

## **Report to Audit Committee**

**Subject:** Corporate Risk Management Scorecard

**Date:** 28 May 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 March 2019 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 4, March 2019

Appendix 2 - Risk Management Scoring Matrix

## Appendix 1 - Corporate Risk Register Monitoring – Quarter 4, March 2019

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| 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>Actions completed during quarter 4:</p> <ul style="list-style-type: none"> <li>Gedling Plan and Budget Outturn Report 2018/19 – the report to Cabinet in May shows an underspend of £152k against the Net Council Budget and additional Business Rates and Government Grant income of £117k enabling a reduction in the required contribution from balances of £269k. The Council's budget monitoring processes are robust and highlight at the earliest opportunity any variances which need to be addressed.</li> </ul> <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><b>FAILURE TO MAINTAIN FINANCIAL INTEGRITY</b></p> <p><b>Owner: Mike Hill</b></p> <p><b>Current Risk and Direction of Travel: RED – NO CHANGE</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>  |

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|   | <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> <p>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.</p> <p>Actions completed during quarter 4:</p> <ul style="list-style-type: none"> <li>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 in March 2019;</li> <li>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;</li> <li>Work was completed on a number of Dynamic Council projects i.e. procurement development, external funding register, partnerships register, pet cremation service, commercial property investment strategy.</li> <li>Monitoring of the Brexit impact, which has been recognised as a new risk to the achievement of a balanced Medium Term Financial Plan, is ongoing.</li> </ul> <p>Actions outstanding:</p> <ul style="list-style-type: none"> <li>Implementation of Advertising, Sponsorship and Marketing strategies to generate additional funding;</li> <li>Ongoing delivery of budget efficiency programme.</li> <li>Continuing consideration of the Council's funding position as the uncertainties listed above unfold.</li> </ul> |
| 3 | <p><b>FAILURE TO PROTECT STAFF, INCLUDING HEALTH &amp; SAFETY ISSUES</b></p> <p><b>Owner:</b> Mike Hill</p> <p><b>Current Risk and Direction of Travel:</b> AMBER – NO CHANGE</p> <p><b>Definition:</b></p> <p><i>Ineffective systems, processes and equipment that can present danger to</i></p>   |

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|   | <p><i>individuals or groups of employees.</i></p> <p><b>Key Risk Driver:</b> Health &amp; Safety</p> <p><b>Raw Risk Value:</b> Major – Loss of life / major illness</p> <p><b>Corporate Risk Register Outstanding Controls:</b></p> <p>Actions completed during quarter 4:</p> <ul style="list-style-type: none"> <li>• Parks and Street Care risk assessments have been completed, awaiting sign off by the Service Manager.</li> </ul> <p>Actions outstanding:</p> <ul style="list-style-type: none"> <li>• Delivery and sign off of council-wide risk assessments expected by June 2019</li> <li>• Full implementation of emergency evacuation templates</li> </ul>  |
| 4 | <p><b>FAILURE TO RECRUIT AND RETAIN STAFF, AND MAINTAINING INTERNAL CAPACITY</b></p> <p><b>Owner:</b> Helen Barrington</p> <p><b>Current Risk and Direction of Travel:</b> AMBER – NO CHANGE</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>As a consequence of budget pressures, decreasing workforce, increasing workload and higher 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 4:</p> <ul style="list-style-type: none"> <li>• Agile working- a review of IT requirements to enable agile working is underway.</li> </ul> |

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|   | <p>Actions outstanding:</p> <ul style="list-style-type: none"> <li>• Development of a Benefits Statement is expected by June 2019 – which will highlight the benefits of working for the Council</li> <li>• Development of a 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.</li> </ul>   |
| 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: RED – NO CHANGE</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>Actions completed during quarter 4:</p> <ul style="list-style-type: none"> <li>• The Abritas Housing System is currently unable to provide assurance for GDPR compliance. The required system amendments have been agreed by partners and a specification is being compiled for submission to the software provider;</li> <li>• General Data Protection Regulations – the delivery of the project plan to ensure that the Council responds to the requirements of the Act is nearing completion, and a positive report regarding the implementation has been given by Internal Audit ;</li> <li>• Ongoing implementation of the Digital Strategy which sets out a requirement that the technological solutions we invest in are used to their full potential.</li> </ul> <p>Actions outstanding:</p> <ul style="list-style-type: none"> <li>• Cyber Security risk assessment – first draft has been considered by SLT and further information requested by SLT is being compiled;</li> <li>• Abritas System – as above – system amendments to be specified and implemented.</li> </ul> |

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| 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 – NO CHANGE</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 other assets to be recorded on a database.</i></p> <p><b>Key Risk Driver:</b> Health &amp; Safety</p> <p><b>Raw Risk Value:</b> Major – Loss of life / major illness</p> <p><b>Corporate Risk Register Outstanding Controls:</b></p> <p>Actions completed during quarter 4:</p> <ul style="list-style-type: none"> <li>• A programme of Condition surveys for all council-owned buildings has commenced with completion expected by March 2020.</li> <li>• A refresh of the Asset Management Plan and Property Review process has commenced with completion expected by September 2019.</li> </ul> <p>Actions outstanding:</p> <ul style="list-style-type: none"> <li>• Fire Risk assessments to be updated and input to AssessNET by September 2019.</li> <li>• Park Risk Review – improvement actions arising from the risk assessment of parks assets are still to be implemented, including the adoption of risk based approach to site inspection. A tree register needs to be developed to support this work.</li> <li>• Counter Terrorism Review – report pending, achievable actions to be implemented by March 2020.</li> </ul> |
| 7 | <p><b>FAILURE TO REACT TO CHANGES IN LEGISLATION</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 current or potential changes in national or European law which can lead to possible breaches of legislation. Assessing the wider</i></p>   |

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|   | <p><i>implications of new legislation on both the Council and its residents.</i></p> <p><b>Key Risk Driver:</b> Financial Impact</p> <p><b>Raw Risk Value:</b> Major - £500k - £1m</p> <p><b>Corporate Risk Register Outstanding Controls:</b></p> <p>Actions completed during quarter 4:</p> <ul style="list-style-type: none"> <li>• General Data Protection Regulation and Data Protection Act – the delivery of the project plan to ensure compliance is nearing completion. The required changes to the Abris system have been agreed with partners, as detailed above;</li> <li>• New Risk Added – respond to a consultation for a new ‘Resource and Waste Strategy’ with possible increase in recycling requirements and consequent funding implications.</li> </ul> <p>Actions outstanding:</p> <ul style="list-style-type: none"> <li>• Universal Credit implementation has once again been deferred by Central Government.</li> </ul>  |
| 8 | <p><b>FAILURE OF CONTRACTORS OR PARTNERSHIP ARRANGEMENTS – CONTRACTUAL BREACHES</b></p> <p><b>Owner:</b> Helen Barrington</p> <p><b>Current Risk and Direction of Travel:</b> AMBER – NO CHANGE</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>Actions completed during quarter 4:</p> <ul style="list-style-type: none"> <li>• Procurement Support – contract agreed with Bolsover DC for the provision of services for a 3 year period;</li> <li>• Alternative e-procurement system assessed and negotiated with contracts due to commence in quarter 1 of 2019/20.</li> <li>• Review of the Partnerships Register complete.</li> <li>• Client officer and construction management course and Permit-to-</li> </ul> |



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|    | <p>Work training delivered.</p> <p>Actions outstanding:</p> <ul style="list-style-type: none"> <li>Contract management process to be developed with the implementation of the new e-procurement system.</li> </ul>   |
| 9  | <p><b>INABILITY TO DEFEND ONE-OFF CHALLENGES TO A COUNCIL DECISION OR NEW COMPENSATION TREND EMERGES</b></p> <p><b>Owner:</b> Helen Barrington</p> <p><b>Current Risk and Direction of Travel:</b> GREEN – NO CHANGE</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>Actions completed during quarter 4:</p> <ul style="list-style-type: none"> <li>Risk assessments updates are progressing well with completion expected by the due date of June 2019.</li> </ul> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p> |
| 10 | <p><b>FAILURE TO MAINTAIN SERVICE STANDARDS, CUSTOMER SATISFACTION, AND/OR MEET CUSTOMER EXPECTATIONS</b></p> <p><b>Owner:</b> Helen Barrington</p> <p><b>Current Risk and Direction of Travel:</b> GREEN – NO CHANGE</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>   |

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|    | <p><b>Corporate Risk Register Outstanding Controls:</b></p> <p>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:</b> Karen Bradford</p> <p><b>Current Risk and Direction of Travel:</b> GREEN – No Change</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>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> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p> |
| 12 | <p><b>FAILURE TO REACT TO AN ENVIRONMENTAL INCIDENT OR MALICIOUS ACT</b></p> <p><b>Owner:</b> Karen Bradford</p> <p><b>Current Risk and Direction of Travel:</b> GREEN – NO CHANGE</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>  |

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|    | <p>Actions outstanding at Quarter 4:</p> <ul style="list-style-type: none"> <li>• Business Continuity Policy created and awaiting SLT sign off;</li> <li>• Review of Business Continuity plans to be completed during 2019/20.</li> </ul> <p>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: Karen Bradford</b></p> <p><b>Current Risk and Direction of Travel: GREEN- NO CHANGE</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>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> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p> |

#### **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 been none reported during 2018/19.

## APPENDIX 2 - RISK MANAGEMENT SCORING MATRIX

Date refreshed: **31 December 2018**

|            |             |   |            |       |         |       |          |
|------------|-------------|---|------------|-------|---------|-------|----------|
| Likelihood | 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 |
|            |             |   | Impact     |       |         |       |          |