

Report to Audit Committee

Subject: Corporate Risk Management Scorecard

Date: 19 March 2019

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.

Recommendations:

That Members:

- note the progress of actions identified within the Corporate Risk Register.

2. Background

The current Risk Management Strategy & Framework was last considered and approved by the Cabinet 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. This has meant that some of the risks included within the corporate risk register have been set at a relatively high score with the expectation 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 December 2018 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. Appendices

Appendix 1 - Corporate Risk Register Monitoring – Quarter 3, December 2018

Appendix 2 - Risk Management Scoring Matrix

Appendix 1 - Corporate Risk Register Monitoring – Quarter 3, December 2018

1	<p>FAILURE TO PREVENT BUDGET OVERHEATING ONCE THE BUDGET HAS BEEN SET</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: GREEN – IMPROVEMENT</p> <p>Definition:</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>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Serious - £50k - £500k</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>Actions completed during quarter 3:</p> <ul style="list-style-type: none"> • Budget and Performance Plan Monitoring Quarter 3 – report to Cabinet in January projected a £250k underspend for 2018/19 and confirmed that delivery of the efficiency programme is progressing well. The Council’s budget monitoring processes are robust, highlighting at the earliest opportunity any variances which need to be addressed. <p>There are no actions outstanding, consequently there are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>
2	<p>FAILURE TO MAINTAIN FINANCIAL INTEGRITY</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: RED – IMPROVEMENT</p> <p>Definition:</p> <p><i>Affecting the ability of the Council to meet its financial commitments in the longer term.</i></p> <p>Key Risk Driver: Financial Impact</p>

Raw Risk Value: Critical - £1m+

Corporate Risk Register Outstanding Controls:

The Council's financial position remains extremely challenging and future funding remains uncertain but the actions completed during the quarter have resulted in an improvement in the assessed current risk level from critical to major.

Actions completed during quarter 3:

- Plans to deliver the £1.1m efficiency target which was set by Council in March 2018 were finalised at £1.35m and have now been approved by Council;
- A full suite of budgets reports were developed, incorporating a balanced medium term financial plan 2019/20 to 2023/24 and setting out the council's funding position and the associated risks remaining due to the uncertainties surrounding the Fair Funding Review, Business Rates Retention and New Homes Bonus. The budget was approved by Council in March;
- Dynamic Council Programme is ongoing and is supporting the delivery of the Council's efficiency programme on four separate themes: digitalisation, agile working, demand management, and commercialisation. Improvement to the project management processes have been implemented to support the effective delivery of the programme;
- Brexit impact report presented to Cabinet on the potential risks of Brexit which has been recognised as a new risk to the achievement of a balanced Medium Term Financial Plan.

Actions outstanding:

- Completion of Dynamic Council Projects e.g. the Commercial Property Investment Strategy to be considered by Cabinet in March and Council in April 2019;
- Implementation of Advertising, Sponsorship and Marketing strategies;
- Ongoing delivery of efficiency programme.
- Continuing consideration of Council's funding position

3

FAILURE TO PROTECT STAFF, INCLUDING HEALTH & SAFETY ISSUES

Owner: Mike Hill

Current Risk and Direction of Travel: AMBER – NO CHANGE

	<p>Definition:</p> <p><i>Ineffective systems, processes and equipment that can present danger to individuals or groups of employees.</i></p> <p>Key Risk Driver: Health & Safety</p> <p>Raw Risk Value: Major – Loss of life / major illness</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>Actions completed during quarter 3:</p> <ul style="list-style-type: none"> • Further training provided to managers on the electronic health and safety system 'AssessNET'; • Implementation of emergency evacuation templates has commenced. <p>Actions outstanding:</p> <ul style="list-style-type: none"> • Development of risk assessments expected by June 2019 • Full implementation of emergency evacuation templates
4	<p>FAILURE TO RECRUIT AND RETAIN STAFF, AND MAINTAINING INTERNAL CAPACITY</p> <p>Owner: Helen Barrington</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE</p> <p>Definition:</p> <p><i>Associated with the particular nature of each profession, internal protocols, managerial abilities, and sickness levels.</i></p> <p>Key Risk Driver: Service Provision</p> <p>Raw Risk Value: Serious – Significant elements of a service suspended / reduced</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>As a consequence of budget pressures, decreasing workforce, increasing workload and customer expectations we are seeing an impact on capacity and resilience which may result in a potential reduction in performance. Work is needed to help improve organisational capacity and resilience by developing the skills and abilities of key leaders and staff.</p> <p>Actions completed during quarter 3:</p>

	<ul style="list-style-type: none"> • Agile working strategy to support a more flexible working environment was considered by SLT with further work in respect of digital aspects still to be finalised; • Market premia have been added to two Planning roles - in some areas, recruitment and retention of staff is a problem for the Council to remain competitive, particularly where recruitment competes with the private sector. This is however a specific problem with respect to experienced technically qualified professional staff, where honorariums and market supplements are being used to combat the difficulties. <p>Actions outstanding:</p> <ul style="list-style-type: none"> • Development of Benefits Statement expected by June 2019 – highlighting benefits of working for the Council • Development of Workforce Strategy by August 2019 - to ensure that staff are creative, flexible and have the right skills to respond positively to the challenges that lie ahead.
5	<p>FAILURE TO PROPERLY UTILISE EXISTING ICT, REACT TO TECHNOLOGY CHANGES, AND PREVENT DATA LOSS</p> <p>Owner: Helen Barrington</p> <p>Current Risk and Direction of Travel: RED – DETERIORATION</p> <p>Definition:</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>Key Risk Driver: Objectives</p> <p>Raw Risk Value: Major – Directorate objectives not met</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>Actions completed during quarter 3:</p> <ul style="list-style-type: none"> • New Risk identified – Abris Housing System unable to provide assurance for GDPR compliance, work is ongoing to agree system amendments. The addition of this risk has raised the current risk level assessment from significant to major; • General Data Protection Regulations - progress made in delivery of the project plan to ensure the Council responds to the requirement of the act, including further staff training; • Ongoing implementation of the Digital Strategy which sets out a

	<p>requirement that the technological solutions we invest in are used to their full potential.</p> <p>Actions outstanding:</p> <ul style="list-style-type: none"> • Cyber Security risk assessment – first draft has been considered by SLT and final version due to be completed by March 2019; • GDPR – continuing implementation of the project plan, including implementation of the internal audit review completed in quarter 4; • Abris System – as above – system amendments to be aged and implemented.
6	<p>FAILURE TO PROTECT & UTILISE PHYSICAL ASSETS</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE</p> <p>Definition:</p> <p><i>Buildings that are fit for purpose, safe, secure, and meet legislative requirements for fire, asbestos, and water-testing. Land, buildings and other assets to be recorded on a database.</i></p> <p>Key Risk Driver: Health & Safety</p> <p>Raw Risk Value: Major – Loss of life / major illness</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>Actions completed during quarter 3:</p> <ul style="list-style-type: none"> • Policy and Property risk review - recommended actions all complete. <p>Actions outstanding:</p> <ul style="list-style-type: none"> • Fire Risk assessments to be updated and input to AssessNET by end of quarter 4. • Asset Management Plan and Property Review will be completed during 2018/19. • A full condition survey of all council-owned buildings will be completed by March 2020. • Park Risk Review – improvement actions arising from the risk assessment of parks assets will be implemented by the end of the financial year, including the adoption of risk based approach to site inspection regime. A tree register needs to be developed to support this work. • Counter Terrorism Review – report pending, actions to be implemented by March 2020.

7	<p>FAILURE TO REACT TO CHANGES IN LEGISLATION</p> <p>Owner: Helen Barrington</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE</p> <p>Definition:</p> <p><i>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.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Major - £500k - £1m</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>Actions completed during quarter 3:</p> <ul style="list-style-type: none"> • Homelessness Reduction Act 2017 – two properties have been leased to provide additional temporary accommodation; • Personal budgeting support and assisted digital support has been delivered as requested to support individuals in applications for Universal Credit. The Government has now deferred the full roll-out of Universal Credit so the expected impact will be reduced until further decisions are announced; • General Data Protection Regulation and Data Protection Act – continuing good progress with the project plan to ensure compliance and a new risk has been identified in respect of the Abris system, as detailed above; • New Risk Added – report to Cabinet on Brexit, potential risk of legislation changes that need to be complied with.
8	<p>FAILURE OF CONTRACTORS OR PARTNERSHIP ARRANGEMENTS – CONTRACTUAL BREACHES</p> <p>Owner: Helen Barrington</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE</p> <p>Definition:</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>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Serious - £50k - £500k</p>

Corporate Risk Register Outstanding Controls:

Actions completed during quarter 3:

- New Risk Added – report to Cabinet on Brexit recommended a review of contractual relationships and supply chains to ensure services can continue with least disruption;
- Procurement Support - agreement in principle to secure services from Bolsover DC for a 3 year period;
- Procurement System training completed.

Actions outstanding:

- Procurement Support – contract for support to be finalised in quarter 4 and future system provision to be determined;
- Client officer and construction management course and Permit-to-Work training to be delivered in quarter 4;
- Review of partnerships register and partnership governance arrangements in respect of significant partnerships to be completed during quarter 4.

9

INABILITY TO DEFEND ONE-OFF CHALLENGES TO A COUNCIL DECISION OR NEW COMPENSATION TREND EMERGES

Owner: Helen Barrington

Current Risk and Direction of Travel: GREEN – NO CHANGE

Definition:

Councils are increasingly vulnerable to judicial reviews and new compensation claims.

Key Risk Driver: Financial Impact

Raw Risk Value: Serious - £50k - £500k

Corporate Risk Register Outstanding Controls:

Actions completed during quarter 3:

- Risk Assessments – resource has been provided to assist services areas to add risk assessments to the system.

There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.

10	<p>FAILURE TO MAINTAIN SERVICE STANDARDS, CUSTOMER SATISFACTION, AND/OR MEET CUSTOMER EXPECTATIONS</p> <p>Owner: Helen Barrington</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE</p> <p>Definition:</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>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Major – Adverse national publicity</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>
11	<p>FAILURE TO PREVENT DAMAGE TO THE COUNCIL’S REPUTATION</p> <p>Owner: Karen Bradford</p> <p>Current Risk and Direction of Travel: GREEN – No Change</p> <p>Definition:</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>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Major – Adverse national publicity</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p> <p>Quarterly monitoring of performance information by SLT is an embedded process and timely management action is taken to address any service quality issues arising.</p>

12	<p>FAILURE TO REACT TO AN ENVIRONMENTAL INCIDENT OR MALICIOUS ACT</p> <p>Owner: Karen Bradford</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE</p> <p>Definition:</p> <p><i>Council reaction to a natural occurrence e.g. widespread flooding, or other events such as fire and explosions.</i></p> <p>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Major – Adverse national publicity</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>Actions completed during quarter 3:</p> <ul style="list-style-type: none"> • Emergency Planning training event attended by key staff; • Business Continuity policy created for SLT consideration. • Winter preparedness review completed and a checklist produced to assess all requirements. <p>Actions outstanding:</p> <ul style="list-style-type: none"> • Review of Business Continuity plans to be completed in 2019/20. <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>
13	<p>FAILURE TO REACT TO SOCIO-ECONOMIC TRENDS</p> <p>Owner: Karen Bradford</p> <p>Current Risk and Direction of Travel: GREEN- NO CHANGE</p> <p>Definition:</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>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Serious– Adverse regional publicity</p> <p>Corporate Risk Register Outstanding Controls:</p>

	<p>Actions completed during quarter 3:</p> <ul style="list-style-type: none">• New action identified – attendance at poverty planning meeting – first meeting in February to develop action plan. <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p> <p>The Senior Leadership Team receives economic indicator reports on a bi-annual basis that reports over the themes of homelessness, new homes, benefits and income, and local economy. SLT reflect on these demographic trends and ensure they are fully reflected in service planning processes to ensure needs continue to be met.</p>
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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:

None to date

APPENDIX 2 - RISK MANAGEMENT SCORING MATRIX

Date refreshed: **31 December 2018**

L i k e l i h o o d	Very High	E					
	High	D				2	
	Significant	C		4	3, 6, 7	5	
	Low	B	1,10,12	11,13	8		
	Very Low	A			9		
			1	2	3	4	5
			Negligible	Minor	Serious	Major	Critical
			I m p a c t				