

Report to Audit Committee

Subject: Corporate Risk Management Scorecard Quarter 4 2021/22

Date: 28 June 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 March 2022 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 15 March 2022 which provided the 2021/22 quarter 3 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 4, 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 4, Period Ending 31 March 2022

Appendix 2 - Risk Management Scoring Matrix

Statutory Officer Approval

Approved by: Chief Financial Officer
Date: June 2022

Approved by: Monitoring Officer
Date: June 2022

Appendix 1 - Corporate Risk Register Monitoring – Quarter 4 – Period Ending 31 March 2022

1	<p>FAILURE TO PREVENT BUDGET OVERHEATING ONCE THE BUDGET HAS BEEN SET</p> <p>Owner: Alison Ball</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE to current risk level (maintained at B1 low likelihood, negligible impact)</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 4:</u></p> <ul style="list-style-type: none"> • 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. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Present 2021/22 revenue and capital outturns (including carry forward requests) to Cabinet on 6 July 2022 along with Treasury Activity 2021/22 report. • Capture details of impact of increasing inflation and interest rates upon Council expenditure and income and reflect significant items in the 2022/23 Quarter 1 Budget monitoring report to Cabinet on 4 August 2022.
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2

FAILURE TO MAINTAIN FINANCIAL INTEGRITY

Owner: Alison Ball

Current Risk and Direction of Travel: RED – NO CHANGE to current risk level (maintained at E4 very high likelihood/major impact £500k to £1m).

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 quarter4:

- Efficiency proposals 2022/23 to 2024/25 approved by Cabinet on 17 February 2022. A target of £0.545m was set with £0.337m in 2022/23, £0.108m in 2023/34 and £0.100m in 2024/25.
- An updated Medium Term Financial Plan was included in the General Fund Revenue Budget 2022/23 report presented to Cabinet on 17 February 2022 projecting a General Fund balance of just over £1.0m at 31 March 2024. This included further efficiencies of £100,000 in 2023/24 and £900,000 in 2024/25 that it is anticipated will be required.
- The main financial risk issues as detailed in the 2021/22 quarter 3 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.

Actions outstanding:

- Update the Medium Term Financial Plan following production of the 2021/22 final accounts and 2022/23 Quarter 1 budget monitoring to reflect emerging inflationary pressures arising from issues such as the aftermath of the Covid-19 pandemic, the war in Ukraine and the United Kingdom's exit from the European Union..
- Development of a Procurement and Contract Management Strategy to ensure value for money in purchasing.

3

FAILURE TO PROTECT STAFF, INCLUDING HEALTH & SAFETY ISSUES

Owner: Alison Ball

Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at B3 low likelihood/serious impact)

Definition:

Ineffective systems, processes and equipment that can present danger to individuals or groups of employees.

Key Risk Driver: Health & Safety

Raw Risk Value: Major – Loss of life/major illness

Corporate Risk Register Outstanding Controls:

The 2022/23 programme of inspections will now be undertaken.

Actions completed during quarter 4:

- Health and Safety team from Bolsover DC providing health and safety support on an interim basis introduced to Gedling employees.

Actions outstanding:

- Prepare a new Civic Centre emergency evacuation procedure.
- Evaluate interim health and safety arrangements with a view to implementing permanent solution

4

FAILURE TO RECRUIT AND RETAIN STAFF, AND MAINTAINING INTERNAL CAPACITY

Owner: Alison Ball (David Archer)

Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at C2 significant likelihood/minor impact).

Definition:

Associated with the particular nature of each profession, internal protocols, managerial abilities, and sickness levels.

Key Risk Driver: Service Provision

Raw Risk Value: Serious – Significant elements of a service suspended / reduced

Corporate Risk Register Outstanding Controls:

There is a risk that a failure to recruit to the post of Transport Manager could result in the Council not fulfilling the requirement to have a vehicle operators licence. This has been mitigated by a successful recruitment process with a new Transport Manager due to join shortly.

Actions completed during quarter 4:

- The rollout of IT equipment required to facilitate full agile working has been completed.
- New Corporate Director (Environment, Communities and Leisure) and Head of Regeneration and Welfare have joined the Council.

Actions outstanding:

- Maintain a watching brief on increasing market pay rates that may make it more difficult to attract and retain staff.
- Assess and respond to recruitment difficulties due to staff shortages in key areas.

5

FAILURE TO PROPERLY UTILISE EXISTING ICT, REACT TO TECHNOLOGY CHANGES, AND PREVENT DATA LOSS

Owner: Alison Ball (Paul Adcock)

Current Risk and Direction of Travel: AMBER – NO CHANGE in current risk level (maintained at C3 significant likelihood/serious impact).

Definition:

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.

Key Risk Driver: Objectives

Raw Risk Value: Major – Directorate objectives not met

Corporate Risk Register Outstanding Controls:

Actions completed during quarter 4:

- 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 with baseline assessment almost complete..
- Budget from vacant IT Technical Officer post now being used for additional overtime, contractors and agency staff to address key work demands.

Actions outstanding:

- Produce a new IT Strategy following the conclusion of the ICT service review.
- 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.
- Consider proposals from AON (the Council's insurance brokers) to strengthen the Council's cyber security arrangements.
- Finalise the cyber risk register as recommended following the internal audit reported to Audit Committee in March 2021.

- Review and update the Information Security Policy.
- Circulate details to Members of cyber security training being provided in May and June 2022 by East Midlands Councils.
- Rollout cyber security training to staff.

6

FAILURE TO PROTECT & UTILISE PHYSICAL ASSETS

Owner: Mike Hill (Head of Regeneration and Welfare)

Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at C3 significant likelihood/serious impact).

Definition:

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.

Key Risk Driver: Health & Safety

Raw Risk Value: Major – Loss of life / major illness

Corporate Risk Register Outstanding Controls:

Actions completed during quarter 4:

- The general condition surveys of Council Buildings and Suitability and Sufficiency surveys are ongoing.

Actions outstanding:

- Complete the asset condition and suitability surveys.
- Produce a new Asset Management Plan.
- Assess supply chain issues to ensure that the Council has sufficient stock of items required to ensure that its assets are properly maintained and continue to operate as intended.
- Assess options for permanent solution to Mapperley Rail Tunnel access issues.

7

FAILURE TO REACT TO CHANGES IN LEGISLATION

Owner: Fran Whyley

Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at C3 significant likelihood/serious impact).

Definition:

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.

Key Risk Driver: Financial Impact

Raw Risk Value: Major - £500k - £1m

Corporate Risk Register Outstanding Controls:

Actions completed during quarter 4:

- 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).
- Interim health and safety support now being provided by Bolsover DC team.

Actions outstanding:

- Address any implications from the Supreme Court decision in the Brazel case. This may have consequences for all employers nationally.
- Assess costs and other implications of measures introduced by the Government in response to the Environment Act.

8

FAILURE OF CONTRACTORS OR PARTNERSHIP ARRANGEMENTS – CONTRACTUAL BREACHES

Owner: Alison Ball

Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at B3 low likelihood/serious impact).

Definition:

Associated with the failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification.

Key Risk Driver: Financial Impact

Raw Risk Value: Serious - £50k - £500k

Corporate Risk Register Outstanding Controls:

Actions completed during quarter 4:

- Guidance issued on Contracts and Procurement Rules following approval of updated Constitution.

Actions outstanding:

- 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.
- Review indemnity clauses in terms and conditions for new contracts to ensure that they reflect the Council's risk appetite.

9

INABILITY TO DEFEND ONE-OFF CHALLENGES TO A COUNCIL DECISION OR NEW COMPENSATION TREND EMERGES

Owner: Fran Whyley

Current Risk and Direction of Travel: GREEN – NO CHANGE to current risk level (maintained at A3 very low likelihood/serious impact).

Definition:

Councils are increasingly vulnerable to judicial reviews and new compensation claims.

Key Risk Driver: Financial Impact

Raw Risk Value: Serious - £50k - £500k

Corporate Risk Register Outstanding Controls:

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.

Actions completed during quarter 4:

- No outstanding actions

Actions outstanding:

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)

10	<p>FAILURE TO MAINTAIN SERVICE STANDARDS, CUSTOMER SATISFACTION, AND/OR MEET CUSTOMER EXPECTATIONS</p> <p>Owner: Alison Ball (Fran Whyley)</p> <p>Current Risk and Direction of Travel: GREEN – IMPROVEMENT in current risk level from B2 (low likelihood, minor impact) to B1 (low likelihood, negligible impact).</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 4:</u></p> <ul style="list-style-type: none"> • Monitoring of complaints in respect of the ongoing impact of Covid-19 on service levels no longer required following the lifting of restrictions. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Monitor and respond as necessary to impact upon the Council of staffing shortages in key areas.
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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 to current risk level (maintained at B2 low likelihood/minor impact).</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 4:</u></p> <ul style="list-style-type: none">• No outstanding actions. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none">• There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.
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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 to current risk level (maintained at B1 low likelihood, negligible impact).</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>Climate change is expected to require businesses (including councils) and individuals to adapt their behaviour to reduce the potential of extreme weather events and other risks to public health.</p> <p><u>Actions completed during quarter 4:</u></p> <ul style="list-style-type: none">• No actions completed. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none">• Deliver the Carbon Management Strategy Action Plan.
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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 to current risk level (maintained at B2 low likelihood/minor impact).</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><u>Actions completed during quarter 4:</u></p> <ul style="list-style-type: none"> • No actions completed. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • 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.
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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

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