



Derby City Council

AUDIT AND ACCOUNTS COMMITTEE
19 September 2018

Report of the Strategic Director of Corporate
Resources

ITEM 7

Risk Management Monitoring – Quarter 1

SUMMARY

- 1.1 Over the last six months there has been a significant amount of work undertaken to strengthen the Council's risk management arrangements. This report presents a summary of progress made to date and provides an updated strategic risk register for the period to 30 June 2018.
- 1.2 The report also includes proposals for the new Risk Surgeries, which can be commissioned by Audit and Accounts Committee to undertake a review of any specific risks on the strategic risk register. Surgeries will promote a better understanding of risks and improve challenge of strategic risk assessment and mitigation. It is proposed that the option to commission Risk Surgeries will commence from Quarter 2 monitoring (November 2018 onwards).

RECOMMENDATIONS

- 2.1 To note the improvements made to the Council's arrangements for risk management.
- 2.2 To review the Quarter 1 monitoring report on the Strategic Risk Register for the period to 30 June 2018, with particular focus on the mitigating actions being taken.
- 2.3 To approve the guidance for Risk Surgeries as shown in Appendix 3.

REASONS FOR RECOMMENDATIONS

- 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.
- 3.2 Risk management has previously been identified as an area for improvement by both External Audit and the Local Government Association as part of the Peer Review findings. Improvement in this area is a key action in the Council's Corporate Improvement Plan.

SUPPORTING INFORMATION

Risk Management Arrangements

- 4.1 In 2017, our LGA Corporate Peer Challenge Assessment identified that the governance that was in place around organisational risk management required investment and strengthening. The lack of an embedded risk framework also features in the 2016/17 and 2017/18 External Auditor's reports on their VFM Opinion.
- 4.2 As a result, Zurich (our main insurers at the time) was commissioned, in November 2017, to update our Risk Management Strategy and Policy, and to undertake an initial review of our strategic and directorate risk registers. Responsibility for risk management subsequently passed to our Performance and Intelligence Team in April 2018.
- 4.3 Presented below are the recommendations made by Zurich, at the end of March 2018, and a summary of the progress that has been made in addressing these.

Zurich recommendation	RAG Rating	Update on the actions that Performance and Intelligence have taken – September 2018
Creation of a Risk Management Team	On track	Risk Management will be undertaken by the Performance & Intelligence team. Two posts have been created (0.5 FTE from previous Risk post) including a Risk Improvement Officer and Risk Analyst. Funding was approved by Cabinet on 13 June. The Risk Analyst post has been successfully recruited to however the Risk Improvement Officer post is yet to go to advert.
Establishment of Corporate Risk Management Group (CRMG).	Completed	This group has been established chaired by the Strategic Director of Corporate Resources. The group is constituted at the right level (Head of Service and above) and has met a number of times. It commenced work on challenging registers and making recommendations to services and CLT for consideration. This is business as usual now.
Identification of Risk Champions within each directorate	Completed	Risk champions identified, who have all attended a CRMG now. Risk Champion 'job description' is in place.
Agreement on risk management platform to house risk information and move away from Excel spreadsheets.	On track	The Risk Management Analyst post has been recruited to, and work is on-going to review and challenge registers before the development of a scorecard on DORIS. Further work is however required to develop our system to be an effective risk monitoring tool.

Risk Management Training Programme – identify resource for continuing delivery of training to organisation departments.	On track	Once the posts have been recruited into Performance and Intelligence, a training programme will be agreed. Training and development needs are scheduled to be discussed at the next CRMG and Cabinet Members have been briefed on the latest Framework as part of performance briefings.
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Strategic Risk Register

- 4.4 In addition to taking action in response to the recommendations identified by Zurich, all risk registers (strategic, directorate and department) have been reviewed by the Policy and Improvement Team, to challenge and align the contents and scores (where appropriate).
- 4.5 The Strategic Risk Register has been fundamentally reviewed and refreshed and a summary is shown below, with more detail shown in **Appendix 2**. This may be subject to further changes given the review / alignment of directorate, department and project risks that is currently taking place. Regular review and amendments to the register is a sign of an effective Risk Management Framework developing, with the contents being actively monitored and refreshed.

Risk	Description	Lead Officer	Q4 Score	Q1 Score	DoT
SR1	Staffing – capacity, knowledge and skills	Don McLure	8	8	→
SR2	Senior Management restructure and interim arrangements	Carole Mills	6	6	→
SR3	Cyber Security	Andy Brammall	9	9	→
SR4	Delivering financial plans	Don McLure	8	8	→
SR5	Statutory Compliance and Property Health & Safety	Dinesh Kotecha	12	12	→
SR6	Delivering major capital projects	Christine Durrant	8	12	↘
SR7	Procurement and contract management	Don McLure	9	9	→
SR8	Data and records management.	Andy Brammall	6	6	→
SR9	Staff health and well-being	Don McLure	-	8	★
SR10	Managing demands in statutory social care services	Andy Smith	12	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

4.6 There are two new risks that have been escalated to the strategic risk register:

- Staff health and well-being – this is new to the strategic risk register for Quarter 1 2018/19 (recommended by the CRMG) and originated from the Communities and Place directorate register. This reflects the high levels of sickness absence in some areas and the wider impact on capacity / risks to service delivery. Significant work is taking place to improve the health and well-being of our colleagues, including a new strategy, comprehensive training for all managers and improved monitoring with targeted interventions in hotspots. Sickness absence levels are continuing to fall but this risk reflects the ongoing attention at Corporate Leadership Team and Directorate Management Teams that is required within this area.
- Managing demands in statutory social care services – this originated from the People Services directorate register. Risk and controls are well defined including ongoing consideration of budget issues at weekly DMTs, agreed Medium Term Financial Plan priorities in place and targeted meetings in high pressure areas (e.g. children in care placements).

4.7 The strategic risk on managing projects has been subject to review during Quarter 1. The risk has been re-defined as the delivery of major capital projects, with the score increased from 8 to 12 reflecting the high risks around projects including the A52 scheme, Sinfon Waste Plant and Clean Air Zone. A Programme Management Office is being introduced to supplement existing controls in place through the Programme Boards overseeing major schemes. There are regular financial reviews taking place as well as an investigation into the A52 scheme, where lessons will be learnt and further actions developed to help mitigate this risk.

Risk Surgeries

4.8 It was agreed at the last meeting that the Committee would explore the use of 'Risk Surgeries' to enable targeted review of a specific risk where they feel further challenge and reassurance is required. The draft guidance for Risk Surgeries is shown in **Appendix 3** for Committee consideration. It is proposed that the option of commissioning a Risk Surgery will commence from Quarter 2 monitoring (November 2018 onwards).

OTHER OPTIONS CONSIDERED

5.1 None.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	
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For more information contact:	Heather Greenan – Head of Performance and Intelligence 01332 643462
Background papers:	None
List of appendices:	Appendix 1 – Implications Appendix 2 – Strategic Risk Register (2018/19 Q1) Appendix 3 – Guidance on Risk Surgeries

IMPLICATIONS

Financial and Value for Money

- 1.1 The changes to risk management will cost £68,000 in 2018/19 and £48,000 in future years. This 2018/19 funding was approved by Cabinet on 13 June 2018. The future years' funding has been factored into the Medium Term Financial Plan.
- 1.2 The external auditors have highlighted deficiencies in risk management as part of their Audit Plan for 2017/18. An effective risk management structure and effective strategic and operational processes is an integral part of our corporate governance plans and improving our approach and monitoring / mitigation of risks will support a positive opinion for VFM from our external auditors in future years.

Legal

- 2.1 None arising from this report.

Personnel

- 3.1 None arising from this report.

IT

- 4.1 The Council's performance management tool, DORIS, will be reconfigured to support monitoring of the strategic, directorate and departmental risk registers.

Equalities Impact

- 5.1 None arising from this report.

Health and Safety

- 6.1 None arising from this report.

Environmental Sustainability

- 7.1 None arising from this report.

Property and Asset Management

- 8.1 Risks around the management and maintenance of council property are included in the strategic risk register with mitigating actions.

Risk Management and Safeguarding

- 9.1 A robust risk culture needs to exist within the Council, supported by a risk management framework that is embedded into all processes.

Corporate objectives and priorities for change

- 10.1 The Council's risk monitoring processes monitor the implementation of the Council Plan 2015-18 and the 8 priority outcomes which underpin our vision.

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 Performance and Intelligence
- 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, Performance and Intelligence 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).

Performance and Intelligence – 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.