

## **Report to Overview & Scrutiny Committee**

**Subject: Corporate Risk Management Scorecard Quarter 2 2022/23**

**Date: 6 March 2023**

**Author: Head of Finance and ICT**

### **1. Purpose of the Report**

To update members 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 September 2022 are appended to this report, and this includes a summary of all control gaps identified on the Council’s Corporate Risk Register at quarter 2. Any significant events or changes to risks identified since September 2022 will be reported appropriately in the quarter 3 update report due to be presented to this committee in March 2023.

The last update of the Corporate Risk Scorecard was presented to committee on 7 November 2022 which provided the 2022/23 quarter 1 position.

**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 2, Period Ending 30 September 2022

Appendix 2 - Risk Management Scoring Matrix

<b>Statutory Officer Approval</b>	
<b>Approved by:</b>	<b>Chief Financial Officer</b>
<b>Date:</b>	<b>December 2022</b>
<b>Approved by:</b>	<b>Monitoring Officer</b>
<b>Date:</b>	<b>December 2022</b>

## Appendix 1 - Corporate Risk Register Monitoring – Quarter 2 – Period Ending 30 September 2022

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: RED - NO CHANGE to current risk level (maintained at D3 high likelihood, serious 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>A projected net overspend of £192,200 for 2022/23 was reported to Cabinet at Quarter 2 which required a transfer of this sum from Earmarked Reserves to maintain a balanced budget. The overspend was due to number of factors related to the economic downturn and resulting inflationary pressures of which the most significant was the 2022/23 pay award that has now been agreed at an additional cost to the Council of £531,000</p> <p>If the present budget pressures increase (particularly in respect of utilities costs) or new pressures emerge then budget savings will need to be achieved if these pressures are to be accommodated without the further use of reserves.</p> <p>The risk level was increased at Quarter 1. Whilst it is not necessary at this stage to increase the risk level further, this risk will need to be kept under close scrutiny.</p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"><li>• 2022/23 Quarter 2 budget monitoring position prepared for presentation to Cabinet on 3 November 2022.</li></ul>
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	<p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• 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 3 Budget monitoring report to Cabinet on 24 January 2023.</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 main financial risk issues as detailed in the 2022/23 Quarter 1 and Quarter 2 reports 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 2:</u></p> <ul style="list-style-type: none"> <li>• Efficiency programme update prepared for presentation to Cabinet on 3 November 2022 with efficiencies of £1.169m to be delivered from 2022/23 to 2024/25 with no major changes identified.</li> <li>• Contracts and procurement training provided to staff by Legal Services on 21 September 2022.</li> <li>• Governance procedures for the administration of the UK Shared Prosperity Fund have been established and will be reviewed upon approval of the Investment Plan.</li> <li>• A programme structure for the Levelling Up Fund (Round 2) bid has been devised and will be reviewed if the bid is successful.</li> </ul>

Actions outstanding:

- Update the Medium Term Financial Plan 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.
- Assess any implications arising from the Autumn Statement on 17 November 2022 and the Local Government Finance Settlement expected in December 2022 to inform the 2023/24 budget process to be considered by Cabinet in February.
- 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.

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>The 2022/23 programme of inspections will now be undertaken.</p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"> <li>• The new Health and Safety team are now in post.</li> <li>• The contract for the health and safety software (Assessnet) has been extended and an upgrade is planned.</li> <li>• A health and safety awareness course has been made available to staff.</li> <li>• New emergency evacuation procedures for the Civic Centre have been agreed.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• Rollout the new Civic Centre emergency evacuation procedures.</li> <li>• Provide refresher training to staff on the health and safety software (Assessnet).</li> </ul>
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4	<p><b>FAILURE TO RECRUIT AND RETAIN STAFF, AND MAINTAINING INTERNAL CAPACITY</b></p> <p><b>Owner: Alison Ball (David Archer)</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 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>The Annual Governance Statement includes a number of actions for 2022/23 to address control and risk issues concerning workforce capacity. The risk level was increased at Quarter 1 and may rise further in the near future if, for example, funding reductions impact upon the Council’s ability to deliver services.</p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"> <li>• The new Waste, Transport and Depot Manager commenced on 2 September 2022.</li> <li>• A one-off payment of £250 to staff up to Band 7 agreed (paid in October 2022) to help offset impact of cost of living pressures.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Investigate opportunities for the introduction of apprenticeships in areas experiencing particular recruitment issues.</li> </ul>
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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>There is the potential for disruption to energy supplies over the winter months (blackouts) that could severely impact upon the provision of the ICT service.</p> <p><u>Actions completed during quarter 2:</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 ongoing with baseline assessment produced and options analysis underway.</li> <li>• Public services network (PSN) compliance reviewed by Central Government Cabinet Office and confirmation received that infrastructure is considered sufficiently secure to enable connection to the PSM up to September 2023.</li> <li>• Further promotion of the cyber security e-learning module made available for staff on the intranet.</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> </ul>
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- 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 new 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.
- The Disaster Recovery Plan needs to be reviewed and updated as necessary including consideration of the location of a second storage area network (SAN).

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: Health &amp; Safety</b></p> <p><b>Raw Risk Value: Major – Loss of life / major illness</b></p> <p><b>Corporate Risk Register Outstanding Controls:</b></p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"><li>• The general condition surveys of Council Buildings and Suitability and Sufficiency surveys are ongoing.</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>• Review the suitability of temporary accommodation and establish a short and long term maintenance programme.</li><li>• Continue to 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.</li></ul>
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## **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:**

An outcome to the Brazel case has been reached determining that this should apply to the calculation of leave for part-time (mainly term-time) workers. This is most likely to apply to casual staff at leisure centres and may require changes in process and some additional costs.

Actions completed during quarter 2:

- No actions completed.

Actions outstanding:

- Address any financial and other implications from the McCloud pension case and other related legal judgements (see Brazel case summary above).
- Conduct reviews of Information Asset Registers.

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 2:

- Corporate contract and procurement training provided to staff by Legal Services on 21 September 2022.

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.
- Procurement team (Bolsover DC) to provide further training to staff on procurement processes and support available.
- 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:**

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.

Actions completed during quarter 2:

- Work continued to reduce the number of self-employed instructors in Leisure Services by moving to employed status.

Actions outstanding:

- Continue to assess the employment status of individuals working for the Council to ensure that legislative and corporate requirements are met.

10	<p><b>FAILURE TO MAINTAIN SERVICE STANDARDS, CUSTOMER SATISFACTION, AND/OR MEET CUSTOMER EXPECTATIONS</b></p> <p><b>Owner: Alison Ball (Fran Whyley)</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>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><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"><li>• Monitoring of complaints in terms of number, underlying reasons and other trends continuing.</li></ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"><li>• Monitor and respond as necessary to the impact upon the Council of potential staffing capacity issues in key areas.</li></ul>
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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 2:</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>
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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: AMBER – INCREASE in current risk level from B1 (low likelihood, negligible impact) to B3 (low likelihood, serious 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</p> <p><b>Corporate Risk Register Outstanding Controls:</b></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>Given the potential consequences of an environmental incident or malicious act, it is considered appropriate at this stage to increase the risk level.</p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"> <li>• Arrangements made for Nottinghamshire County Council to provide business continuity training to staff on 24 November 2022.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• Ensure emergency planning arrangements agreed with Nottinghamshire County Council are operating as intended.</li> <li>• Promote the review and update (as necessary) of business continuity plans.</li> </ul>
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13	<p><b>FAILURE TO REACT TO SOCIO-ECONOMIC TRENDS</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>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 2:</u></p> <ul style="list-style-type: none"> <li>• No actions completed.</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 have been no high risk recommendations reported to date during 2022/23.

## APPENDIX 2 - RISK MANAGEMENT SCORING MATRIX

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