



Report sponsor: Don McLure – Strategic  
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## **Risk Management Monitoring Report for the Period to 31 March 2019**

### **Purpose**

- 1.1 Work has continued during the last quarter to strengthen the Council's risk management arrangements. This report presents a summary of the progress that has been made to date, and provides an updated Strategic Risk Register for the period ending 31 March 2019.
- 1.2 There were a total of twelve risks in the Strategic Risk Register, as at end of quarter 4. The changes made from the position reported at the end of quarter 3 (December 2018), are presented in paragraph 4.6. It should be noted, that of the risks contained within the register, eight (67%) are judged to be 'significant risks' (the guidance used to classify risks is presented in Appendix 3).
- 1.3 Following the quarter 3 monitoring report, there has been one Risk Surgery (SR7 – Procurement and Contract Management). The guidance for the selection of Surgeries is set out in Appendix 2, and possible areas for consideration are detailed in paragraph 4.7.

### **Recommendations**

- 2.1 To review the quarter 4 monitoring report on the Strategic Risk Register, for the period ending 31 March 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 4.4 to 4.6).
- 2.3 To note that there are four risks (4.7) that could be considered at a Risk Surgery, based on this latest edition of the Strategic Risk Register.

### **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

### 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 featured in the 2016/17 and 2017/18 External Auditor's reports on their Value for Money 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 the Performance and Intelligence Team in April 2018, and is now part of the Chief Executive's Corporate Core Team.
- 4.3 Presented below is a summary of the achievements that have been made over the last year, responding to Zurich's recommendations and strengthening our approach to risk management:
- The Risk Analyst post was successfully recruited to, and joined the team in September 2018.
  - Quarterly reporting of both Strategic and Directorate Risk Registers has been embedded; with regular reporting to Senior Leaders and Audit and Accounts Committee.
  - Analysis of key themes and issues from Department Risk Registers has been completed for both 2018/19 and 2019/20; to inform a wider understanding of current risks and to identify any areas for strategic consideration.
  - A Corporate Risk Management Group has been established and is now well-embedded, with Risk Champion roles developing.
  - Risk Surgery guidance was approved and two Risk Surgeries took place in 2018/19 (SR4 - Delivering Financial Plans and SR7 – Procurement and Contract Management).
  - Training was commissioned from Zurich and delivered to colleagues across the Council...
    - Risk management training focused on Project and Contract Management was delivered to Project Managers in December 2018.
    - Audit and Accounts Committee received risk management training in February 2019.
    - Cabinet completed risk training in April 2019.
    - Risk training for senior leaders and managers was completed in March 2019 and April 2019, with over 250 colleagues attending the four sessions.

### Strategic Risk Register

- 4.4 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.

Risk	Description	Lead Officer	Q3 Score	Q4 Score	DoT
SR1	Staffing – capacity, knowledge and skills	Nicola Sykes	12	12	→
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	Heather Greenan	12	12	→
SR7	Procurement and contract management	Don McLure	12	12	→
SR8	Data and records management	Andy Brammall	9	9	→
SR9	Staff health and well-being	Nicola Sykes	12	12	→
SR10	Managing demands in statutory social care services	Andy Smith	12	12	→
SR11	Impact of No-Deal BREXIT at a local level	Carole Mills	6	6	→
SR12	Sinfin Waste Plant	Richard Antcliff	12	16	↘
SR13	Delivery of A52 Highway Scheme	Don McLure	-	16	★

**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

- 4.5 Whist work remains on-going to manage our risks through targeted actions (there are twenty-one across all risks within the Register), alongside the maintenance of our established controls; there have been no changes in the rating of the risks within the Strategic Risk Register over the last reporting period. It should however be noted that, eight actions have now been completed; including four that are subsequently judged to be 'embedded controls'.
- 4.6 Two risks have been escalated to the Strategic Risk Register since the end of December 2018:
- **Sinfin Waste Plant:** The risk had previously been contained within Communities and Place Directorate Risk Register, and was rated 'red' with a score of 16. It was

recommended for escalation due to the potential financial implications of a high compensation payment should our contract with RRS (Derbyshire) Ltd be terminated in line with Cabinet resolution in April 2019.

- **Delivery of A52:** The risk had previously been within Communities and Place Directorate Risk Register, and was rated 'red' with a score of 16. It has been recommended for escalation due to a possibility of further financial and reputational damage with external stakeholders, if the scheme is delayed any more than it has been. The delivery is now being targeted for summer 2020. The original risk (now an issue) has been redefined to monitor the on-going issues.

## Risk Surgeries

- 4.7 There are a number of areas that could be considered by a Risk Surgery based on the criteria within the guidance (Appendix 2), however none of these are recommended for review at this point.

Risk	Risk surgery triggers	Recommendations
Staffing, capacity, skills and knowledge (SR1)	<ul style="list-style-type: none"> <li>- Risk is considered to be a 'significant' risk, and remains unchanged from Quarter 3.</li> <li>- Of the five mitigating actions in place, there has been 'some slippage' in two (including one improving from 'major slippage' since the end of December 2018, while the other was judged as 'on track' in December). One action is now a control.</li> </ul>	Whilst there has been some progress in this area the actions need to be re-focused onto skills, capacity and knowledge. It is therefore recommended that the risk is reviewed, and an updated position considered as part of the 2019/20 Quarter 1 Report.
Managing major capital projects (SR6)	<ul style="list-style-type: none"> <li>- Risk is considered to be a 'significant' risk, and remains unchanged from Quarter 3.</li> <li>- One control continues to be judged as 'not in place' and there has been 'some slippage' on 'the review of risk registers of high priority projects'. Three actions were completed, and a new action has been added.</li> </ul>	This risk is under monthly scrutiny by CLT, with the pace of improvement over the last year being significant. Analysis of project risks is underway in target areas. It is recommended that this area is considered at the end of Quarter 2 2019/20, to assess the impact of progress.
Staff Health and Wellbeing (SR9)	<ul style="list-style-type: none"> <li>- Risk is considered to be a 'significant' risk, and remains unchanged from Quarter 3.</li> <li>- Three controls continue to be judged as 'in place' and two actions continue to report 'some slippage' (including one action, which has improved from 'major slippage'). Two actions have been completed.</li> </ul>	This measure has been subject to regular scrutiny by Senior Leaders and Executive Scrutiny, including a Performance Surgery in 2018/19. No further review is recommended at this point, as it is unlikely to improve the performance output. A further review will be scheduled as part of the Executive Scrutiny Performance Plan for 2019/20.
Managing demands in statutory social	<ul style="list-style-type: none"> <li>- Risk is considered to be a 'significant' risk, and remains unchanged from Quarter 3.</li> </ul>	This area was considered by Ofsted in March 2019 as part of their Joint Targeted Area

care services (SR10)	- Eight controls remain in place, and two actions identified in Quarter 3 are 'on track'.	Inspection and whilst caseloads, and the impacts of high demand were considered, there were no priority actions for improvement. A local area approach to demand will support more effective management of risks in this area. Review is recommended after December 2019 (Quarter 3 2019/20), to assess the progress that has been made following the inspection.
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## 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 Funding for risk management was approved by Cabinet on 13 February 2019 and Full Council on 27 February 2019, as part of the 2019/20 Budget.
- 7.2 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 Policy, Insight & Communications	6 June 2019
Report sponsor	Strategic Director of Corporate Resources	7 June 2019
Other(s)		
Background papers:	None	

**List of appendices:**

Appendix 1 – Strategic Risk Register (2018/19 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
<b>Certainty</b>	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