

Report to Audit Committee

Subject: Corporate Risk Management Scorecard

Date: 23 July 2019

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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 approach 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 June 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 1, June 2019

Appendix 2 - Risk Management Scoring Matrix

Appendix 1 - Corporate Risk Register Monitoring – Quarter 1, June 2019

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 – NO CHANGE</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 1:</p> <ul style="list-style-type: none"> • A minor deterioration in the current risk level has been recognised, however this still remains within the 'Green' level and the assessed risk remains low. This deterioration reflects the increased risks inherent in the budget arising from increased service demands and the increased efficiency programme as approved by Council in March 2019. The total efficiency programme is £2.6m to be delivered between 2019/20 to 2022/23, with £1.1m planned for 2019/20. <p>Actions outstanding:</p> <ul style="list-style-type: none"> • Regular quarterly budget monitoring reports will be presented to Cabinet to highlight at the earliest opportunity any potential overspends which need to be addressed, ensuring that timely and effective management action can be taken. Quarter 1 budget monitoring is underway and will be reported to Cabinet in August. <p>The Council's budget monitoring processes are robust and whilst the budget reduction programme adds an increased risk to achievement of the annual budget this is not considered to be significant.</p>
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FAILURE TO MAINTAIN FINANCIAL INTEGRITY**Owner: Mike Hill****Current Risk and Direction of Travel: RED – NO CHANGE****Definition:**

Affecting the ability of the Council to meet its financial commitments in the longer term.

Key Risk Driver: Financial Impact**Raw Risk Value:** Critical - £1m+**Corporate Risk Register Outstanding Controls:**

The Council's financial position remains extremely challenging and future funding remains uncertain.

Actions completed during quarter 1:

- A robust budget outturn report was presented to Cabinet in May 2019, reporting a budget underspend for 2018/19 and higher balances and reserves than expected, giving more resources to support future budget risks;
- The Council's Medium Term Financial Plan sets out the Council's funding position and the associated risks due to the uncertainties surrounding the Fair Funding Review, Business Rates Retention and New Homes Bonus. The Government continues to consult on these issues and progress is being monitored. It is now possible that there will not be a four year Comprehensive Spending Review this year as intended, due to Brexit uncertainty. This means we may only receive a one year funding announcement which will inhibit effective medium term financial planning and add further risks to securing a sustainable financial position;
- Work on commercial projects is ongoing, for example, the launch of the pet cremation service, the completion of the partnerships register and external funding strategy, and the implementation of a new project management process to support the transformation programme;
- Monitoring of the Brexit impact, which is recognised as a risk to the achievement of a balanced Medium Term Financial Plan, is ongoing.

Actions outstanding:

- Implementation of Advertising, Sponsorship and Marketing strategies to generate additional funding;

	<ul style="list-style-type: none"> • Development of a Procurement and Contract Management Strategy to ensure value for money in purchasing; • Ongoing delivery of budget efficiency programme; • Continuing consideration of the Council's funding position as the uncertainties listed above unfold.
3	<p>FAILURE TO PROTECT STAFF, INCLUDING HEALTH & SAFETY ISSUES</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE</p> <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 1:</p> <ul style="list-style-type: none"> • Delivery and sign off of council-wide risk assessments is nearing completion. <p>Actions outstanding:</p> <ul style="list-style-type: none"> • 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 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 1:</p> <ul style="list-style-type: none"> • The implementation of the Agile Working Strategy and associated roll-out of appropriate IT solutions e.g. laptops, is ongoing; • Work is progressing on the development of a Benefits Statement which will highlight the benefits of working for the Council. <p>Actions outstanding:</p> <ul style="list-style-type: none"> • Development of a Workforce Strategy by December 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 – NO CHANGE</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 1:</p> <ul style="list-style-type: none"> • The Abritas Housing System amendments have been agreed by partners for GDPR compliance and a specification is being compiled for submission to the software provider; • General Data Protection Regulations – the delivery of the project

	<p>plan to ensure that the Council responds to the requirements of the Act is nearing completion;</p> <ul style="list-style-type: none"> • Ongoing implementation of the Digital Strategy which sets out a requirement that the technological solutions we invest in are used to their full potential. <p>Actions outstanding:</p> <ul style="list-style-type: none"> • Cyber Security risk assessment – the first draft has been considered by SLT and further information requested which is to be returned by October; • Abritas Housing Needs system – system amendments to be specified 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 1:</p> <ul style="list-style-type: none"> • A programme of condition surveys for all council-owned buildings has commenced. Pavilions have been completed with a rolling programme in place to complete the remainder by March 2020; • A refresh of the Asset Management Plan and Property Review process has commenced with completion expected by September 2019; • Parks Risk Review – the Cemeteries aspects of the review has been completed and actions implemented. <p>Actions outstanding:</p> <ul style="list-style-type: none"> • Fire Risk assessments are to be updated by September 2019; • Parks 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.

	<p>A tree register needs to be developed to support this work;</p> <ul style="list-style-type: none"> Counter Terrorism Review – report pending, achievable 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 1:</p> <ul style="list-style-type: none"> General Data Protection Regulations and Data Protection Act – the delivery of the project plan to ensure compliance is nearing completion. <p>Actions outstanding:</p> <ul style="list-style-type: none"> Universal Credit implementation has been deferred by Central Government. Any outcomes from the Recycling and Waste Strategy consultation. Requirements may include an increase in recycling requirements and consequent funding implications.
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> <p>Corporate Risk Register Outstanding Controls:</p> <p>Actions completed during quarter 1:</p> <ul style="list-style-type: none"> • An electronic e-procurement system has been purchased and training received. Use of the system commenced in July; • Health and Safety site visits have been undertaken to ensure compliance with construction management guidance. <p>Actions outstanding:</p> <ul style="list-style-type: none"> • Contract management processes are to be developed and implemented as part of the new e-procurement system; • Contract Management risk training has been scheduled for the autumn.
9	<p>INABILITY TO DEFEND ONE-OFF CHALLENGES TO A COUNCIL DECISION OR NEW COMPENSATION TREND EMERGES</p> <p>Owner: Helen Barrington</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE</p> <p>Definition:</p> <p><i>Councils are increasingly vulnerable to judicial reviews and new compensation claims.</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 1:</p> <ul style="list-style-type: none"> • Risk assessments are nearing completion. <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>

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>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>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 1:</p> <ul style="list-style-type: none"> Emergency Planning and Business Continuity audits have been completed; <p>Actions outstanding:</p> <ul style="list-style-type: none"> Review of Business Continuity plans is ongoing and due to be completed during 2019/20.
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>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</p>

	<p>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>
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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:

There have been none reported during 2019/20.

APPENDIX 2 - RISK MANAGEMENT SCORING MATRIX

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					