

## **Report to Audit Committee**

**Subject: Corporate Risk Management Scorecard Quarter 1 2021/22**

**Date: 21 September 2021**

**Author: Director of Corporate Resources and Section 151 Officer**

### **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 2021 are appended to this report, and this includes a summary of all control gaps currently identified on the Council's Corporate Risk Register.

The last update of the Corporate Risk Scorecard was presented to Audit Committee on 29 June 2021 which provided the 2020/21 quarter 4 position.

Members are fully aware of the risks arising from the national outbreak of the coronavirus, Covid-19 which have been fully reported to all Members of the Council including the budget and performance reports, the Annual Governance Statement and previous Risk Management Scorecard reports to this Committee. The impact is ongoing and, as at quarter 1, has been updated in the risk register.

### **4. Financial Implications**

None arising directly from this report.

### **5. Legal Implications**

None arising directly from this report.

### **6. Equalities Implications**

None arising directly from this report.

### **7. Carbon Reduction/Environmental Sustainability Implications**

None arising directly from this report.

### **8. Appendices**

Appendix 1 - Corporate Risk Register Monitoring – Quarter 1, Period Ending 30 June 2021

Appendix 2 - Risk Management Scoring Matrix

**Statutory Officer Approval**

**Approved by: Chief Financial Officer**  
**Date: 9 September 2021**

**Approved by: Monitoring Officer**  
**Date: 13 September 2021**

## Appendix 1 - Corporate Risk Register Monitoring – Quarter 1 – Period Ending 30 June 2021

1	<p><b>FAILURE TO PREVENT BUDGET OVERHEATING ONCE THE BUDGET HAS BEEN SET</b></p> <p><b>Owner: Alison Ball</b></p> <p><b>Current Risk and Direction of Travel: GREEN – NO CHANGE to current risk level (maintained at B1 low likelihood, negligible impact)</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><u>Actions completed during quarter 1:</u></p> <ul style="list-style-type: none"> <li>The quarter 1 budget monitoring position was reported to Cabinet on 5 August 2021. No net under/overspend was reported. The anticipated transfer from earmarked reserves is now expected to be £2.792m as opposed to £1.251m when budget was approved in February 2021 – additional £1.541m. However, this mainly due to the deferral of planned projects and activities from 2020/21 including funding for capital projects, and the establishment of Covid-related business grants fully funded by government grant. Covid-19 continues to have a financial impact with a net additional cost of £70k report in quarter one mainly due to leisure income, this was largely covered by other savings identified and a minor contribution from service related reserves.</li> </ul>
2	<p><b>FAILURE TO MAINTAIN FINANCIAL INTEGRITY</b></p> <p><b>Owner: Alison Ball</b></p> <p><b>Current Risk and Direction of Travel: RED – NO CHANGE to current risk level (maintained at E4 very high likelihood/major impact £500k to £1m).</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> <p>The Council's financial position remains extremely challenging and future funding remains uncertain.</p> <p><u>Actions completed during quarter 1:</u></p> <ul style="list-style-type: none"> <li>• The Efficiency Programme progress update was reported to Cabinet on 5 August 2021. Efficiencies of £1.415m are due to be delivered from 2021/22 to 2024/25 and no variances have been identified in the quarterly review.</li> <li>• The risk issues as detailed in the 2020/21 quarter 4 report continue to be relevant and the current assessed risk level is likely to continue until progress with the delivery of the efficiency programme is evident and secured, ongoing Covid impacts are clearer and there is more certainty over the future of local government funding.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• Assess outcome of spending review anticipated in Autumn 2021.</li> <li>• Implementation of Advertising, Sponsorship and Marketing strategies to generate additional funding;</li> <li>• Development of a Procurement and Contract Management Strategy to ensure value for money in purchasing.</li> </ul>
3	<p><b>FAILURE TO PROTECT STAFF, INCLUDING HEALTH &amp; SAFETY ISSUES</b></p> <p><b>Owner: Alison Ball</b></p> <p><b>Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at B3 low likelihood/serious impact)</b></p> <p><b>Definition:</b></p>

	<p><i>Ineffective systems, processes and equipment that can present danger to 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><u>Actions completed during quarter 1:</u></p> <ul style="list-style-type: none"> <li>• Risk assessments in relation to re-occupation of Council buildings at stage 4 of the roadmap for the removal of Covid-19 restrictions have been completed by the Health and Safety Officer.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• Full implementation of emergency evacuation templates at each council location, delayed due to Covid-19;</li> <li>• Periodic reviews of Covid-19 secure risk assessments in light of most recent government advice.</li> <li>• Transfer all completed risk assessments on to the e-system.</li> </ul>
4	<p><b>FAILURE TO RECRUIT AND RETAIN STAFF, AND MAINTAINING INTERNAL CAPACITY</b></p> <p><b>Owner:</b> Alison Ball (David Archer)</p> <p><b>Current Risk and Direction of Travel:</b> AMBER – NO CHANGE to current risk level (maintained at C2 significant likelihood/minor impact).</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. The difficulties in the wider economy in recruiting staff to address skills shortages in key areas are likely to affect the Council and this will need to be monitored carefully. 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 1:</u></p> <ul style="list-style-type: none"> <li>• Agile and Flexible Working Policy is now adopted.</li> <li>• Phase 2 of the reorganisation completed with the Corporate Director (Environment, Communities and Leisure) and the Head of Finance and ICT now in post.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• Progress with phase 3 of the reorganisation.</li> <li>• Present and seek approval of the business case for the provision of IT equipment required to facilitate full agile working.</li> </ul>
5	<p><b>FAILURE TO PROPERLY UTILISE EXISTING ICT, REACT TO TECHNOLOGY CHANGES, AND PREVENT DATA LOSS</b></p> <p><b>Owner: Alison Ball (Paul Adcock)</b></p> <p><b>Current Risk and Direction of Travel: AMBER – NO CHANGE in current risk level (maintained at C3 significant likelihood/serious impact).</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><u>Actions completed during quarter 1:</u></p> <ul style="list-style-type: none"> <li>• External third party commissioned to undertake a review of the ICT service to evaluate current service provision and ensure service is adequately resourced (in both numbers and expertise) to meet current and anticipated future demands.</li> <li>• Risk management consultants (AON) have provided a proposal for completion of a cyber security risk assessment to form a baseline and identify control gaps.</li> <li>• Plans to utilise budget from vacant IT Technical Officer post for additional overtime, contractors and agency staff to address key work demands now in place.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• Finalise a confidentiality agreement with external provider to allow the ICT service review to progress.</li> <li>• Produce a new IT Strategy following the conclusion of the ICT service review.</li> <li>• Produce a new Digital Strategy (replacing the now expired 2016-2019 version) after the ICT service review has been completed that aligns with the current and future Gedling Plan.</li> <li>• Finalise the cyber risk register as recommended following the internal audit reported to Audit Committee in March 2021.</li> <li>• Secure compliance with Public Sector Network (PSN) Code of Connection.</li> </ul>
6	<p><b>FAILURE TO PROTECT &amp; UTILISE PHYSICAL ASSETS</b></p> <p><b>Owner: Mike Hill (Joelle Davies)</b></p> <p><b>Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at C3 significant likelihood/serious impact).</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: Health &amp; Safety</b></p>

	<p><b>Raw Risk Value:</b> Major – Loss of life / major illness</p> <p><b>Corporate Risk Register Outstanding Controls:</b></p> <p><u>Actions completed during quarter 1:</u></p> <ul style="list-style-type: none"> <li>• The general condition surveys of Council Buildings and Suitability and Sufficiency surveys are ongoing.</li> <li>• Responsibility for property repairs and fire, asbestos and water testing transferred to Property Services.</li> <li>• Following the de-brief meeting on 07/10/2020 regarding the Civic Centre Security Review, action plans are being drawn up to put recommendations to SLT for approval. Whilst there has been some delays, due to staff shortages/illness, this should be on track from completion in the first half of this financial year.</li> <li>• Work undertaken (signage etc) to restrict illegal access to Mapperley Rail Tunnel</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• Complete the asset condition and suitability surveys.</li> <li>• Produce a new Asset Management Plan.</li> <li>• Seek approval for and implement the actions arising from the Counter Terrorism Review.</li> <li>• Assess options for permanent solution to Mapperley Rail Tunnel access issues.</li> </ul>
7	<p><b>FAILURE TO REACT TO CHANGES IN LEGISLATION</b></p> <p><b>Owner: Fran Whyley</b></p> <p><b>Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at C3 significant likelihood/serious impact).</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 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><u>Actions completed during quarter 1:</u></p> <ul style="list-style-type: none"> <li>• The Housing Benefit caseload continues to drop at a steady pace (linked to the introduction of Universal Credit) and the caseload is monitored.</li> <li>• Government have confirmed the changes they intend to make to the Local Government Pension Scheme (LGPS) in response to the McCloud Pension Tribunal decision. It appears that there will be limited financial impact (if any) on this Council as employer.</li> <li>• The Brazel case concerning annual leave and associated payments for irregular (eg. casual) workers still awaits a decision from the Supreme Court. No other local district councils have, as yet, reviewed their methods of calculating such entitlements. All have confirmed that they await the Supreme Court decision before they plan to reconsider due to the scale of the calculation task (one-off and ongoing).</li> <li>• As capacity reduces in the legal team, this remains a risk as legal officers need to ensure they remain up to date on legislative changes which impact the Council.</li> <li>• Temporary (3 month) Health and Safety support has been provided to assist with occupational health work and to help clear an external training backlog.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• Implement any outcomes from the Recycling and Waste Strategy consultation that closed in July 2021. Requirements may include an increase in recycling requirements and consequent funding implications but the outcome of the consultation is still awaited.</li> <li>• Address any implications from the Supreme Court decision in the Brazel case. This may have consequences for all employers nationally.</li> </ul>
8	<p><b>FAILURE OF CONTRACTORS OR PARTNERSHIP ARRANGEMENTS – CONTRACTUAL BREACHES</b></p> <p><b>Owner: Alison Ball</b></p>

	<p><b>Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at B3 low likelihood/serious impact).</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><u>Actions completed during quarter 1:</u></p> <ul style="list-style-type: none"> <li>• Guidance issued to those staff managing contractors during the Covid-19 pandemic.</li> <li>• Successful implementation and compliance with post Brexit procurement regulations effective from 1 January 2021.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• Implementation of the automated contracts register in the procurement system. The system provider is to provide training. A manual version of the contracts register is in place and therefore there are no compliance issues at present.</li> <li>• Review guidance issued to those staff managing contractors during the Covid-19 pandemic to reflect the Government’s roadmap for the lifting of Covid-19 restrictions.</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> Fran Whyley</p> <p><b>Current Risk and Direction of Travel: GREEN – NO CHANGE to current risk level (maintained at A3 very low likelihood/serious impact).</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>  <u>Actions completed during quarter 1:</u></p> <ul style="list-style-type: none"> <li>• No outstanding actions</li> </ul> <p><u>Actions outstanding:</u></p> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk (however a link to an action outstanding corporate risk 7 is recognised i.e. the Supreme Court case considering annual leave and associated payment for irregular workers)</p>
10	<p><b>FAILURE TO MAINTAIN SERVICE STANDARDS, CUSTOMER SATISFACTION, AND/OR MEET CUSTOMER EXPECTATIONS</b></p> <p><b>Owner:</b> Alison Ball (Fran Whyley)</p> <p><b>Current Risk and Direction of Travel:</b> GREEN – NO CHANGE in current risk level (maintained at B2 low likelihood, minor impact).</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>  <u>Actions completed during quarter 1:</u></p> <ul style="list-style-type: none"> <li>• Monitoring of the potential ongoing impact of Covid-19 on customer service standard indicates that customer call response remains high, service standards remain good and complaints are low.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• To continue complaints monitoring in respect of the ongoing impact of Covid on service levels.</li> </ul>

	<ul style="list-style-type: none"> <li>• Finalise the Garden Waste Demand Management action plan.</li> <li>• New action to monitor and respond as necessary to impact upon the Council of staffing shortages in key areas.</li> </ul>
11	<p><b>FAILURE TO PREVENT DAMAGE TO THE COUNCIL'S REPUTATION</b></p> <p><b>Owner: Mike Hill</b></p> <p><b>Current Risk and Direction of Travel: GREEN – NO CHANGE to current risk level (maintained at B2 low likelihood/minor impact).</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><u>Actions completed during quarter 1:</u></p> <ul style="list-style-type: none"> <li>• No outstanding actions.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</li> </ul>
12	<p><b>FAILURE TO REACT TO AN ENVIRONMENTAL INCIDENT OR MALICIOUS ACT</b></p> <p><b>Owner: Mike Hill</b></p> <p><b>Current Risk and Direction of Travel: GREEN – NO CHANGE to current risk level (maintained at B1 low likelihood, negligible impact).</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  <b>Corporate Risk Register Outstanding Controls:</b></p> <p><u>Actions completed during quarter 1:</u></p> <ul style="list-style-type: none"> <li>• No outstanding actions.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• No outstanding actions.</li> </ul>
13	<p><b>FAILURE TO REACT TO SOCIO-ECONOMIC TRENDS</b></p> <p><b>Owner:</b> Mike Hill</p> <p><b>Current Risk and Direction of Travel:</b> GREEN - NO CHANGE to current risk level (maintained at B2 low likelihood/minor impact).</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><u>Actions completed during quarter 1:</u></p> <ul style="list-style-type: none"> <li>• No outstanding actions.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>

**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 has been 1 high risk recommendation reported to date during 2021/22, which was included in the Commercialisation audit which was reported to Audit Committee in the Internal Audit Progress Report on 29 June 2021. The recommendation is due to be implemented by November 2021.

## APPENDIX 2 - RISK MANAGEMENT SCORING MATRIX

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