

Report to Audit Committee

Subject: Corporate Risk Management Scorecard Quarter 3 2022/23

Date: 14 March 2023

Author: Director of Corporate Resource and S151 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 December 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 3.

The last update of the Corporate Risk Scorecard was presented to Audit Committee on 17 January 2023 which provided the 2022/23 quarter 2 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 3, Period Ending 31 December 2022

Appendix 2 - Risk Management Scoring Matrix

Statutory Officer Approval	
Approved by:	Chief Financial Officer
Date:	6 March 2023
Approved by:	Monitoring Officer
Date:	6 March 2023

Appendix 1 - Corporate Risk Register Monitoring – Quarter 3 – Period Ending 31 December 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: AMBER – Reduction in current risk level (from Red D3 high likelihood, serious impact to B3 Low 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>A projected net underspend of £56,800 for 2022/23 was reported to Cabinet at Quarter 3 which enabled a transfer of this sum to the Inflationary Pressures Earmarked Reserve to address further emerging pressures should they arise to help maintain a balanced budget.</p> <p>This represents an improved position from the previous two quarters of 2022/23 which presented a projected overspend due to a number of factors related to the economic downturn and resulting inflationary pressures, of which the most significant was the 2022/23 pay award that was an additional cost to the Council of £531,000. This increased risk was recognised in the Risk Register with the assessed risk level increasing from B1 (Green) to D3 (Red) for quarters 1 and 2.</p> <p>The latest budget monitoring position, projecting an underspend, demonstrates a reduction in the risk of the budget overheating during quarter 4, however there remains a level uncertainty in respect of further demand and inflationary pressures which may require further use of reserves, therefore the assessed risk remains above the target level of B1 – Low likelihood/Negligible Impact (Green)</p> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • 2022/23 Quarter 3 budget monitoring position prepared for presentation to Cabinet on 24 January 2023.
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	<p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • 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 budget outturn report to Cabinet in May 2023.
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 2022/23 Quarter 1 to Quarter 3 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 3:</u></p> <ul style="list-style-type: none"> • Efficiency programme update prepared for presentation to Cabinet on 24 January 2023 with efficiencies of £1.169m to be delivered from 2022/23 to 2024/25 with no major changes identified. • A full review of the Medium Term Financial Plan was prepared as part of the budget process for presentation to Cabinet on 16 February 2023 as part of the 2023/24 General Fund Revenue Budget report. This detailed the continuing high risk to financial sustainability, exacerbated by the ongoing uncertainty in local government funding which will need to be addressed by the development and implementation of further efficiency plans to maintain a balanced position.

	<p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Development of a Procurement and Contract Management Strategy to ensure value for money in purchasing. This will reflect the recommendations arising for the internal audit review of Contract Management and Procurement (see also Risk 8-Contractors). • 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. • Completion of additional Internal Audit work required on main financial systems in response to the alleged fraud in 2022, and ongoing liaison with External Audit.
3	<p>FAILURE TO PROTECT STAFF, INCLUDING HEALTH & SAFETY ISSUES</p> <p>Owner: Alison Ball (Fran Whyley)</p> <p>Current Risk and Direction of Travel: AMBER – INCREASE IN RISK from current risk level (B3 green, low likelihood/serious impact to C3 amber, significant 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 is ongoing.</p> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • The new Health and Safety team have commenced a programme of inspections and a review of risk assessments. To date this has identified a number of risks which need to be addressed and some risk assessments which are overdue for review and/or with appropriate control measures not being fully identified. This indicates an increase in the overall risk level

	<p>which will require further consideration when the full programme of inspections is complete.</p> <ul style="list-style-type: none"> • Refresher training provided to staff on the health and safety software (Assessnet). • A new Unacceptable Customer Behaviour Policy was approved by Cabinet. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • To continue with the programme of inspections to determine the corporate-wide risk position and ensure the delivery of mitigation actions to address identified risks. • Rollout the new Civic Centre emergency evacuation procedures.
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 – NO CHANGE to current risk level (maintained at 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 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 3:</u></p> <ul style="list-style-type: none"> • Quarter 3 Gedling Plan performance monitoring considered by SLT including review of the Equality Framework and Action Plan • A new four year Gedling Plan 2023-27 was developed for consideration by Cabinet in February 2023, which has been designed to achieve a higher level of strategic focus to support the alignment of workload to capacity. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Develop Service Plans that align to the new Gedling Plan. • Continue to monitor the national review of the impact of the national living wage on local government pay scales and assess the impact for Gedling. • Investigate opportunities for the introduction of apprenticeships in areas experiencing particular recruitment issues.
5	<p>FAILURE TO PROPERLY UTILISE EXISTING ICT, REACT TO TECHNOLOGY CHANGES, AND PREVENT DATA LOSS</p> <p>Owner: Alison Ball (Head of Finance and ICT)</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>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>

Actions completed during quarter 3:

- 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.
- 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.
- Further promotion of the cyber security e-learning module made available for staff on the intranet.
- Cyber Security Internal Audit finalised with moderate assurance (included in Internal Audit Progress Report and item elsewhere on this agenda).
- A review of the Disaster Recovery Plan including consideration of the location of a second storage area network (SAN) has commenced with SLT to consider findings in quarter 4.
- A review of the Information Security Policy has commenced, to be presented to SLT for consideration in quarter 4

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 new Gedling Plan.
- Implement the Internal Audit recommendations including the cyber risk register as reported to Audit Committee in March 2021.
- Finalise the review and update of the Information Security Policy.

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 3:

- 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.
- Review the suitability of temporary accommodation and establish a short and long term maintenance programme.
- 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.

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:

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 3:

- Guidance received from the LGA and in-house legal teams in respect of the Brazel case regarding the implementation approach which will be finalised in quarter 4.
- Review of Information Asset Registers has commenced.

Actions outstanding:

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

8

FAILURE OF CONTRACTORS OR PARTNERSHIP ARRANGEMENTS – CONTRACTUAL BREACHES

Owner: Alison Ball

Current Risk and Direction of Travel: AMBER – Increased from current risk level (B3 amber, low likelihood/serious impact to C3 amber, significant 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 3:

- The Internal Audit of Contract Management and Procurement was finalised with Limited Assurance for Contract Management (with 1 high risk recommendation) and Moderate Assurance for Procurement. Some recommendations have been implemented, for example, improvements to the Contracts Register to support contract management and contract renewals.
- Targeted procurement training delivered to specific service areas.

Actions outstanding:

- Implementation of remaining recommendations arising from the internal audit of Contract Management and Procurement including, for example development of Contract Management Guidance and associated training, to mitigate the risk of contractors not delivering according to cost and specification.
- 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 3:

- Work continued to reduce the number of self-employed instructors in Leisure Services by moving to employed status.
- The Council's Annual Governance Statement which was considered by this Committee in June 2022 noted an emerging issue regarding the potential non-compliance with legal responsibilities in the area of Public Protection (taxi licence) income confirming this was under review and assessment. This review has now been completed and was independently assessed by CIPFA. The outcome of the review was reported to Environment and Licencing Committee in January 2023 detailing the findings i.e. that an error had been made, in that the required memorandum accounts for different licence types had not been maintained and that over and undercharging had occurred in previous years. Cabinet approved a budget in January to enable the refund of the overcharged fees arising from this error. A new methodology for calculating fees has been developed to ensure no reoccurrence going forward.

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>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 3:</u></p> <ul style="list-style-type: none"> • Monitoring of complaints in terms of number, underlying reasons and other trends continuing. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Continue to monitor and respond as necessary to the impact upon the Council of potential staffing capacity issues in key areas. • New Action added – To develop a Customer Services Strategy in 2023/24 to improved customer engagement and ensure customer service standards are maintained.
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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 3:</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

FAILURE TO REACT TO AN ENVIRONMENTAL INCIDENT OR MALICIOUS ACT

Owner: Mike Hill

Current Risk and Direction of Travel: AMBER – INCREASE in current risk level (from B3 amber, low likelihood, serious impact to C3 amber, significant likelihood, serious impact).

Definition:

Council reaction to a natural occurrence e.g. widespread flooding, or other events such as fire and explosions.

Key Risk Driver: Reputation

Raw Risk Value: Major – Adverse national publicity

Corporate Risk Register Outstanding Controls:

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.

Given the potential consequences of an environmental incident or malicious act and the current emergency planning resourcing issues, it is considered appropriate at this stage to increase the risk level. It was intended that 2.5 days of Emergency Planning resource be provided via Nottinghamshire County Council, however they have recently confirmed that they have been unable to recruit suitably qualified staffing and this option cannot proceed and alternative provision will now have to be determined.

Actions completed during quarter 3:

- Business Continuity training was provided by the Nottinghamshire Council Emergency Planning team on 24 November 2022.

Actions outstanding:

- Determine emergency planning resource arrangements and in-house staff development requirements.
- Update of business continuity plans via managed workshops.
- Maintain a watching brief on the requirements of Martyn's law (protection for the public from terrorism at public venues) and ensure readiness when the legislation is enacted.

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 3:</u></p> <ul style="list-style-type: none"> • The Gedling Plan 2023-27 was finalised following a review of strategic direction in light of available resources and was reported to Cabinet in February for approval. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • No actions outstanding.
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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 one high risk recommendation reported to date during 2022/23. This relates to the Council's contract management arrangements which need to be strengthened by the introduction of a Contract Management Guidance document and supported by training for all of the Council contract managers.

APPENDIX 2 - RISK MANAGEMENT SCORING MATRIX

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