Audit and Accounts Committee
5 February 2020

Report sponsor: Acting Chief Executive
Report author: Policy and Improvement
Manager

ITEM 9

Derby City Council

Risk Management Monitoring Report for the Period to 31 December 2019

Purpose

1.1 This report presents an updated Strategic Risk Register, for the period ending 31 December 2019, alongside an update on our proposed next steps for the review of our risk management arrangements.

1.2 There were a total of thirteen risks in the Strategic Risk Register, as at end of quarter 3. The changes made from the position reported to Audit and Accounts at the end of quarter 2 (September 2019), are presented in paragraphs 4.3 and 4.5. It should be noted, that of the risks contained within the register, five (38%) are currently judged to be 'significant risks', which is an improved position from that reported at the end of September 2019, when 58% or 7 of our 12 strategic risks were assessed as 'significant' (the guidance used to classify risks is presented in Appendix 3).

1.3 Following the quarter 2 monitoring report, there have been no risk surgeries. It was provisionally agreed at the last Audit and Accounts Committee that two surgeries would take place, subject to Q3 monitoring, for our risks on 'Sinfin Waste Plant' and 'CYP – Demand Management'. Both risks have been re-assessed and re-defined over the last quarter.

1.4 A review of our Risk Management Strategy, Handbook and supporting risk registers has commenced, with input from our Corporate Risk Management Group and Zurich, our Risk Management Consultants, with an update presented in paragraphs 4.6 to 4.8. It should be noted that the review will be on-going to the end of March 2020.

Recommendations

2.1 To review the 2019/20 Quarter 3 Strategic Risk Register, for the period ending 31 December 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 agree, how the Committee would like to proceed with the provisional risk surgeries identified at the end of quarter 2 for 'SR10 and SR14'.

2.3 To note the progress made to date on the review of the Risk Management Strategy and Handbook and to identify and agree any further comments for inclusion in the 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

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 Q2 Score	19/20 Q3 Score	DoT
SR1	Staffing – capacity, knowledge and skills	Nicola Sykes	12	9	↗
SR3	Cyber Security	Andy Brammall	9	12	↘
SR4	Delivering financial plans	Paul Simpson	12	Risk re-defined *(SR15 and SR16)*	N/A
SR5	Statutory Compliance and Property Health & Safety	Steve Caplan	12	12	⇨
SR6	Delivering major capital projects	Heather Greenan	12	8	↗
SR7	Procurement and contract management	Paul Simpson / Emily Feenan	8	8	⇨
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	16	16	⇨
SR11	Impact of No-Deal BREXIT at a local level	Paul Simpson	9	3	↗
SR12	Sinfin Waste Plant	Richard Antcliff	16	Risk re-defined *(SR14)*	N/A
SR13	Delivery of A52 Highway Scheme	Paul Simpson	6	Risk de-escalated	↗
SR14	Sinfin Waste Plant - Adverse outcome to estimated fair value determination	Rachel North	n/a – new *(replaces SR12)*	16	★

Risk	Description	Lead Officer	19/20 Q2 Score	19/20 Q3 Score	DoT
SR15	Medium Term Financial Planning - Changes in Government Funding frameworks	Simon Riley	n/a – new *(replaces SR4)*	6	★
SR16	Annual Budget - Delivery of the in-year budget	Simon Riley	n/a – new *(replaces S4)*	9	★
SR17	Failure of Local Authority and Local Area to make sufficient progress in SEND service	Pauline Anderson	n/a – new	8	★

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, there has been one risk where the overall risk rating score has been escalated.

- **SR3 - Cyber security** - **Vulnerability of the Council's IT estate to cyber-attacks** – this risk has been escalated following a re-assessment of 'impact' where the score has changed from 'high' to 'very high'. The likelihood does however remain unchanged. There are six controls in place for this risk and a further action is on-going.

4.4   Since September 2019, there are three risks where our risk scores have been reduced and one risk has been de-escalated from the Strategic Risk Register to be monitored at a Directorate level.

- **SR1 - Staffing – capacity, knowledge and skills** – the overall risk impact has been reduced in this area from four (very high) to three (high). The likelihood remains unchanged. It should be noted that there will be a deep-dive assessment of related risks in this area to further understand the strategic impact and likelihood, which will be used to re-define this risk over the next quarter. The review will reflect upon both service related risks, alongside those more cross-cutting risks reflected in our Directorate Risk Registers.

- **SR6 - Delivering major capital projects** - supporting our strengthened project management arrangements, the Senior Responsible Officer (SRO) health-check process is now in place. Two Project Manager Network events were held in December 2019, and progress is being made towards the achievement of the A52 audit recommendations. Noting that work remains on-going to deliver some of our priority projects currently assessed as either 'red' or 'amber/red', which are considered as individual risks, there has been sufficient progress to reduce the 'process' risk relating to our projects.

- **SR11 - Impact of No-Deal BREXIT at a local level -** the risk score has been reduced from 'nine' to 'three' over the last quarter, influenced by the national position and closing of 'Operation Yellowhammer'. The Brexit Working Group continues to meet monthly, and the focus of their work is now on any local implications for Derby. There was an update on Brexit at the January 2020 Manager's Conference, which included the Settlement Scheme.

- **SR13 - Delivery of A52 Highway Scheme** – progress continues to be made on the delivery of this project, and consequently the likelihood of non-delivery has reduced. As such, this risk has been de-escalated from the Strategic Risk Register to the Corporate Resources Risk Register. It will continue to be monitored by the Project Management Office and the Corporate Risk Management Group and updates on the project and any risks pertaining to it will be detailed within our consolidated performance report, which from 2019/20 includes both projects and strategic risks.

4.5 There have been four new risks added to the Strategic Risk Register over the last period, three of which replace previous strategic risks that have been re-defined and consequently removed from our register.

- **SR14 - Sinfin Waste Plant** - **Adverse outcome to estimated fair value determination** – this risk has been reviewed and re-defined, replacing the previous risk on Sinfin (SR12), which had become an issue rather than a risk.

- **SR15 - Medium Term Financial Planning - Changes in Government Funding frameworks and SR16 - Annual Budget - Delivery of the in-year budget** have replaced 'SR4 - Delivering financial plans', to make both the risks and controls more specific to our short-term and longer term positions.

- **SR17 - Failure of Local Authority and Local Area to make sufficient progress in SEND service** – following our local area inspection in June 2019, a Written Statement of Action was requested in response to five key areas for improvement. This plan was approved by the inspectorates in December 2019, however to ensure effective senior oversight with progress and consideration of the risks of non-delivery a new risk relating to this area has been added to the Strategic Risk Register. The local area will be re-inspected in 18 months' time, which is the period over which progress must have been made.

Our Risk Management Arrangements

4.6 Over the last three months there has been a desktop review completed of our Risk Management Strategy and Handbook, which have been in place since 2018. This has evidenced that whilst both documents require minor updates that our framework is supporting more effective risk management. Key areas identified for development include (it should be noted that not all these areas will require a change to the documents):

- There will be additional guidance on 'issues' versus 'risks'.

- Further information will be added on risk assurance, linking more with Internal Audit.

- We will include a Risk Opportunity matrix, in line with our developing risk culture, shaped by a review of our current risk appetite.

- There will be a review of our current risk surgery guidance, in the context of our developing culture and risk appetite.

- There will be a review of the role of our Risk Champions to; ensure we are getting the most out of these positions, that there is clarity for the role holders and that there is equity across our directorates in the support / input provided by these roles.

- Risk Management will be included in our Annual Report.

- There will be the inclusion of more case studies and examples within the documents, to support our risk owners in their analysis and treatment of risks.

- A guide to completing our registers will be added to the handbook, to support risk owners and ensure consistency of understanding.

4.7 To date, this review has been informed by our Policy and Insight Team, our Corporate Risk Management Group and Zurich, our Risk Consultant. There are opportunities for further input by Audit and Accounts Committee and there is also an internal audit of our risk framework on-going, which will further inform our next steps.

4.8 It should be noted that at the start of January 2020, a risk management workshop was hosted with our Corporate Leadership team, to inform the review of our current arrangements and more specifically to review the content of our Strategic Risk Register. This will inform the review of our strategic risks for quarter 4. Further training sessions with both Councillors and key colleagues are being planned for 2020.

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	Monitoring Officer	27 January 2020
Finance		
Service Director(s)	Service Director Policy, Insight and Communications	24 January 2020
Report sponsor	Acting CEO	27 January 2020
Other(s)		

Background papers:	None
List of appendices:	Appendix 1 – Strategic Risk Register (2019/20 Q3)
	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.
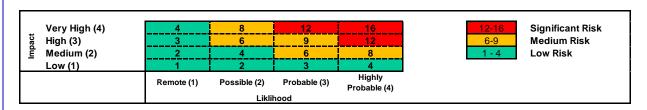
Strategic Directors / Service Directors / Heads of Service – must take strategic ownership for any areas within their portfolio referred to Surgery including; reviewing and approving support papers and prioritising attendance at the meeting.

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		Remote (1)	Possible (2)	Probable (3)	Highly Probable (4)
Very High (4)		4	8	12	16
High (3)		3	6	9	12
Medium (2)		2	4	6	8
Low (1)		1	2	3	4

Likelihood

12-16	Significant Risk
6-9	Medium Risk
1 - 4	Low Risk

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