

## **Report to Audit Committee**

**Subject: Corporate Risk Management Scorecard Quarter 4 2022/23**

**Date: 27 June 2023**

**Author: Chief Executive**

### **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. It is due for renewal this financial year.

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 2023 are appended to this report, and this includes a summary of all control gaps identified on the Council's Corporate Risk Register at quarter 4.

The last update of the Corporate Risk Scorecard was presented to Audit Committee on 14 March 2023 which provided the 2022/23 quarter 3 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 4, period ending 31 March 2023

Appendix 2 - Risk Management Scoring Matrix

<b>Statutory Officer Approval</b>	
<b>Approved by:</b>	<b>Chief Financial Officer</b>
<b>Date:</b>	<b>16 June 2023</b>
<b>Approved by:</b>	<b>Monitoring Officer</b>
<b>Date:</b>	<b>16 June 2023</b>

## Appendix 1 - Corporate Risk Register Monitoring – Quarter 4 – Period Ending 31 March 2023

1	<p><b>FAILURE TO PREVENT BUDGET OVERHEATING ONCE THE BUDGET HAS BEEN SET</b></p> <p><b>Owner:</b> Head of Finance &amp; IT</p> <p><b>Current Risk and Direction of Travel:</b> GREEN – REDUCTION (from Amber B3, low likelihood / serious impact to Green 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>Commentary:</b></p> <p>A projected net underspend of £57k 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 represented 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 final outturn figures are being finalised, however we are currently projecting an underspend for the year.</p> <p><u>Actions completed during quarter 4:</u></p> <ul style="list-style-type: none"> <li>• The closedown process was reviewed and guidance issued to managers for the closure of the accounts for 2022/23. This work has continued throughout quarter 1 of 2023/24 and is now nearing completion.</li> </ul>
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	<p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• Complete the closedown process and present the 2022/23 budget outturn report to Cabinet in July 2023.</li> </ul>
2	<p><b>FAILURE TO MAINTAIN FINANCIAL INTEGRITY</b></p> <p><b>Owner: Director of Corporate Resources</b></p> <p><b>Current Risk and Direction of Travel: RED – NO CHANGE (maintained at Red 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>Commentary:</b></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>Some good news has been received in that the HMRC have now classified some leisure centre income as non-business. This will improve the Council's financial position moving forward and should entitle the Council to a VAT refund during 2023/24.</p> <p><u>Actions completed during quarter 4:</u></p> <ul style="list-style-type: none"> <li>• The quarter 3 budget monitoring report to Cabinet on 24 January 2023 provided an update on the delivery of the efficiency programme.</li> <li>• 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</li> </ul>

	<p>maintain a balanced position. This was approved by full Council on 2 March 2023.</p> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• Development of a Procurement and Contract Management Strategy to ensure value for money in purchasing. This will reflect the recommendations arising from the internal audit reviews of both Contract Management and Procurement.</li> <li>• 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.</li> <li>• 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.</li> </ul>
3	<p><b>FAILURE TO PROTECT STAFF, INCLUDING HEALTH &amp; SAFETY ISSUES</b></p> <p><b>Owner: Head of Governance &amp; Customer Services</b></p> <p><b>Current Risk and Direction of Travel: AMBER – NO CHANGE (maintained at Amber C3, significant 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>Commentary:</b></p> <p>The 2022/23 programme of inspections was ongoing at quarter 4.</p> <p><u>Actions completed during quarter 4:</u></p> <ul style="list-style-type: none"> <li>• The new Health and Safety team continued their programme of inspections and corporate review of risk assessments. This process 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, for which mitigations are being planned.</li> </ul>

	<p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• To continue with the programme of health and safety inspections to determine the corporate-wide risk position and ensure the delivery of mitigation actions to address identified risks.</li> <li>• Rollout of the new Civic Centre emergency evacuation procedures.</li> </ul>
4	<p><b>FAILURE TO RECRUIT AND RETAIN STAFF, AND MAINTAINING INTERNAL CAPACITY</b></p> <p><b>Owner: Head of HR, Performance &amp; Service Planning</b></p> <p><b>Current Risk and Direction of Travel: AMBER – NO CHANGE – (maintained at Amber 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>Commentary:</b></p> <p>The 2022/23 Annual Governance Statement included a number of actions to address control and risk issues concerning workforce capacity, and the risk level was increased at Quarter 1 to reflect this. We are still experiencing difficulties with recruitment, particularly with professional roles such as planning and legal. Uncertainty also still remains in the future if, for example, funding reductions impact upon the Council’s ability to deliver services.</p> <p><u>Actions completed during quarter 4:</u></p> <ul style="list-style-type: none"> <li>• The Gedling Plan performance monitoring report for quarter 3 was considered by SLT, including a review of the Equality Framework and Action Plan.</li> <li>• A new four year Gedling Plan 2023-27 was approved by full Council on 2 March 2023. This was designed to achieve a</li> </ul>

	<p>higher level of strategic focus to support the alignment of workload to capacity.</p> <ul style="list-style-type: none"> <li>• Service Plans that align to the new Gedling Plan have been adopted.</li> <li>• The Council’s performance monitoring system, Pentana, is now more actively used by officers to identify projects, risks, audit recommendations, carbon management actions, equality actions which will provide an indicator where officers are struggling to deliver due to capacity issues.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Investigate opportunities for the introduction of apprenticeships in areas experiencing particular recruitment issues.</li> <li>• Review recruitment options, including a refresh of the website recruitment pages, and which enhances the Council’s offer in terms of flexible working and accessibility.</li> <li>• Review agile working arrangements currently in place, forming a view on future work needs and requirements, and determining a strategy that will have a positive impact on recruitment and retention of staff.</li> </ul>
5	<p><b>FAILURE TO PROPERLY UTILISE EXISTING ICT, REACT TO TECHNOLOGY CHANGES, AND PREVENT DATA LOSS</b></p> <p><b>Owner: Head of Finance &amp; IT</b></p> <p><b>Current Risk and Direction of Travel: AMBER – NO CHANGE (maintain at Amber 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: Objectives</b></p> <p><b>Raw Risk Value: Major – Directorate objectives not met</b></p>

	<p><b>Commentary:</b></p> <p>There is now an inherent risk at a national level for the possible disruption to energy supplies (blackouts) that could severely impact upon the provision of the ICT service.</p> <p><u>Actions completed during quarter 4:</u></p> <ul style="list-style-type: none"> <li>• SLT received the findings of the external review of the ICT service, evaluating current service provision and resourcing (baseline review).</li> <li>• Cyber Security Internal Audit finalised with moderate assurance (reported on the previous agenda).</li> <li>• Ongoing review of the Disaster Recovery Plan including consideration of the location of a second storage area network (SAN).</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• Commission an external agent to deliver an assessment of future IT needs and requirements, and deliver a Digital Strategy for the Council.</li> <li>• Implement the Internal Audit recommendations, including the production of a cyber-risk register.</li> <li>• Finalise the review and update of the Information Security Policy.</li> </ul>
6	<p><b>FAILURE TO PROTECT &amp; UTILISE PHYSICAL ASSETS</b></p> <p><b>Owner: Head of Regeneration &amp; Welfare</b></p> <p><b>Current Risk and Direction of Travel: AMBER – NO CHANGE (maintained at Amber 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>Commentary:</b></p> <p>The Council owns and manages a number of buildings and it is important that these are all checked on a regular basis and maintained through an up-to-date Asset Management Plan and Strategy.</p> <p><u>Actions completed during quarter 4:</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>• A new compliance regime has been introduced for Council assets, including pavilions.</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 Council-owned temporary accommodation and establish a short and long term maintenance programme.</li> </ul>
7	<p><b>FAILURE TO REACT TO CHANGES IN LEGISLATION</b></p> <p><b>Owner: Head of Governance &amp; Customer Services</b></p> <p><b>Current Risk and Direction of Travel: AMBER – NO CHANGE (maintained at Amber 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>Commentary:</b></p> <p>An initial outcome to the Brazel case was reached determining that this should apply to the calculation of leave for part-time (mainly term-time)</p>

	<p>workers. This is most likely to apply to casual staff at leisure centres and may require changes in process and some additional costs.</p> <p><u>Actions completed during quarter 4:</u></p> <ul style="list-style-type: none"> <li>• National government is still reviewing their position in respect of the Brazel case following consultation. We have received guidance from the LGA and in-house legal teams regarding the implementation approach once determined.</li> <li>• Review of Information Asset Registers commenced in quarter 3 and has taken longer than expected - it is now nearing completion.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• Address any financial and other implications from the McCloud pension case and other related legal judgements.</li> <li>• Finalise reviews of Information Asset Registers.</li> <li>• Awaiting further guidance in respect of the government's Resources and Waste Strategy and Environmental Act implications.</li> </ul>
8	<p><b>FAILURE OF CONTRACTORS OR PARTNERSHIP ARRANGEMENTS – CONTRACTUAL BREACHES</b></p> <p><b>Owner: Head of Finance &amp; IT</b></p> <p><b>Current Risk and Direction of Travel: AMBER – NO CHANGE (maintained at Amber C3, significant 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>Commentary:</b></p> <p>This risk focusses on perceived weaknesses in the procurement and contract management processes.</p>

	<p><u>Actions completed during quarter 4:</u></p> <ul style="list-style-type: none"> <li>• The internal audits of both Contract Management and Procurement contained a number of recommendations and some of these have been implemented this quarter.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• Implementation of remaining recommendations arising from the internal audit of Contract Management and Procurement.</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: Head of Governance &amp; Customer Services</b></p> <p><b>Current Risk and Direction of Travel: GREEN – NO CHANGE (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>Commentary:</b></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 4:</u></p> <ul style="list-style-type: none"> <li>• Work continued to reduce the number of self-employed instructors in Leisure Services and Agency staff at the depot by moving to employed status.</li> <li>• As reported to Environment and Licencing Committee in January 2023, some taxi licensing fees were overcharged and a process of refunds is now operational. A new methodology for calculating the fees has been developed to ensure there will be no reoccurrence going forward.</li> </ul>

	<p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• Complete the work on assessing the employment status of individuals working for the Council to ensure that legislative and corporate requirements are met.</li> </ul>
10	<p><b>FAILURE TO MAINTAIN SERVICE STANDARDS, CUSTOMER SATISFACTION, AND/OR MEET CUSTOMER EXPECTATIONS</b></p> <p><b>Owner: Head of Governance &amp; Customer Services</b></p> <p><b>Current Risk and Direction of Travel: GREEN – NO CHANGE (maintained at Green 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>Commentary:</b></p> <p><u>Actions completed during quarter 4:</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>• Continue to monitor and respond as necessary to the impact upon the Council of potential staffing capacity issues in key areas.</li> <li>• To develop a Customer Services Strategy to improve customer engagement and ensure customer service standards are maintained.</li> </ul>
11	<p><b>FAILURE TO PREVENT DAMAGE TO THE COUNCIL'S REPUTATION</b></p> <p><b>Owner: Chief Executive</b></p> <p><b>Current Risk and Direction of Travel: GREEN – NO CHANGE (maintained at Green 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>Commentary:</b></p> <p>One of the major risks for all local authorities is to <u>not</u> meet their promises made in achieving climate change. For Gedling we aim to be carbon neutral by 2030.</p> <p><u>Actions completed during quarter 4:</u></p> <ul style="list-style-type: none"> <li>• The Council has numerous actions for delivery as part of the Carbon Management Strategy Action Plan and work has continued on these in this quarter.</li> <li>• A new Corporate Environment Group has been established to monitor delivery of carbon management actions.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• Continue to deliver actions for delivery as part of the Carbon Management Strategy Action Plan.</li> </ul>
12	<p><b>FAILURE TO REACT TO AN ENVIRONMENTAL INCIDENT OR MALICIOUS ACT</b></p> <p><b>Owner:</b> Head of Governance &amp; Customer Services</p> <p><b>Current Risk and Direction of Travel:</b> AMBER – NO CHANGE (maintained at Amber C3, significant likelihood / serious 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>Commentary:</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 and the current emergency planning resourcing issues, it is considered appropriate to remain at this 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.</p> <p><u>Actions completed during quarter 4:</u></p> <ul style="list-style-type: none"> <li>• Preparation for a Heads of Service/Manager workshop to update business continuity plans via managed workshops in May 2023.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• Determine emergency planning resource arrangements and in-house staff development requirements.</li> <li>• Update of business continuity plans via managed workshops.</li> <li>• 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.</li> </ul>
13	<p><b>FAILURE TO REACT TO SOCIO-ECONOMIC TRENDS</b></p> <p><b>Owner: Chief Executive</b></p> <p><b>Current Risk and Direction of Travel: GREEN - NO CHANGE (maintained at Green 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>Commentary:</b></p> <p>This risk relates to the long term view and horizon scanning of potential changes required and modes of delivery for our services.</p> <p><u>Actions completed during quarter 4:</u></p> <ul style="list-style-type: none"> <li>• The Gedling Plan 2023-27 was finalised following a review of strategic direction in light of available resources and was approved by full Council on 2 March 2023.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• This long term work will require Gedling to work with partners from within the Nottinghamshire and Derbyshire regions to deliver a long term strategy as part of the new Mayoral authority from May 2024.</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 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. This is currently outstanding.

## APPENDIX 2 - RISK MANAGEMENT SCORING MATRIX

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