

## **Risk Management Monitoring Report for the Period to 31 March 2020 (2019/20 Quarter 4)**

### **Purpose**

- 1.1 This report presents an updated Strategic Risk Register, for the period ending 31 March 2020.
- 1.2 There was a total of 16 risks in the Strategic Risk Register at end of quarter 4. The changes made from the position reported to Audit and Accounts at the end of quarter 3 (December 2019), are presented in paragraphs 4.3 and 4.5. It should be noted, that of the risks contained within the register, eight (50%) are currently judged to be 'significant'. This represents an increase from the position reported at the end of December 2019, when five of our 13 strategic risks (38%) were assessed as 'significant'. Two of the significant risks are new to the Strategic Risk Register and relate to possible implications of Covid-19.
- 1.3 Following the quarter 3 monitoring report, there have been two risk surgeries 'Sinfin Waste Plant' and 'Budget Overspend due to high numbers of children in care'. Both surgeries were requested following review of the quarter 2 monitoring report and were hosted in June 2020. The outcomes of these surgeries are reported separately to the Committee.

### **Recommendations**

- 2.1 To review the 2019/20 Quarter 4 Strategic Risk Register, for the period ending 31 March 2020; with a particular focus on changes to the register and the mitigating actions that are being taken in response to our most significant risks (Appendix 1 and paragraphs 4.3 to 4.5).
- 2.2 To note that there are no risks recommended for a risk surgery.
- 2.3 To note that the refresh of the Risk Management Strategy and Handbook have been delayed due to competing demands arising from Covid-19.

### **Reason**

- 3.1 The Audit and Accounts Committee is responsible for providing assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.

## Supporting information





- 4.1 The Strategic Risk Register continues to be reviewed and refreshed, and a summary is shown below, with more detail presented in **Appendix 1** (please refer to Appendix 3 for the risk assessment guidance). The content of the register is subject to on-going changes, reflecting the dynamic nature of risk management and illustrating our developing risk culture.

### 4.2

Risk	Description	Lead Officer	19/20 Q3 Score	19/20 Q4 Score	DoT
SR1	Staffing – capacity, knowledge and skills	Nicola Sykes	9	9	➡
SR3	Cyber threats to our systems	Andy Brammall	12	12	➡
SR5	Non-compliant condition of Council properties	Steve Caplan	12	12	➡
SR6	Ineffective project management governance	Heather Greenan	8	12	↘
SR7	Ineffective contract management	Paul Simpson / Emily Feenan	8	8	➡
SR8	Poor data and records management	Andy Brammall	9	9	➡
SR9	Above average working days lost due to sickness absence	Nicola Sykes	12	12	➡
SR10	Budget overspend due to high numbers of children in case	Andy Smith	16	16	➡
SR11	BREXIT transition affects delivery of service	Heather Greenan	3	6	↘
SR14	Sinfin Waste Plant	Rachel North	16	16	➡
SR15	Inability to deliver a balanced MTFP	Simon Riley	6	9	↘
SR16	Failure to deliver against our annual budget	Simon Riley	9	3	↗
SR17	Failure of Local Authority and Local Area (Local Authority and key local Health partners jointly)	Pauline Anderson	8	8	➡
SR18	Increase in number of individuals/households 'in need' following COVID	Andy Smith	<i>Risk added in Quarter 4</i>	16	★

Risk	Description	Lead Officer	19/20 Q3 Score	19/20 Q4 Score	DoT
SR19	Business resilience and loss of jobs	Gerry Dawson / Simon Riley	<i>Risk added in Quarter 4</i>	9	★
SR20	Financial unsustainability, as a result of the Covid-19 pandemic	Simon Riley	<i>Risk added in Quarter 4</i>	12	★

**Direction of Travel:**

-  Risk has improved compared to the previous quarter
-  Risk has remained the same as the previous quarter
-  Risk has deteriorated compared to the previous quarter
-  New Risk not previously included on Strategic Risk Register

4.3 Over the last three months, risks scores have escalated for three strategic risks...

- **SR6 - Ineffective project management governance** – positive progress has been made during 2019/20 in the mitigation of this risk, which saw the risk score reducing at the end of December 2019, however due to an outstanding vacancy within the Project Management Office (PMO) and the possible impacts of Covid-19 on our projects the likelihood assessment has increased from 'possible' to 'probable'. Routine monitoring of project activity does however continue through the Policy and Insight Team and there was a PMO Board held in June 2020 to progress activity, as appropriate, through gateway processes. The impact of this risk remains unchanged. There are two controls in place and a further action remains on-going. Two new actions have been added to support future mitigations.
- **SR11 - BREXIT transition affects delivery of services** - this risk has been escalated following a review of the 'likelihood' resulting in the assessment increasing from 'remote' to 'possible'. The main reason for the escalation of this risk score is impact of COVID-19 on Brexit negotiations, service demands and the economy. The impact remains unchanged and to support mitigations there are three controls in place and a further action is on-going. Another new action has also been added over the last reporting period.
- **SR15 - Inability to deliver a balanced MTFP** - due to the possible impacts of COVID-19 on Council's finances the likelihood of this risk has changed from 'possible' to 'probable'. The impact remains unchanged. There are five controls in place and three new actions have been added to support effective mitigation.

4.4 Since December 2019, our risk assessments have reduced the rating of one strategic risk.

- **SR16 - Failure to deliver against our annual budget** – as a consequence of the delivery of the annual budget, the risk likelihood has reduced from 'probable' to 'remote'. The impact remains unchanged. It should be noted that this risk will be refreshed for 2020/21 to reflect any impacts of COVID-19 (see *related risk SR20*).

- 4.5 There have been three new risks added to the Strategic Risk Register over the last period, all of which relate to the Covid-19 pandemic. These risks are monitored on a weekly basis through our Covid-19 Risk Register and future mitigations will be developed alongside our Recovery Plan.
- SR18 - Increase in number of individuals/households 'in need' following COVID.
  - SR19 - Business resilience and loss of jobs.
  - SR20 - Financial unsustainability, as a result of the Covid-19 pandemic.
- 4.6 At the end of Quarter 2, the Committee was presented with progress on the review of the Risk Management Strategy and Handbook. Current documents were shared after the Quarter 3 risk monitoring report for consideration and to support the refresh of both documents. No comments were received from Committee Members and the refresh will therefore progress in line with the review completed at the end of December 2019. It should however be noted that due to the demands of Covid-19 this has been delayed. It is anticipated that both documents will be refreshed and presented alongside the quarter 2 risk monitoring report.

### **Public/stakeholder engagement**

- 5.1 The information presented in this report is based on updates from risk owners and has been informed by discussions with senior leaders at Directorate Leadership Meetings and Corporate Leadership Team. Challenge and scrutiny has been provided by the Corporate Risk Management Group.

### **Other options**

- 6.1 None.

### **Financial and value for money issues**

- 7.1 An effective risk management structure and robust strategic and operational processes are an integral part of our corporate governance plans. Improving our approach with regular monitoring and mitigation of risks will support a positive opinion for VFM from our external auditors in future years.

### **Legal implications**

- 8.1 None arising from this report.

### **Other significant implications**

- 9.1 Risks linked to significant implications for the Council are set out within the report.

This report has been approved by the following people:

<b>Role</b>	<b>Name</b>	<b>Date of sign-off</b>
<b>Legal</b>	Director of Legal, Procurement and Democratic Services and Monitoring Officer	13/07/2020
<b>Finance</b>	Director of Financial Services	13/07/2020
<b>Service Director(s)</b>		
<b>Report sponsor</b>	Service Director Policy, Insight and Communications	30/06/2020
<b>Other(s)</b>		

<b>Background papers:</b>	None
<b>List of appendices:</b>	Appendix 1 – Strategic Risk Register (2019/20 Q4)
	Appendix 2 – Risk Surgery Guidance
	Appendix 3 – Risk Assessment Guidance

### Risk Surgery Guidance

The purpose of this document is to provide a high-level guide to Derby City Council's Risk Surgeries.

#### What are Risk Surgeries?

Risk Surgeries are councillor led meetings on specific areas of risk that allow an open, honest and transparent challenge / conversation between councillors and colleagues.

Surgeries have a number of key objectives:

- to enhance the role of councillors and managers in understanding and managing risks
- to reinforce accountability of managers and staff in achieving good risk management
- to assess and mitigate strategic risks, resulting in action plan revisions, requests for more frequent updates, a shift in resources and additional support installed – or an acceptance that the level of risk can be tolerated
- to create ownership and accountability for risk management and organisational governance
- to brief / support Members on risk related issues.

#### Who attends Risk Surgeries?

Risk Surgeries are **led by the Chair of Audit and Accounts Committee** and **must** be attended by service leads (i.e. Accountable Officers) for the identified area of review. Additional invites will be circulated as follows:

- Cabinet Portfolio Holder
- Shadow Portfolio Holder
- Strategic and / or Service Director
- Partner organisation representatives
- Additional subject matter experts / advisors
- An appropriate representative from Policy and Insight
- An appropriate representative from Democratic Services.

#### Triggers for a Risk Surgery

As a Councillor led process the approval of items for review through a Risk Surgery **must be approved** through the Audit and Accounts Committee, which meet on a regular basis throughout the year.

The Audit and Accounts Committee will receive at least four strategic risk monitoring reports per year. In addition to this, Policy and Insight and Democratic Services may report on an ad hoc basis to the Board on emerging risks outside of the standard reporting cycle, seeking approval for a Surgery.

A number of factors will be considered when making recommendations for Surgeries...

- There has been limited progress on the implementation of mitigating actions, over at least two successive quarters
- There is a deteriorating direction of travel, with either increased likelihood / impact of the risk.
- There are significant or emerging likely impacts from a budget perspective, reputational view, or a failure to meet statutory requirements in the area of risk.
- Any 'linked risks' contained within supporting directorate and /or departmental risk registers have increased in likelihood and/or there has been limited progress with mitigation at this level.
- The risk has been considered by the Corporate Risk Management Group and is recommended for Surgery.
- There is a forecasted change in the context of the risk (i.e. national policy changes), which requires a review of the likelihood and impact; alongside a challenge on the effectiveness of any current controls.

Members of the Audit and Accounts Committee can also refer an item for a Surgery, which has not been identified through either a standard risk report or an ad hoc Officer led report, but which they feel is a risk from other items they consider in their standard business. Any Member recommendations must however hit at least two of the triggers set out above.

A Risk Surgery will be expected to last no more than 2 hours and will be scheduled at a time convenient to the Chair of Audit and Accounts Committee and Lead Director / Accountable Officer.

There will not be more than four Risk Surgeries in any 12-month period unless an area is identified that hits more than two triggers set out above and has also been subject to internal service review and intervention prior to a Surgery request. No area will be reviewed through a Surgery more than once in an 18-month period.

In exceptional circumstances a Risk Surgery may be hosted on a 'themed' basis to support the development of mitigation in emerging risk areas (i.e. in responding to external changes) or linked to a specific project.

## **Roles and responsibilities**

**Audit and Accounts Committee** – will approve / recommend items for review through a Risk Surgery. The Chair of the Committee (or nominated deputy) will chair Risk Surgeries. All members of the Committee will be invited to attend.

**Corporate Risk Management Group** – will recommend items for Surgery, as appropriate, and will support the Audit and Accounts Committee in the review of risks; with a focus on directorate and departmental risk registers.

**Democratic Services** – will schedule dates, coordinate room books, invites, agendas and actions agreed. They will also make sure that work plans incorporate update reports from service leads on items reviewed through Risk Surgeries (dates agreed at the Surgery).

**Policy and Insight** – will support preparations for Surgeries including the preparation of context information. They will also support the Audit and Accounts Committee on

challenging the progress that has been made in response to any actions agreed at Surgery, closing the loop on the process.

**Service Leads / Accountable Officers** - will contribute to the preparation of information to support the Surgery and will be responsible for presenting councillors with an action plan to review and challenge at the Surgery.

**Strategic Directors / Service Directors / Heads of Service** – must take strategic ownership for any areas within their portfolio referred to Surgery including; reviewing and approving support papers and prioritising attendance at the meeting.

### **What happens after a Risk Surgery?**

The Accountable Officer / Service Lead will be required to provide an update report to the Audit and Accounts Committee of progress being made, with the date of this agreed at the end of the Risk Surgery.



### Risk Assessment Guidance

Impact	Very High (4)	4	8	12	16	<div style="display: inline-block; width: 20px; height: 10px; background-color: red; border: 1px solid black; margin-bottom: 2px;"></div> 12-16 <div style="display: inline-block; width: 20px; height: 10px; background-color: orange; border: 1px solid black; margin-bottom: 2px;"></div> 6-9 <div style="display: inline-block; width: 20px; height: 10px; background-color: green; border: 1px solid black;"></div> 1 - 4 <b>Significant Risk</b> <b>Medium Risk</b> <b>Low Risk</b>
	High (3)	3	6	9	12	
	Medium (2)	2	4	6	8	
	Low (1)	1	2	3	4	
		Remote (1)	Possible (2)	Probable (3)	Highly Probable (4)	
		Likelihood				

Risk Likelihood Key				
	Remote	Possible	Probable	Highly probable
Certainty	Extremely unlikely	Fairly likely	More likely than not	Almost certain

Risk Impact Key				
	Low	Medium	High	Very High
<b>Compliance &amp; Regulation</b>	Minor breach of internal regulations, not reportable	Breach of internal regulations leading to disciplinary action Breach of external regulations, reportable	Significant breach of external regulations leading to intervention or sanctions	Major breach leading to suspension or discontinuation of business and services
<b>Financial</b>	Below £500,000	Between £500,000 and £1,000,000	Between £1,000,000 and £5,000,000	More than £5,000,000
<b>Operational Delivery</b>	Low level processes would need to be revised but the issue could be resolved	Significant work required by a team to repair operational systems	Significant work required by all levels to resolve the matter	Fundamental organisational changes would be needed
<b>Reputation</b>	Complaints from individuals / small number of stakeholders Low local media coverage	Broader based general dissatisfaction with the organisation Adverse local / national media coverage	Significant adverse national media coverage	Persistent adverse national media coverage
<b>Health &amp; Safety</b>	Minor Injury to employee or someone in DCC's care	Serious Injury to employee or someone in DCC's care	Fatality to employee or someone in DCC's care	Multiple fatalities to employees or individuals in DCC's care
<b>Strategic</b>	Limited impact on achieving organisational strategy	Would impact on the organisational objectives	Would require a significant shift from current strategy and objectives	Would require a fundamental change in strategy and objectives