AUDIT AND ACCOUNTS COMMITTEE
19 June 2018

ITEM 12

Report of the Strategic Director of Corporate Resources

Derby City Council

Risk Management Update

SUMMARY

1.1 Risk management has previously been identified as an area for improvement by both External Audit and the Local Government Association and features in the Council's Corporate Improvement Plan. In November 2017 Zurich were commissioned to support the Council to review its arrangements for risk management, including the provision of training for members and staff, and to update the risk management policy and registers.

1.2 This report presents a summary of progress made to date and identifies a number of further improvements the Council is making to embed risk management effectively.

1.3 The report also includes the latest Strategic Risk Register (up to March 2018) and proposes a programme of quarterly monitoring reports to Audit and Accounts Committee going forward.

RECOMMENDATIONS

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

2.2 To receive quarterly update reports on the Strategic Risk Register and where appropriate, to commission 'Risk Surgeries' to examine specific risks in more detail.

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.

Risk Management Arrangements

4.1   The Council commissioned Zurich Risk Engineering Strategic Consultancy in November 2017 to fulfil the role of the authority's Risk Management function on a secondment basis until March 2018.

4.2   A number of risk training workshops were carried out between January and March 2018 to promote greater understanding, identification and mitigation of risks. These involved the following stakeholders:

- Members - Audit and Accounts Committee and Cabinet.

- Directorate Management Teams - Communities and Place, People Services and Corporate Resources including all strategic and service directors.

- Services - Legal, CMAP - Internal Audit, Elections and Local Land Charges, Democratic Services, HR / Payroll, Highways and Streetpride.

4.3   Identified key risks have been agreed with key stakeholders and Directorate Management Teams and are recommended for inclusion on the new Strategic Risk Register.

4.4   In addition Zurich also reviewed the Council's Risk Management Strategy and Handbook (approved by Audit and Accounts in March 2018) and created the Risk Management 'Policy on a Page'.

4.5   Zurich made a number of recommendations for Derby to adopt going forward. Chief Officer Group have considered and agreed the following actions:

Zurich recommendation	Action taken
Creation of a Risk Management Team	Risk Management will be undertaken by the Performance & Intelligence team. Two posts will be created (0.5 FTE from previous Risk post) including a Risk Improvement Officer and Risk Analyst. Funding is subject to agreement by Cabinet on 13 June.
Establishment of Corporate Risk Management Group (CRMG).	This group has been established and met on 7 June 2018. Chaired by the Strategic Director of Corporate Resources, the group will bring key individuals together to drive forward risk management (for example, insurance, performance, health and safety, emergency planning, social care). The group will meet quarterly, has an agreed terms of reference and forward plan.
Identification of Risk Champions within each directorate	Five risk champions have been nominated and invited to the Corporate Risk Management Group.

Agreement on risk management platform to house risk information and move away from Excel spreadsheets.	Risks will be monitored on DORIS, the Council's performance management tool. The system is already in place but does require some configuration. Cabinet have been asked for £5,000 to enable this work to take place. It is expected DORIS will be used from quarter 2 onwards.
Risk Management Training Programme – identify resource for continuing delivery of training to organisation departments.	Once the posts have been recruited in Performance and Intelligence, a training programme will be agreed. We may commission external resource to support delivery of the training as well as quality assure the overall arrangements in place for risk management. Funding has been set aside for this purpose (£15,000).

4.6   The actions listed above will provide the basis for a more robust approach to risk management going forward. Risk registers at all levels have been subject to refresh – primarily strategic, directorate and departmental. Further work is being undertaken to align these risks and challenge scoring and mitigation of risk through the Corporate Risk Management Group. The identification and monitoring of project risks will also be included in this exercise. Monitoring of risks will be integrated into the performance management timetable and linked with financial monitoring.

Strategic Risk Register

4.7   The Strategic Risk Register has been fundamentally reviewed and refreshed (as at the end of March 2018). A summary is shown below and more detail is shown in **Appendix 2**. This may be subject to change given the review / alignment of directorate, department and project risks that is currently taking place.

Ref.	Risk	Owner	Score	Direction of Travel
SR1	Staffing – capacity, knowledge and skills	Don McLure	8	★
SR2	Senior Management restructure and interim arrangements	Christine Durrant	6	★
SR3	Cyber Security	Jill Craig	9	★
SR4	Delivering financial plans	Don McLure	8	★
SR5	Statutory Compliance and Property Health & Safety	Dinesh Kotecha	12	★
SR6	Project Management	Mags Young	9	★
SR7	Procurement and contract management	Don McLure	9	★
SR8	Data and records management.	Jill Craig	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

4.8   Going forward, it is proposed that Audit and Accounts Committee will receive quarterly reports on the strategic risk register to enable oversight and challenge of the way the Council is managing risks:

- Quarter 1 – September 2018
- Quarter 2 – November 2018
- Quarter 3 – February 2019
- Quarter 4 – June 2019.

4.9   Further to the risk monitoring reports, it is suggested that the Committee could recommend 'Risk Surgeries' to enable a deep dive on a specific risk where they feel further reassurance is required. Further guidance will be included in the next risk management update in September 2018 as to how this could work in practice.

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)**	

For more information contact:	Heather Greenan – Head of Performance and Intelligence 01332 643462
Background papers: **List of appendices:**	None Appendix 1 – Implications Appendix 2 – Strategic Risk Register (2017/18 Q4)

IMPLICATIONS

Financial and Value for Money

1.1   The proposed changes to risk management will cost £68,000 in 2018/19 and £48,000 in future years. This funding has been requested through Cabinet on 13 June 2018.

1.2   The external auditors have highlighted deficiencies in risk management as part of their Audit Plan for 2017/18. Improving our approach and monitoring / mitigation of risks will support a positive opinion for VFM 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

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

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

REF	RISK TITLE & DESCRIPTION (a line break - press alt & return - must be entered after the risk title)	RISK CAUSE	RISK EFFECT	RISK LEVEL	Inherent Risk Rating (See next tab for guidance)			CONTROLS IN PLACE TO MITIGATE THE RISK	Risk Rating after mitigations (See next tab for guidance)			FURTHER ACTION REQUIRED	RISK OWNER
					LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING		
SR1	**Staffing – capacity, skills and knowledge Increasing demands on existing resources**	Budget restrictions have seen services workforce shrink without proportional reduction in demands, increases expectation on remaining staff with more responsibilities and reliance on good will of staff.	Increased stress levels, increased staff sickness, reliance on temporary staff, increased costs, increased mistakes, reduction in morale, service delivery failure, external sanctions and fines.	Strategic	3	4	12	Management controls across the organisation to review staff stress levels and identify concerns prior to sickness becoming apparent. Ability to recruit temporary staff in the event of high demand, subject to funding availability.	2	4	8	Strategic decision making through MTFP recognising pressures where appropriate. Greater consideration to understand effects of decisions - planning of future for authority. Training for all managers on health and well-being approaches and stress management.	Don McLure
SR2	**Senior Management Structure Changes in structure lead to uncertainty**	Significant number of management positions either vacant or covered on interim basis leads to uncertainty of direction of travel or decision making.	Reduced morale and motivation amongst staff, lack of clarity and uncertainty over long term position and direction of authority.	Strategic	3	4	12	Interim post holders in place. New structure being implemented with increased pace Maintaining BAU where possible with key decisions taken by Chief Officer Group position holders as appropriate	2	3	6	Monitor effect of uncertainty on staff morale, clear and consistent messages continue to be shared with staff and structure changes.	Christine Durrant
SR3	**Cyber security**	Historic lack of investment in IT; failure and/or unwillingness to maintain systems at most current release and constantly	Increased potential of cyber incident leading to significant business disruption and potential data corruption. Potential fines from the ICO and reputational damage.	Strategic	3	4	12	Perimeter security - firewalls etc. Anti-malware software. PC patching programme. Incident response procedures. New	3	3	9	Continual monitoring and refinement of defences and response arrangement. Strategic involvement in budget priorities for cyber protection.	Jill Craig

		changing threat landscape.						post of IT Security Officer. Prioritising system upgrades where budget available. Compulsory cyber security training.					
SR4	**MTFP Financial plans for the authority**	Budget restrictions require proportionate consideration of future allocations to ensure delivery of services or a reduction or cessation of non-statutory services	Failure to strategically plan long term finances exposes potential for unidentified expenditure adding additional pressure on financial structure and jeopardising the financial sustainability of the council. Financial plans are too short sighted with limited consideration for longer term impacts of decisions being made with primary focus on election cycle within Derby and supporting projects with perceived greater impact for the city.	Strategic	3	4	12	Senior officers taking ownership of MTFP, working with departments to fully understand budget position to ensure complete planning and ongoing monitoring. Also senior officers understanding implications for Council and need for MTFP to be adhered to.	2	4	8	Continued monitoring of plan development and changing circumstances and effect on budget and timely feedback	Don McLure
SR5	**Statutory Compliance and Property Health & Safety**	Lack of capacity and resources to maintain and manage our land, building and facilities Failure to operate safe systems for the use and occupation of buildings, including management of events	Council will be in breach of statutory obligations and duty of care by compromising health and safety of people. May result in injuries/loss of life, disruption to service provision and damage to property assets.	Strategic	4	4	16	Health & Safety/ compliance assurance now firmly embedded as a key objective in Property Team's Business Plan. A Buildings maintenance programme is in place supported by asset surveys to limit likelihood and potential of incidents occurring as a result of unidentified H&S issues.	3	4	12	A Property Compliance Improvement Plan will be developed by September 2018 to refocus responsibility and resources within the newly integrated Property Department. The Improvement Plan will include a review and development of policies and guidance for all services and teams responsible for operating buildings and managing events. In addition it is proposed to streamline procedures to make it easier for responsible officers to assess risks, implement mitigations and evidence compliance. The target is to achieve overall assurance by the end of	Dinesh Kotecha

												this financial year with the risk rating reduced to 8.	
SR6	**Managing projects effectively to ensure delivery of agreed objectives and budgets**	Variable approaches across the Council in managing projects. High number of projects currently underway requires significant management and governance resource. Resources and timescales associated with bids for project funding can lead to insufficient due diligence leaving the project vulnerable to cost overruns and programme delays.	Delay to delivery of projects, overspend and increasing pressure on council reserves, reputational damage for failure to deliver projects, political pressure from members	Strategic	4	4	16	Projects allocated to staff with experience and knowledge of Prince management techniques, all projects sponsored by senior director and regular updates with members to ensure accurate and complete position of project delivery is understood and monitored Project Gateway process being piloted which a) achieves corporate prioritisation of projects and b) ensures consistent approach to approving projects.	3	3	9	Review of projects currently being undertaken with agreement of criteria for major projects. Consideration of potential Project Management Office.	Mags Young
SR7	**Procurement and ongoing management of service delivery contracts**	Lack of training and capacity to ensure those responsible for contract scoping, procurement and management are suitably confident and experienced to proactively manage / monitor delivery.	Reputational damage if service standard drops, financial penalties if contract management processes found to be inadequate, increased stress / sickness of staff, failure of contract, failure of service delivery, failure of statutory duties, council placed in special measures	Strategic	4	4	16	All contracts are issued with support and assistance from procurement, management passed onto service client team with oversight at board level from strategic sponsor. Additional investment in procurement team. Change to contract procedure rules to enable greater focus on high value contracts / category management.	3	3	9	Training staff in contract risk management skills should be considered to further mitigate this risk; Further development of strategic contracts library.	Don McLure

SR8	**Data and records management**	No corporate records management framework. Poorly defined processes. Historic lack of investment in system controls including user access.	Inefficiencies from time taken finding material. Incomplete records. Data from systems used to support decision making may not be robust. High levels of data breaches. Potential fines from the ICO and reputational damage.	Strategic	3	3	9	Audits of key systems. Management and data quality groups in place for nominated systems. Robust data breach reporting and follow through. New security posts in IT division.	2	3	6	Secure records management expertise to support a review of existing arrangements starting with the OpenText installation.	Jill Craig