Derby City Council

Report sponsor: Don McLure – Strategic Director of Corporate Resources
Report author: Sarah Walker – Policy & Improvement Manager

Risk Management Monitoring Report for the Period to 31 December 2018

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 made to date, and provides an updated strategic risk register for the period to 31 December 2018.

1.2 There are a total of eleven risks (to be reduced to ten) in the Strategic Risk Register, as at end of quarter 3, with changes made presented in paragraphs 4.7 and 4.8. It should be noted that of the risks contained within the register that five (45%) are judged to be 'significant risks' to the Council, with the guidance available for the risks ratings in Appendix 3.

1.3 Following the quarter 2 monitoring report, there has been one Risk Surgery (SR4 - Delivering financial plans). The guidance for the selection of Surgeries is set out in Appendix 2, and possible areas for consideration are detailed in paragraph 4.9.

Recommendations

2.1 To note the on-going improvements made to the Council's arrangements for risk management.

2.2 To review the quarter 3 monitoring report on the Strategic Risk Register, for the period to 31 December 2018, 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 4.8).

2.3 To note that there are four risks (4.9) that could be considered at a Risk Surgery, based on the latest edition of the Strategic Risk Register (Quarter 3).

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 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 and is now part of the Chief Executive's Corporate Core Team.

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 – January 2019
Creation of a Risk Management Team	**Some slippage**	Risk Management is now led by the Performance & Intelligence Team. Two posts have been identified (0.5 FTE from previous Risk post) – A Risk Improvement Officer and Risk Analyst. Funding was approved by Cabinet on 13 June 2018.
		The Risk Analyst post has been successfully recruited to, and joined the team in September 2018. This role is already making an impact on strengthening our monitoring arrangements for risk.
		The Risk Improvement Officer post is yet to go to advert, which is why the status of this action was changed from 'on track', to 'some slippage' at the end of quarter 2. It should however be noted that work continues to be progressed in the absence of this post, led by the Policy and Improvement Team.
		The focus of work in quarter 3 has been on supporting and challenging Directorate Risk Registers (quality and progress of controls and mitigating actions) and better linking our performance intelligence to risk management.
		During quarter 4, the team will be working with Service Directors, through business planning workshops, to update all Department Risk Registers. The completion of this task will further strengthen our overall risk framework.

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 ensuring effective risk registers are in place and challenging registers and making recommendations, where need be, 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 still however required to develop our system to be an effective risk monitoring tool, which will include reviewing and reflecting on the process of monitoring and developing the registers. Next steps will be agreed alongside the refresh of the Department Business Plans between January 2019 and March 2019
Risk Management Training Programme – identify resource for continuing delivery of training to organisation departments.	**On track**	The CRMG have agreed for training to be commissioned for all managers by the end of March 2019, and dates are to be confirmed. Audit & Accounts Committee and Cabinet will receive training on 6 February. A separate session focused on risks emerging from project and contract management took place in December 2018 attended by over 30 project managers.

Strategic Risk Register

4.4 The Strategic Risk Register continues to be reviewed and refreshed and a summary is shown below, with more detail shown in **Appendix 1** (Please refer to Appendix 3 for the risk assessment guidance). The contents of the strategic register is subject to further changes given the on-going review / alignment of directorate, department and project risks that will continue to 31 March 2019. Regular review and amendments to the register is however a sign of an effective Risk Management Framework developing, with the contents being actively monitored and refreshed.

Risk	Description	Lead Officer	Q2 Score	Q3 Score	DoT
SR1	Staffing – capacity, knowledge and skills	Nicola Sykes	12	12	➡
SR2	Senior Management restructure and interim arrangements	Nicola Sykes	4	4	➡

SR3	Cyber Security	Andy Brammall	9	9	→
SR4	Delivering financial plans	Don McLure	12	8	↗
SR5	Statutory Compliance and Property Health & Safety	Dinesh Kotecha	12	12	→
SR6	Delivering major capital projects	Christine Durrant	12	12	→
SR7	Procurement and contract management	Don McLure	12	12	→
SR8	Data and records management	Andy Brammall	6	9	↘
SR9	Staff health and well-being	Nicola Sykes	8	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	★

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 There have been two risks, which has deteriorated when compared with the quarter 2 positions i.e. the risk ratings have increased in quarter 3:

- **Data and records management (ref: SR8)**: The risk rating has been increased from '6', with a likelihood rating of 2 (possible) and impact rating of 3 (high) to '9', as the likelihood rating has increased to '3' (probable). The reason for this has been further robust challenge from the Risk Owner, Performance and Intelligence Team and the Corporate Risk Management Group; ensuring that the risk rating now more accurately reflects current challenges on the storage of information and shared drives.
"The current activity to review the Council records management arrangements are facilitating a much better understanding of the issues, allowing a greater understanding of the scale of risk, but equally a full understanding of what is required to move the Council forward - specifically by delivering a new Business Data Classification standard, Access Control arrangements and formal Records Management Policy".

- **Health and Wellbeing (ref: SR9)**: The risk rating has been increased from '8', with a likelihood rating of 2 (possible) and impact rating of 3 (high) to '12', as the likelihood rating has increased to '3' (probable). The reasons for this include:
  - The end of year sickness forecast has increased from the position reported at the end of quarter 2 (11.7 days) and is unlikely to hit the annual target (11.5 days).
  - Stress continues to account for over 26% of all sickness absences incidents.
  - Although 'return to work interviews' have improved slightly, over the last quarter, the latest position of 67.8% is adrift of the target of 90%; furthermore the general use of the First Care system also requires improvement.

Sickness and associated issues are required by Corporate Leadership each month, and it was following the review that the risk rating has been increased. Sickness absence and associated issues will be considered by Executive Scrutiny in February 2019, as part of their annual performance review programme.

4.6 There is one risk which has improved when compared with the quarter 2 position i.e. the risk ratings have decreased in quarter 3:

- **Delivering the Medium Term Financial Plan for the Authority (ref: SR4)**: The risk rating has been reduced to '8', with a likelihood rating of 2 (possible) and impact rating of 4 (very high). Significant progress has been made during quarter three to reach a balanced budget position for 2019/20, and the revised risk rating reflects the on-going work that is underway to identify sustainable solutions for future years. This risk was also discussed at a Risk Surgery on 14 January 2019; providing Audit and Accounts Committee with an opportunity to consider and challenge the work that is continuing.

4.7 One risk is going to be removed from the Strategic Risk Register, following updates in the controls and mitigations, as part of the quarter 3 review:

- **Senior Management restructure and interim arrangements (ref: SR2):** CLT have agreed to remove this risk from the Strategic Register, as the risk rating has reduced to '4' with the majority of Director Roles now in place. Recruitment is also underway for the final position. Any further changes in our senior management arrangements are considered to be 'business as usual', with any associated risks to be identified and reviewed through our Directorate Risk Registers.

4.8 A risk has been added to the Strategic Risk Register, based on national uncertainty in this area and a need to; plan, review and challenge our local responses to a possible 'no-deal' Brexit outcome:

- **Impact of No-Deal Brexit at a local level (ref: SR11) –** this is to reflect ongoing uncertainty at national level. Work is taking place with partners through the Local Resilience Forum to mitigate the impact of a No-Deal should that arise. The Council has also carried out an initial impact assessment of its services, with a review of business continuity plans underway.

Risk Surgeries

4.9 There are a number of areas, which could be considered by a Risk Surgery based on the criteria within the guidance (Appendix 2)

Risk	Risk surgery triggers	Recommendations
Staffing, capacity, skills and knowledge (SR1)	- Risk is considered to be a 'significant' risk, and remains unchanged from Q2 - Of the five mitigating actions in place, there has been 'some slippage' in one and 'major slippage' on two	Staff sickness is being considered by Executive Scrutiny in February 2019. Recommended that Audit and Accounts consider a Risk Surgery, if the quarter 4 position remains unchanged
Managing major capital projects (SR6)	- Risk is considered to be a 'significant' risk, and remains unchanged from Q2 - One control is no longer judged to be 'in place' and there has been 'some	For Audit and Accounts Committee discussion.

		slippage' on the implementation of Project Gateway processes	
Procurement and Contract Management (SR7)	-	Risk is considered to be a 'significant' risk, and remains unchanged from Q2	For Audit and Account Committee discussion – *recommended by Corporate Leadership Team.*
	-	Of the four actions proposed in 2018/19 there is 'major slippage' or 'minor slippage' on two due to capacity	
Managing demands in statutory social care services (SR10)	-	Risk is considered to be a 'significant' risk, and remains unchanged from Q2	Demand and social care thresholds are subject to regular review through Executive Scrutiny (November 2018) and CYP Overview and Scrutiny Board. Monthly Safeguarding Assurance meetings challenge appropriately progress on capacity and implications on budgets. No further actions recommended currently.
	-	All actions are now controls, with no new mitigations have been planned	

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 Department Management 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   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 and will be considered by Cabinet on 13 February and Full Council on 27 February 2019.

7.2   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 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	25/1/2019
Report sponsor	Strategic Director of Corporate Resources	28/1/2019
Other(s)		
Background papers:	None	
List of appendices:	Appendix 1 – Strategic Risk Register (2018/19 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 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.

Risk Assessment Guidance

Impact								
Very High (4)	4	8	12	16		12-16	**Significant Risk**
High (3)	3	6	9	12		6-9	**Medium Risk**
Medium (2)	2	4	6	8		1 - 4	**Low Risk**
Low (1)	1	2	3	4			
	Remote (1)	**Possible (2)**	**Probable (3)**	**Highly Probable (4)**			

Liklihood

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