

Report to Audit Committee

Subject: Corporate Risk Management Scorecard Quarter 3 2019/20

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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 December 2019 are appended to this report, and this includes a summary of all control gaps currently identified on the Council's Corporate Risk Register.

Whilst Appendix 1 details the monitoring of the Corporate Risk Register up to quarter 3, Members will be aware of the risks emerging during quarter 4 from the national outbreak of the coronavirus, Covid-19. Officers are engaged in assessing all of the potential risks, for example, to service delivery, health and safety and financial impacts, and will determine how these can be mitigated and managed. As a mitigation measure, business continuity plans are being reviewed and updated in accordance with latest advice from Public Health England.

4. Financial Implications

None arising directly from this report.

5. Appendices

Appendix 1 - Corporate Risk Register Monitoring – Quarter 3, December 2019

Appendix 2 - Risk Management Scoring Matrix

Appendix 1 - Corporate Risk Register Monitoring – Quarter 3, December 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 – 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><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • Quarter 3 budget monitoring has been completed and the report to Cabinet in January confirmed that the projected outturn is expected to be in line with the budget. The report included an update on the progress made with the delivery of the Council's approved 2019/20 efficiency programme of £1,086,300. It confirmed that projects totalling £435,500 will not be delivered during 2019/20 (majority deferred to future years) but this has been contained within the Cabinet's maximum budget by application of the budget reduction risk reserve set aside for this purpose, and other savings identified across the Council. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Budget monitoring processes will continue in quarter 4 but the risk of the budget overheating in 2019/20 is now considered low. Consequently, there are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.
2	<p>FAILURE TO MAINTAIN FINANCIAL INTEGRITY</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: RED – NO CHANGE</p>

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 3:

- A full review of the Council's 2019/20-2022/23 £2.58m efficiency programme has been completed and this identified a minor shortfall of £46,000 that cannot be delivered. It is recognised that the risk of non-delivery of the remaining programme is increased due to the uncertainties inherent in more innovative commercial approaches. Recommendations for the future 2020/21-2022/23 programme totalling £1.924m were approved by Budget Council on 5 March and its effective delivery is recognised as essential to the achievement of a balanced and sustainable Medium Term Financial Plan (MTFP). The programme includes a new target of £250,000 to be delivered from 2020/21 which is not yet supported by outline business plans which means this aspect of the plan is less robust. However, as savings are not proposed for delivery until year 2 of the MTFP this gives a good lead in time to enable the development of detailed plans;
- A full review of the Council's 5 year MTFP was completed as part of the 2020/21 budget process. The MTFP sets out the estimated future funding position and the associated risks due to the uncertainties surrounding the Fair Funding Review, Business Rates Retention and New Homes Bonus. The Government have confirmed a one year only local government finance settlement for 2020/21 which means the reviews for the future funding of local government have been deferred for a year. This continues to inhibit effective medium term financial planning and the achievement of a sustainable financial position. The latest MTFP and associated risk issues were considered by Budget Council on 5 March;
- Monitoring of the Brexit impact, which is recognised as an additional 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 monitoring and 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><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • A process has been agreed for the roll-out of emergency evacuation templates at each council location. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Full implementation of emergency evacuation templates at each council location.
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><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • The Flexible and Agile Policy was approved by ACSC and has been rolled-out across the organisation together with associated health and safety guidance and appropriate IT solutions e.g. laptops. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Development of a Workforce Strategy - 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><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • The required amendments to the Abris Housing Needs system to secure GDPR compliance have been identified and a specification will be finalised with the software provider in quarter 4; • General Data Protection Regulations – the delivery of the project plan to ensure that the Council responds to the requirements of

	<p>the Act is nearing completion. Information Asset Registers have been completed with a final review now expected in quarter 4;</p> <ul style="list-style-type: none"> • Ongoing implementation of the Digital Strategy annual action plan which sets out a requirement that the technological solutions we invest in are used to their full potential. During quarter 3 required software upgrades and the roll-out of Member IT solutions have been completed; • A resource development bid for an additional IT Technical Officer was completed to support the delivery of key digital projects and ensure that the robustness of cyber system security processes are maintained. The bid was approved by Budget Council in March. <p><u>Actions outstanding:</u></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 now to be considered in quarter 4; • A Britas Housing Needs system amendments to be implemented; • Ongoing implementation of the Digital Strategy action plan. The Strategy will be refreshed to ensure that it effectively supports the future three year Gedling Plan.
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><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • The rolling programme of condition surveys for all council-owned buildings is continuing with completion expected by March 2020; • Building related risk assessments have been completed; • A refresh of the Asset Management Plan and Property Review process is continuing with completion now expected by March 2020.

	<p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Parks Risk Review – improvement actions arising from the risk assessment of parks assets are to be implemented by March 2020, including the adoption of a risk based approach to site inspection. A tree register needs to be developed to support this work; • Counter Terrorism Review – report pending from the external agents, which will identify achievable actions to be implemented.
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><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • General Data Protection Regulations and Data Protection Act 2018 – the delivery of the project plan to ensure compliance is nearing completion. A final review of information asset registers is to be completed in quarter 4. <p><u>Actions outstanding:</u></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; • A new risk identified was identified in quarter 3: the Supreme Court is currently considering a case in respect of annual leave and associated payments for irregular workers e.g. casual workers, which may have consequences for all employers nationally – the outcome is awaited and the impact for the Council will be determined.

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><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • Implementation of the contract management module of the new procurement system is ongoing with preparations being made to transfer legacy information into the contracts register. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Contract management processes are to be developed and implemented as part of the new e-procurement system; • Procurement and Contract Management risk training has been scheduled for quarter 4.
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><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • None to be delivered. <p><u>Actions outstanding:</u> 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><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • None to be delivered. <p><u>Actions outstanding:</u> 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: Mike Hill</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><u>Actions completed during quarter 3:</u> 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><u>Actions outstanding:</u> 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: Mike Hill</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><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • None to be delivered. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Review of Business Continuity plans is ongoing and due to be completed by March 2020.
13	<p>FAILURE TO REACT TO SOCIO-ECONOMIC TRENDS</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: GREEN - NO CHANGE</p>

Definition:

Relating to the effects of changes in demographic, residential, or socio-economic trends on the Council's ability to meet its objectives.

Key Risk Driver: Reputation

Raw Risk Value: Serious– Adverse regional publicity

Corporate Risk Register Outstanding Controls:

Actions completed during quarter 3:

- 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.

Actions outstanding:

- New action added – to undertake a 'Visioning' exercise to identify longer term forecasts for socio-economic trends and how these will be reflected in the longer term priorities for the Council to ensure services can meet future needs within available resources.

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 3 high risk recommendations reported during 2019/20 all of which were included in the IT General Controls audit which is included the Internal Audit Progress Report (an item elsewhere on this agenda).

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	6, 7	5	
	Low	B	1,10,12	11,13	3,8		
	Very Low	A			9		
			1	2	3	4	5
			Negligible	Minor	Serious	Major	Critical
			I m p a c t				