

## **Report to Audit Committee**

**Subject: Corporate Risk Management Scorecard Quarter 3 2021/22**

**Date: 15 March 2022**

**Author: Head of Finance and ICT**

### **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 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 14 December 2021 which provided the 2021/22 quarter 2 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 3, 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 3, Period Ending 31 December 2021

Appendix 2 - Risk Management Scoring Matrix

**Statutory Officer Approval**

**Approved by:** Chief Financial Officer  
**Date:** March 2022

**Approved by:** Monitoring Officer  
**Date:** March 2022

## Appendix 1 - Corporate Risk Register Monitoring – Quarter 3 – Period Ending 31 December 2021

1	<p><b>FAILURE TO PREVENT BUDGET OVERHEATING ONCE THE BUDGET HAS BEEN SET</b></p> <p><b>Owner:</b> Alison Ball</p> <p><b>Current Risk and Direction of Travel:</b> GREEN – IMPROVEMENT in current risk level from C3 (significant likelihood, serious impact) to B1 (low likelihood, negligible impact)</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 3:</u></p> <ul style="list-style-type: none"> <li>The quarter 3 budget monitoring position was reported to Cabinet on 27 January 2022 and forecast an underspend of £56.5K for the year following anticipated overspends of £22.7K and £58.8K reported at Quarter 1 and Quarter 2. The main factor behind the improved position is a net increase in leisure centre income as a result of the number of swim school memberships and other users being higher than anticipated. The budget position will continue to be monitored closely and reported to Cabinet as part of the usual quarterly performance reports.</li> </ul>
2	<p><b>FAILURE TO MAINTAIN FINANCIAL INTEGRITY</b></p> <p><b>Owner:</b> Alison Ball</p> <p><b>Current Risk and Direction of Travel:</b> RED – NO CHANGE to current risk level (maintained at E4 very high likelihood/major impact £500k to £1m).</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 3:</u></p> <ul style="list-style-type: none"> <li>• The Efficiency Programme progress update was to reported to Cabinet on 27 January 2022. Efficiency programme 2021/22 to be reduced from £0.875m to £0.743m due to planned efficiencies of £0.132m being deferred to 2022/23.</li> <li>• Autumn Budget and Spending Review announced by the Chancellor on 27 October and likely implications for local government over the three year timeframe were analysed.</li> <li>• Provisional Local Government Finance Settlement 2022/23 announced on 16 December. There is ongoing uncertainty due to only having a one year settlement with a one-off Services Grant being received in 2022/23 only.</li> <li>• The main financial risk issues as detailed in the 2021/22 quarter 2 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 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>• Develop an efficiency programme for 2022/23, update the Medium Term Financial Plan following receipt of the Final Local Government Finance Settlement 2022/23 and present to Cabinet on 17 February 2022.</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:</b> Alison Ball</p> <p><b>Current Risk and Direction of Travel:</b> AMBER – NO CHANGE to current risk level (maintained at B3 low likelihood/serious impact)</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 3:</u></p> <ul style="list-style-type: none"> <li>• All risk assessments have now been transferred to the corporate health and safety e-system (assess.net).</li> <li>• Reminders have been issued to managers to complete Covid-19 Step 4 risk assessments.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• Introduce the Health and Safety team from Bolsover DC who will be providing health and safety support on an interim basis.</li> <li>• Prepare a new Civic Centre emergency evacuation procedure with assistance from Health and Safety team at Bolsover DC.</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>Although staff turnover in quarter 3 has been high (13.2%) and some of the leavers have been in key senior roles, the Council has been able to recruit to these posts. The labour market appears to favour job seekers again and so an increase in turnover is probably to be expected. No major issues have been identified in terms of recruitment although capacity issues have arisen due to the Omicron variant of Covid-19, particularly in areas such as Waste and Customer Services.</p> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> <li>• The rollout of IT equipment required to facilitate full agile working has commenced along with communication to staff.</li> <li>• Appointments have been made to the vacant Corporate Director (Environment, Communities and Leisure) and Head of Regeneration and Welfare posts.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• Continue the rollout of the IT equipment required to facilitate full agile working.</li> <li>• Assess and respond to recruitment difficulties due to staff shortages in key areas.</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 3:</u></p>

	<ul style="list-style-type: none"> <li>• External third party 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 is now underway.</li> <li>• Budget from vacant IT Technical Officer post now being used for additional overtime, contractors and agency staff to address key work demands.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <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>• Consider proposals from AON (the Council's insurance brokers) to strengthen the Council's cyber security arrangements.</li> <li>• Finalise the cyber risk register as recommended following the internal audit reported to Audit Committee in March 2021.</li> <li>• Review and update the Information Security Policy.</li> </ul>
6	<p><b>FAILURE TO PROTECT &amp; UTILISE PHYSICAL ASSETS</b></p> <p><b>Owner: Mike Hill (Head of Regeneration and Welfare)</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:</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>Illness and staff turnover have resulted in delays to the condition surveys of all Council owned property plus the updating of the Asset Management Plan.</p> <p><u>Actions completed during quarter 3:</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 are being transferred to Property Services.</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>• 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>Capacity in Legal Services is being carefully monitored as the workload continues to rise along with the requirement for additional training for staff and need to be up to date with legislative changes. Nottinghamshire County Council, as Pension Administrator, are now processing cases to which the judgement in the McCloud case will apply. The number of cases appears to be small with the financial impact individually (and globally) anticipated as being low. Little or, more likely, no direct impact is expected for this Council.</p>

	<p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> <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>• Interim health and safety support now being provided by Bolsover DC team.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <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 3:</u></p> <ul style="list-style-type: none"> <li>• Manual version of contracts register has been brought up to date.</li> <li>• Managers reminded to ensure appropriate checks are made of contractors before they undertake any work on Council property.</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 indemnity clauses in terms and conditions for new contracts to ensure that they reflect the Council's risk appetite.</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: Fran Whyley</b></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></p> <p>Whilst there is no change in risk level, there does seem to be an increase in complaints and threats of challenge which are being effectively managed but will be kept under review to ensure sufficient capacity is available.</p> <p><u>Actions completed during quarter 3:</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></p> <p>Customer Services are now reaching more of the community through the provision of outreach services.</p> <p><u>Actions completed during quarter 3:</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 and service standards remain good.</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-19 and other factors on service levels.</li> <li>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:</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>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 3:</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:</b> Mike Hill</p> <p><b>Current Risk and Direction of Travel:</b> GREEN – NO CHANGE to current risk level (maintained at B1 low likelihood, negligible impact).</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> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> <li>• A review of winter preparation plans was completed.</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 3:</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>
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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 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 was considered further at the Audit Committee meeting on 14 December 2021.

## APPENDIX 2 - RISK MANAGEMENT SCORING MATRIX

<b>L i k e l i h o o d</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>I m p a c t</b>					