

Risk Management Monitoring Report for the Period to 30 September 2019

Purpose

- 1.1 This report presents an updated Strategic Risk Register, for the period ending 30 September 2019, alongside proposed next steps for the review of our risk management arrangements.
- 1.2 There were a total of twelve risks in the Strategic Risk Register, as at end of quarter 2. The changes made from the position reported to Audit and Accounts at the end of quarter 4 (March 2019), are presented in paragraph 4.3 and 4.4. It should be noted, that of the risks contained within the register, seven (58%) are currently judged to be 'significant risks' (the guidance used to classify risks is presented in Appendix 3).
- 1.3 Following the quarter 4 monitoring report, there have been no risk surgeries. One surgery was agreed following the quarter 4 review (*Strategic R12 / C&P-R7 - Sinfon waste plant*), however following discussions between the Monitoring Officer and the Chair and Vice Chair of Audit and Accounts, it was agreed that this surgery would be put on hold, whilst work was on-going with delivering the mitigating actions for the risk.
- 1.4 A review of our Risk Management Strategy, Handbook and supporting risk registers will be completed by the end of March 2020.

Recommendations

- 2.1 To review the 2019/20 Quarter 2 Strategic Risk Register, for the period ending 30 September 2019; 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 no risks have been recommended for a Risk Surgery, whilst the risk framework is under review.

Reasons

- 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 their Peer Review findings in 2017. The need for improvement in this area was a key action in the

Council's Corporate Improvement Plan.

Supporting information

Strategic Risk Register

- 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	18/19 Q4 Score	19/20 Q1 Score	19/20 Q2 Score	DoT
SR1	Staffing – capacity, knowledge and skills	Nicola Sykes	12	12	12	
SR3	Cyber Security	Andy Brammall	9	9	9	
SR4	Delivering financial plans	Paul Simpson	8	12	12	
SR5	Statutory Compliance and Property Health & Safety	Dinesh Kotecha	12	12	12	
SR6	Delivering major capital projects	Heather Greenan	12	12	12	
SR7	Procurement and contract management	Paul Simpson	12	8	8	
SR8	Data and records management	Andy Brammall	9	9	9	
SR9	Staff health and well-being	Nicola Sykes	12	12	12	
SR10	Managing demands in statutory social care services	Andy Smith	12	16	16	
SR11	Impact of No-Deal BREXIT at a local level	Carole Mills	6	6	9	
SR12	Sinfin Waste Plant	Richard Antcliff	16	16	16	
SR13	Delivery of A52 Highway Scheme	Paul Simpson	16	8	6	

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 There have been three risks where we have increased risk scores, from the position reported to Audit and Accounts at the end of March 2019:
- **SR4 - Delivering financial plans:** the likelihood of this risk was increased at the end of June 2019, due to emerging 'in-year' budget pressures and the unaddressed savings shortfall that exists for future years. Whilst controls are well established, with strengthened MTFP processes, there remains a future funding gap, which is why this risk continues to be judged as 'significant'.
 - **SR10 - Managing demands in statutory social care services** – the likelihood of this risk was increased at the end of June 2019, as a result of continued high numbers of children in care, and the impact that this was placing on our budget (risk SR4). The review of our front-door social care services was also yet to be completed. Our Lean review has since been completed and new arrangements are to be introduced between October 2019 and December 2019. Our total number of children in care has also stabilised since the end of March 2019. Sufficiency remains a challenge which is why this risk continues to be evaluated as maximum score of '16'.
 - **SR11 - Impact of No-Deal BREXIT at a local level** – the likelihood of this risk has been increased, as part of the quarter 2 review, due to the national uncertainty around Brexit. To mitigate this risk we are having weekly meetings, business continuity plans have been updated and a communications plan is in place.
- 4.4 Two risks have been evaluated, with our risk ratings improving since the end of March 2019:
- **SR7 - Procurement and contract management:** the likelihood of this risk was reduced at the end of June 2019, due to the strengthening of our procurement processes and the increased awareness of the necessity for effective contract management through our developing Project Management Office.
 - **SR13 - Delivery of A52 Highway Scheme:** the likelihood of this risk was reduced at the end of June 2019, following a design freeze and validation of the construction process through a LEAN workshop. The latest project delivery confidence assessment for this area is 'Amber / Green'; as work remains on track and options are being considered to accelerate other areas of work, whilst managing any cost implications.

4.5 There have been no risks escalated to the Strategic Register over the latest reporting period.

4.6 It should be noted that the following risks are being reviewed and will be re-defined for the end of December 2019:

- **SR7 - Procurement and contract management:** this risk will be re-focused on contract management.
- **SR4 - Delivering financial plans:** this risk will be re-defined to reflect the short, medium and long-term 'likelihood' evaluations.
- **SR10 - Managing demands in statutory social care services:** the controls and actions for this risk will be reviewed to make sure that they address our sufficiency challenges, as a key control to managing the impacts of demand.
- **SR12 – Sinfon Waste Plant:** to be re-defined.

Our Risk Management Arrangements

4.7 Led by the Policy and Insight Team, the Corporate Risk Management Group will be undertaking a review of our Risk Management Strategy and supporting Handbook. This aim of this review is to make sure that both documents remain focused and relevant, supporting us to have an effective Risk Management Framework (i.e. strengthening our arrangements around risk assurance). As part of this review, there will be a Senior Leader's Risk Workshop planned, reviewing the Strategic Risk Register and supporting Directorate Risk Registers, with our Directors.

4.6 It is recommended that risk surgeries are put on hold, whilst colleagues focus on the review of the framework and supporting risk registers.

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:

Role	Name	Date of sign-off
Legal Finance Service Director(s)	Director of Legal, Procurement and Democratic Services and Monitoring Officer	25 October 2019
Report sponsor Other(s)	Strategic Director of Corporate Resources	29 October 2019

Background papers:	None
List of appendices:	Appendix 1 – Strategic Risk Register (2019/20 Q2) Appendix 2 – Risk Surgery Guidance Appendix 3 – Risk Assessment Guidance

APPENDIX 2

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) High (3) Medium (2) Low (1)	4	8	12	16	<table border="1"> <tr> <td>12-16</td> <td>Significant Risk</td> </tr> <tr> <td>6-9</td> <td>Medium Risk</td> </tr> <tr> <td>1-4</td> <td>Low Risk</td> </tr> </table>	12-16	Significant Risk	6-9	Medium Risk	1-4	Low Risk
	12-16	Significant Risk									
	6-9	Medium Risk									
	1-4	Low Risk									
3	6	9	12								
2	4	6	8								
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
Compliance & Regulation	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
Financial	Below £500,000	Between £500,000 and £1,000,000	Between £1,000,000 and £5,000,000	More than £5,000,000
Operational Delivery	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
Reputation	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
Health & Safety	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
Strategic	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