was February 2014. As a result of the transition of this responsibility into Financial Services from April 2017, a new Risk Management Strategy & Framework has been written and is being presented to Cabinet for approval in October 2017.

The purpose of the Strategy and Framework is to define how risks are managed by the Council. It provides guidance on the processes, procedures, roles and responsibilities for risk, and it sets out the context on how risks are to be managed. It defines the key role for the Audit Committee as providing independent assurance to the Council with regard to the effectiveness of the risk management framework and the associated control environment. This includes the monitoring of the framework and ensuring the implementation of all audit actions.

The Corporate Risk Register is a key enabler of the Strategy and Framework, and provides assurance on the key risks identified as Corporate risks.

Existing risks identified within both the Council's corporate and operational service risk registers are subject to quarterly review by senior management and on an ongoing basis through the work of Internal Audit.

### **3. Corporate Risk Register**

This new approach has meant that significant changes have been made to the monitoring of risks and the subsequent reporting arrangements to this committee. As such the new arrangements are seen as a fresh start and many of the previous risks

that were classified as 'green' have been re-examined and in many cases reduced in score to an 'amber' or 'red' classification. However, it is expected that as mitigation measures are properly recorded or actions taken, then these risks should start to improve over the coming months. This is not to say that all risks will return to 'green', as mitigation measures can only go so far, and some risks may always be inherently 'red' or 'amber' as the score reflects the potential impact on the Council and the likelihood of that event occurring.

The Corporate Risk Register and supporting comments as at the end of quarter one (June 2017) are appended to this report, and this includes a summary of all control gaps currently identified on the Council's Corporate Risk Register.

#### **4. Resource Implications**

To be delivered within existing budgets.

#### **5. Recommendation**

That the Audit Committee notes the progress of actions identified within the Corporate Risk Register.

## Appendix 1 - Corporate Risk Register Monitoring – Quarter 1 2017/18

1	<p><b>FAILURE TO PREVENT BUDGET OVERHEATING ONCE THE BUDGET HAS BEEN SET</b></p> <p><b>Owner: Mike Hill</b></p> <p><b>Current Risk and Direction of Travel: GREEN – NO CHANGE</b></p> <p><b>Definition:</b></p> <p><i>Shorter term implications of overspending budgets or not collecting as much income as forecasted. This can cause adverse impact on Council balances.</i></p> <p><b>Key Risk Driver:</b> Financial Impact</p> <p><b>Raw Risk Value:</b> Serious - £50k - £500k</p> <p><b>Corporate Risk Register Outstanding Controls:</b></p> <p>Quarter 1 budget monitoring was reported to Cabinet in July. This projected a £1k underspend at year-end. In regard to the budget reduction programme for 2017/18, the latest projections are that £477k will be delivered against the £532k target, with the remaining £55k to be deferred until 2018/19.</p> <p>Consequently there are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>
2	<p><b>FAILURE TO MAINTAIN FINANCIAL INTEGRITY</b></p> <p><b>Owner: Mike Hill</b></p> <p><b>Current Risk and Direction of Travel: RED – DETERIORATION</b></p> <p><b>Definition:</b></p> <p><i>Affecting the ability of the Council to meet its financial commitments in the longer term.</i></p> <p><b>Key Risk Driver:</b> Financial Impact</p> <p><b>Raw Risk Value:</b> Critical - £1m+</p> <p><b>Corporate Risk Register Outstanding Controls:</b></p>

Council approved a balanced budget for 2017/18 in March 2017. As part of this process, a budget reduction target of £1.694m was approved for inclusion into the Medium Term Financial Plan over the years 2017/18 to 2021/22. The budget process also identified a further £1.9m of budget reductions that need to be addressed between 2018/19 and 2020/21 to maintain balances at their minimum levels, and work is currently underway with Service Managers to identify these.

The Council has recently launched its new 'Dynamic Council' approach to working, which includes the adoption of a project / programme management approach combined with delivering on four separate themes: digitalisation, agile working, demand management, and commercialisation. The work to meet these themes will be delivered by 12 separate project groups, and all of this work will need to become embedded before it has an impact on the modernisation of the Council.

Commercialisation will have a focus on the generation of income, a key part of which will be marketing to ensure that income levels from services are maintained or increased, and also the Council's approach to property development which has inherent risks attached. As part of this, a move to local authority trading companies will be a new venture for the Council, and this again will need to be managed carefully to avoid risk to service provision.

Major financial issues moving forward will be the volatility and continuity of the New Homes Bonus grant, the impact of Universal Credit and other housing benefit reforms on the value of the benefit subsidy administration grant, and national changes being made in relation to Business Rates and retrospective appeals.

**3 FAILURE TO PROTECT STAFF, INCLUDING HEALTH & SAFETY ISSUES**

**Owner: Mike Hill**

**Current Risk and Direction of Travel: AMBER – DETERIORATION**

**Definition:**

*Ineffective systems, processes and equipment that can present danger to individuals or groups of employees.*

**Key Risk Driver: Health & Safety**

**Raw Risk Value: Major – Loss of life / major illness**

**Corporate Risk Register Outstanding Controls:**

	<p>Officers need to undertake a comprehensive review of all risk assessments held within the Council and centralise the recording system (these are either currently held individually by service managers or do not exist). A new electronic system 'AssessNET' is being implemented and it will be the responsibility of all Service Managers to ensure their risk assessment data is input onto this new system.</p>
4	<p><b>FAILURE TO RECRUIT AND RETAIN STAFF, AND MAINTAINING INTERNAL CAPACITY</b></p> <p><b>Owner: Helen Barrington</b></p> <p><b>Current Risk and Direction of Travel: AMBER – DETERIORATION</b></p> <p><b>Definition:</b></p> <p><i>Associated with the particular nature of each profession, internal protocols, managerial abilities, and sickness levels.</i></p> <p><b>Key Risk Driver:</b> Service Provision</p> <p><b>Raw Risk Value:</b> Serious – Significant elements of a service suspended / reduced</p> <p><b>Corporate Risk Register Outstanding Controls:</b></p> <p>In some areas, recruitment and retention of staff is becoming an increasing problem for the Council to remain competitive, particularly where recruitment competes with the private sector, although it is recognised that the pay line review has improved the position. This is however beginning to pose a specific problem with respect to experienced technically qualified professional staff, where honorariums are being used to combat the difficulties.</p> <p>This has also arisen as a consequence of budget pressures, increasing workload and expectations which impact on capacity and resilience. A number of experienced professionals have recently retired and it is always difficult to replace that experience. The Council needs to develop its strategy on succession planning, particularly where senior managers have been allowed to retire and their posts have been made redundant.</p> <p>The quarter 1 sickness level for the Council stands at 11.25 days (based on the previous 12 months to June 2017) which is higher than the 2017/18 target of 10 days. However this high figure does include a number of staff that have now left the authority and as the year progresses the average sickness level will hopefully reduce.</p>

5	<p><b>FAILURE TO PROPERLY UTILISE EXISTING ICT, REACT TO TECHNOLOGY CHANGES, AND PREVENT DATA LOSS</b></p> <p><b>Owner: Helen Barrington</b></p> <p><b>Current Risk and Direction of Travel: AMBER – DETERIORATION</b></p> <p><b>Definition:</b></p> <p><i>The capacity of the Council to deal with the pace / scale of technological change, or its ability to use technology to address changing demands. Challenges over the security, storage and retention of both electronic and manual records, and data.</i></p> <p><b>Key Risk Driver:</b> Objectives</p> <p><b>Raw Risk Value:</b> Major – Directorate objectives not met</p> <p><b>Corporate Risk Register Outstanding Controls:</b></p> <p>The Council's Digital Strategy sets out a requirement that the technological solutions we invest in are used to their full potential, and work needs to continue to achieve this.</p> <p>There have recently been a small number of minor data protection incidents. Some Data Protection training has been delivered recently, but with specific reference to the forthcoming introduction of the General Data Protection Regulation in May 2018, training programmes will be delivered for all staff.</p> <p>A recent internal audit phishing exercise around cyber risk identified that Gedling had a worse than average performance when asked to identify potentially damaging emails.</p> <p>The lack of resource within ICT budgets and capacity of staff is starting to impact on the Council's development of ICT moving forwards, and this is a key requirement of the Digital strategy.</p>
6	<p><b>FAILURE TO PROTECT &amp; UTILISE PHYSICAL ASSETS</b></p> <p><b>Owner: Mike Hill</b></p> <p><b>Current Risk and Direction of Travel: AMBER – DETERIORATION</b></p> <p><b>Definition:</b></p> <p><i>Buildings that are fit for purpose, safe, secure, and meet legislative requirements for fire, asbestos, and water-testing. Land, buildings and</i></p>

*other assets to be recorded on a database.*

**Key Risk Driver:** Health & Safety

**Raw Risk Value:** Major – Loss of life / major illness

**Corporate Risk Register Outstanding Controls:**

A full condition survey of all council-owned buildings is required, and action is being taken in this regard.

Risk assessments of buildings are in place but will require updating as part of the roll out of the new AssessNET system. A register is in place to record fire, asbestos and water testing at each site, but this needs to be centralised – again action is being taken in this regard.

The existing Asset Management Plan is out of date and will be updated by December 2017.

Work needs to be undertaken as regards a comprehensive tree register.

7 **FAILURE TO REACT TO CHANGES IN LEGISLATION**

**Owner:** Helen Barrington

**Current Risk and Direction of Travel:** AMBER – NEW RISK

**Definition:**

*Associated with current or potential changes in national or European law which can lead to possible breaches of legislation. Assessing the wider implications of new legislation on both the Council and its residents.*

**Key Risk Driver:** Financial Impact

**Raw Risk Value:** Major - £500k - £1m

**Corporate Risk Register Outstanding Controls:**

The Council is still responding to changes in the 'benefit cap' as prescribed under the Welfare Reform and Work Act 2016. It will also need to respond to further changes as part of the roll-out of Universal Credit. This will create hardship and increase council tax arrears and collection costs.

The Council has still to prepare for the introduction and implications of the Homelessness Reduction Act 2017.

The Council has to ensure it is ready for the introduction of the General

	Data Protection Regulation in May 2018.
8	<p><b>FAILURE OF CONTRACTORS OR PARTNERSHIP ARRANGEMENTS – CONTRACTUAL BREACHES</b></p> <p><b>Owner: Helen Barrington</b></p> <p><b>Current Risk and Direction of Travel: AMBER – NO CHANGE</b></p> <p><b>Definition:</b></p> <p><i>Associated with the failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification.</i></p> <p><b>Key Risk Driver:</b> Financial Impact</p> <p><b>Raw Risk Value:</b> Serious - £50k - £500k</p> <p><b>Corporate Risk Register Outstanding Controls:</b></p> <p>The Council is currently constructing a new Partnerships Register which will be reviewed by both SLT and a specific project group under the 'Dynamic Council' approach.</p> <p>The Council needs to improve on its Contracts Register used for medium to large procurement exercises.</p>
9	<p><b>INABILITY TO DEFEND ONE-OFF CHALLENGES TO A COUNCIL DECISION OR NEW COMPENSATION TREND EMERGES</b></p> <p><b>Owner: Helen Barrington</b></p> <p><b>Current Risk and Direction of Travel: GREEN – NEW RISK</b></p> <p><b>Definition:</b></p> <p><i>Councils are increasingly vulnerable to judicial reviews and new compensation claims.</i></p> <p><b>Key Risk Driver:</b> Financial Impact</p> <p><b>Raw Risk Value:</b> Serious - £50k - £500k</p> <p><b>Corporate Risk Register Outstanding Controls:</b></p> <p>The numbers and value of insurance claims are reducing and consequently there are currently no outstanding control gaps in the</p>

	strategic or operational risk registers relating to this corporate risk.
10	<p><b>FAILURE TO MAINTAIN SERVICE STANDARDS, CUSTOMER SATISFACTION, AND/OR MEET CUSTOMER EXPECTATIONS</b></p> <p><b>Owner: Helen Barrington</b></p> <p><b>Current Risk and Direction of Travel: GREEN – NO CHANGE</b></p> <p><b>Definition:</b></p> <p><i>Related to channel shift to more digital on-line services but retaining the availability of face-to-face services. Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value.</i></p> <p><b>Key Risk Driver:</b> Reputation</p> <p><b>Raw Risk Value:</b> Major – Adverse national publicity</p> <p><b>Corporate Risk Register Outstanding Controls:</b></p> <p>More services are now being migrated onto digital platforms, consequently there are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>
11	<p><b>FAILURE TO PREVENT DAMAGE TO THE COUNCIL’S REPUTATION</b></p> <p><b>Owner: John Robinson</b></p> <p><b>Current Risk and Direction of Travel: AMBER – NO CHANGE</b></p> <p><b>Definition:</b></p> <p><i>Related to the Council’s reaction to a specific event or issue, or generally a downturn in quality of service.</i></p> <p><b>Key Risk Driver:</b> Reputation</p> <p><b>Raw Risk Value:</b> Major – Adverse national publicity</p> <p><b>Corporate Risk Register Outstanding Controls:</b></p> <p>Quarter 1 performance data detailed 10 out of 33 (30%) of performance indicators were either missed or slightly below target. The most significant of these was that there were no affordable housing completions in that quarter, and the current sickness level is relatively</p>

	<p>high at 11.25 days against a target of 10 days.</p>
12	<p><b>FAILURE TO REACT TO AN ENVIRONMENTAL INCIDENT OR MALICIOUS ACT</b></p> <p><b>Owner: John Robinson</b></p> <p><b>Current Risk and Direction of Travel: GREEN – NO CHANGE</b></p> <p><b>Definition:</b></p> <p><i>Council reaction to a natural occurrence e.g. widespread flooding, or other events such as fire and explosions.</i></p> <p><b>Key Risk Driver:</b> Reputation</p> <p><b>Raw Risk Value:</b> Major – Adverse national publicity</p> <p><b>Corporate Risk Register Outstanding Controls:</b></p> <p>The Emergency Plan has recently been updated, consequently there are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>
13	<p><b>FAILURE TO REACT TO SOCIO-ECONOMIC TRENDS</b></p> <p><b>Owner: John Robinson</b></p> <p><b>Current Risk and Direction of Travel: AMBER – NEW RISK</b></p> <p><b>Definition:</b></p> <p><i>Relating to the effects of changes in demographic, residential, or socio-economic trends on the Council's ability to meet its objectives.</i></p> <p><b>Key Risk Driver:</b> Reputation</p> <p><b>Raw Risk Value:</b> Serious– Adverse regional publicity</p> <p><b>Corporate Risk Register Outstanding Controls:</b></p> <p>It is recognised that:</p> <ul style="list-style-type: none"> <li>• Between 2009 and 2030 Gedling's 65+ population is projected to increase by 42.3% to equate to 26.3% of the total borough population, and the 85+ age population is projected to increase by</li> </ul>

100% to equate to 4.8% of the population.

- Over 11,000 people aged 65+ are projected to be living alone by 2030 in Gedling, an increase of 45.9% between 2009 and 2030.
- In 2009 it was estimated that 46.9% of people in Gedling had a limiting long-term illness.
- The number of people aged 65+ with dementia is projected to increase by 65.4% between 2009 and 2030.

The Senior Leadership Team receives an economic indicators report on a quarterly basis that reports over the themes of homelessness, new homes, benefits and income, and local economy. SLT and Council need to reflect on these demographic trends.

**HIGH RISK AUDIT RECOMMENDATIONS RAISED IN PREVIOUS YEARS BUT NOT YET IMPLEMENTED:**

There are no high risk audit recommendations from previous years that have not been addressed and implemented.

**HIGH RISK AUDIT RECOMMENDATIONS RAISED IN THIS FINANCIAL YEAR:**

There have currently been no high risk audit recommendations made this financial year.

## APPENDIX 2 - RISK MANAGEMENT SCORING MATRIX

Date refreshed: **01 July 2017**

<b>Likelihood</b>	Very High	E					
	High	D					<b>2</b>
	Significant	C	<b>1</b>	<b>4</b>	<b>3, 5, 6, 7, 11, 13</b>		
	Low	B	<b>10,12</b>		<b>8</b>		
	Very Low	A			<b>9</b>		
			<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
			Negligible	Minor	Serious	Major	Critical
			<b>Impact</b>				