

Report to Audit Committee

Subject: Corporate Risk Management Scorecard Quarter 1 2022/23

Date: 20 September 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 June 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 28 June 2022 which provided the 2021/22 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, is reflected 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 2022

Appendix 2 - Risk Management Scoring Matrix

Statutory Officer Approval

Approved by: Chief Financial Officer
Date: September 2022

Approved by: Monitoring Officer
Date: September 2022

Appendix 1 - Corporate Risk Register Monitoring – Quarter 1 – Period Ending 30 June 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: RED – INCREASE in current risk level from B1 (low likelihood, negligible impact) to D3 (high likelihood, serious 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>Although a projected underspend of £46.5K for 2022/23 was reported at Quarter 1, this was influenced by a number of one-off items and did not fully reflect emerging issues that cannot yet be quantified such as the impact of increasing inflation and any agreed April 2022 pay award.</p> <p>The proposed April 2022 pay award, in particular, is significantly in excess of the budgeted sum with an estimated cost in excess of £950K as opposed to a budget of almost £420K. Whilst the Council has established an Inflationary Pressures Contingency Reserve with a current balance of approximately £300k, the final agreed April 2022 pay award along with other pressures will require budget savings to be achieved if they can be accommodated without the use of reserves.</p> <p>Consideration of these factors has resulted in the conclusion that it is appropriate at this stage to increase the risk level.</p>
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Actions completed during quarter 1:

- 2021/22 revenue and capital outturn report (including carry forward requests) prepared for presentation to Cabinet on 6 July 2022 along with the Treasury Activity 2021/22 report.
- 2022/23 Quarter 1 budget monitoring position prepared for presentation to Cabinet on 4 August 2022.

Actions outstanding:

- Continue to capture details of impact of increasing inflation and interest rates upon Council expenditure and income and reflect significant items in the 2022/23 Quarter 2 Budget monitoring report to Cabinet on 3 November 2022.
- Assess financial implications of the final approved April 2022 pay award and determine how this is to be financed.

2	<p>FAILURE TO MAINTAIN FINANCIAL INTEGRITY</p> <p>Owner: Alison Ball</p> <p>Current Risk and Direction of Travel: RED – NO CHANGE to current risk level (maintained at E4 very high likelihood/major impact £500k to £1m).</p> <p>Definition:</p> <p><i>Affecting the ability of the Council to meet its financial commitments in the longer term.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Critical - £1m+</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>The main financial risk issues as detailed in the 2021/22 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 and there is more certainty over the future of local government funding.</p> <p><u>Actions completed during quarter 1:</u></p> <ul style="list-style-type: none"> • Efficiency programme update prepared for presentation to Cabinet on 4 August 2022 with efficiencies of £1.169m to be delivered from 2022/23 to 2024/25. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • 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. • Development and implementation of a strategy to maximise current income streams and identify new income opportunities in accordance with all relevant statutory and corporate requirements.
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3	<p>FAILURE TO PROTECT STAFF, INCLUDING HEALTH & SAFETY ISSUES</p> <p>Owner: Alison Ball</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at B3 low likelihood/serious impact)</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>The 2022/23 programme of inspections will now be undertaken.</p> <p><u>Actions completed during quarter 1:</u></p> <ul style="list-style-type: none"> • A permanent solution for Health and Safety team arrangements (to replace current interim support) has been agreed and recruitment process completed. • Health and safety awareness course for staff prepared. • All PASC risk assessments and operational procedures have undergone an annual review to ensure compliance with health and safety requirements. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Prepare a new Civic Centre emergency evacuation procedure. • Rollout the health and safety awareness course to staff.
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4	<p>FAILURE TO RECRUIT AND RETAIN STAFF, AND MAINTAINING INTERNAL CAPACITY</p> <p>Owner: Alison Ball (David Archer)</p> <p>Current Risk and Direction of Travel: AMBER – INCREASE current risk level from C2 (significant likelihood/minor impact) to C3 (significant likelihood, serious impact).</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>The Annual Governance Statement includes a number of actions for 2022/23 to address control and risk issues concerning workforce capacity. The risk level has been increased and may rise further in the near future.</p> <p><u>Actions completed during quarter 1:</u></p> <ul style="list-style-type: none"> • New Waste, Transport and Depot Manager appointed with a start date of 2 September 2022. • A Smarter Ways of Working update prepared for distribution to staff following the rollout of the ICT equipment for agile working. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Address the actions for 2022/23 in the Annual Governance Statement to address control and risk issues concerning workforce capacity including monitoring the impact of workforce capacity on the delivery of the Gedling Plan and ensuring compliance with governance requirements.
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5	<p>FAILURE TO PROPERLY UTILISE EXISTING ICT, REACT TO TECHNOLOGY CHANGES, AND PREVENT DATA LOSS</p> <p>Owner: Alison Ball (Paul Adcock)</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE in current risk level (maintained at C3 significant likelihood/serious impact).</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 1:</u></p> <ul style="list-style-type: none"> • 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 produced and currently being reviewed. • Cyber security training for Members provided in May and June 2022 by East Midlands Councils • Cyber security e-learning module made available for staff. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • 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.
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	<ul style="list-style-type: none"> • 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.
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6	<p>FAILURE TO PROTECT & UTILISE PHYSICAL ASSETS</p> <p>Owner: Mike Hill (Head of Regeneration and Welfare)</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at C3 significant likelihood/serious impact).</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 1:</u></p> <ul style="list-style-type: none"> • The general condition surveys of Council Buildings and Suitability and Sufficiency surveys are ongoing. • Access to Mapperley Rail Tunnel has been restricted with fencing and warning signs installed and regular monitoring and inspection arrangements in place. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • 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.
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7	<p>FAILURE TO REACT TO CHANGES IN LEGISLATION</p> <p>Owner: Fran Whyley</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at C3 significant likelihood/serious impact).</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>Implementation of the Government’s Resource and Waste Strategy in response to the Environment Act 2021 is currently delayed whilst the Government decides its approach to the handling of recyclable materials.</p> <p><u>Actions completed during quarter 1:</u></p> <ul style="list-style-type: none"> • No actions completed. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Address any financial and other implications from the McCloud pension case and other related legal judgements. • Upon receipt of the long awaited guidance from the Government on its preference for the handling of recyclable materials, assess the costs and other implications of measures introduced in response to the Environment Act 2021.
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8	<p>FAILURE OF CONTRACTORS OR PARTNERSHIP ARRANGEMENTS – CONTRACTUAL BREACHES</p> <p>Owner: Alison Ball</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at B3 low likelihood/serious impact).</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 1:</u></p> <ul style="list-style-type: none"> • Contracts register on website brought up to date and circulated to senior officers. • Analysis of significant supplier spending completed to ensure that appropriate contracts are in place. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • 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. • Deliver corporate contract and procurement training (scheduled for 21 September 2022). • Review indemnity clauses in terms and conditions for new contracts to ensure that they reflect the Council's risk appetite.
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9	<p>INABILITY TO DEFEND ONE-OFF CHALLENGES TO A COUNCIL DECISION OR NEW COMPENSATION TREND EMERGES</p> <p>Owner: Fran Whyley</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE to current risk level (maintained at A3 very low likelihood/serious impact).</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>There is a risk that self-employed service providers may successfully challenge their employment status with potential financial costs for the Council as a result.</p> <p><u>Actions completed during quarter 1:</u></p> <ul style="list-style-type: none"> • Work undertaken to reduce the number of self-employed instructors in Leisure Services by moving to employed status. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Continue to assess the employment status of individuals working for the Council to ensure that legislative and corporate requirements are met.
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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 – NO CHANGE to current risk level (maintained at 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 1:</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 the impact upon the Council of potential staffing capacity issues 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 1:</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 1:</u></p> <ul style="list-style-type: none"> • No actions completed. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • No outstanding actions.
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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 1:</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 have been no high risk recommendations reported to date during 2022/23.

APPENDIX 2 - RISK MANAGEMENT SCORING MATRIX

L i k e l i h o o d	Very High	E				2	
	High	D			1		
	Significant	C			4, 5, 6, 7		
	Low	B	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				