



Derby City Council

AUDIT AND ACCOUNTS COMMITTEE
7 November 2018

Report of the Strategic Director of Corporate
Resources

ITEM 09

Risk Management Monitoring Report – Quarter Two

SUMMARY

- 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 30 September 2018.
- 1.2 Proposals for Risk Surgeries were approved at the September 2018 meeting; these can now be commissioned by Audit and Accounts Committee on any of the risks in the strategic register. Surgeries will promote a better understanding of risks, improving challenge on our strategic risk assessment and mitigation arrangements. To support in the identification of risks for surgery the approved guidance is available at Appendix 3, there are however no recommended risks for consideration as part of this report.

RECOMMENDATIONS

- 2.1 To note the improvements made to the Council's arrangements for risk management.
- 2.2 To review the Quarter 2 monitoring report on the Strategic Risk Register for the period to 30 September 2018, with particular focus on the mitigating actions being taken.
- 2.3 To note that there are no risks recommended for consideration, at a Risk Surgery, based on the latest edition of the Strategic Risk Register (Quarter 2).

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.
- 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.
- 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 – October 2018
Creation of a Risk Management Team	Some slippage	<p>Risk Management will be undertaken by the Performance & Intelligence team. Two posts have been created (0.5 FTE from previous Risk post) including a Risk Improvement Officer and Risk Analyst. Funding was approved by Cabinet on 13 June.</p> <p>The Risk Analyst post has been successfully recruited to, and joined the team in September 2018.</p> <p>The Risk Improvement Officer post is yet to go to advert, which is why the status of this action has changed from 'on track', to 'some slippage'. It should however be noted that work continues to be progressed in the absence of this post, led by the Policy and Improvement Team.</p>
Establishment of Corporate Risk Management Group (CRMG).	Completed	<p>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 challenging registers and making recommendations to services and CLT for consideration. This is business as usual now.</p>
Identification of Risk Champions within each directorate	Completed	<p>Risk champions identified, who have all attended a CRMG now.</p> <p>Risk Champion 'job description' is in place.</p>

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 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.
Risk Management Training Programme – identify resource for continuing delivery of training to organisation departments.	On track	Training proposals will be considered at the next Corporate Risk Management Group, with the aim to commence training from January 2019 onwards. This is in line with original timescales.

Strategic Risk Register

- 4.4 In addition to taking action in response to the recommendations identified by Zurich, all risk registers (strategic, directorate and department) have been reviewed by the Policy and Improvement Team, to challenge and align the contents and scores (where appropriate). In October 2018, the Corporate Risk Management Group considered a summary of themes from the department risk registers to support in evaluating and challenging the latest edition of the Strategic Risk Register.
- 4.5 The Strategic Risk Register continues to be reviewed and refreshed and a summary is shown below, with more detail shown in **Appendix 2** (Please refer to Appendix 4 for the risk assessment guidance). The contents of the strategic register will be subject to further changes given the on-going review / alignment of directorate, department and project risks that will continue to the end of 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	Q1 Score	Q2 Score	DoT
SR1	Staffing – capacity, knowledge and skills	Nicola Sykes	8	12	
SR2	Senior Management restructure and interim arrangements	Nicola Sykes	6	4	
SR3	Cyber Security	Andy Brammall	9	9	
SR4	Delivering financial plans	Don McLure	8	12	
SR5	Statutory Compliance and Property Health & Safety	Dinesh Kotecha	12	12	
SR6	Delivering major capital projects	Christine Durrant	12	12	
SR7	Procurement and contract	Don McLure	9	12	

	management				
SR8	Data and records management	Andy Brammall	6	6	➡
SR9	Staff health and well-being	Nicola Sykes	8	8	➡
SR10	Managing demands in statutory social care services	Andy Smith	12	12	➡

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

4.6 There are three risks which have deteriorated compared to Quarter 1 i.e. the risk ratings have increased in Quarter 2 as compared with Quarter 1. These risks (along with the reasons for this change) are listed below:

- **Staffing – capacity, knowledge and skills (ref: SR1):** The risk score has increased to 12 (significant) in Quarter 2, going up from 8 (medium) as assessed in Quarter 1. The likelihood of the risk has been upgraded to probable (replacing the “possible” assessment of Quarter 1) as not enough resources could be allocated to complete hot spot analysis. Themed analysis of the departmental risk registers also confirmed that this is the most frequently identified risk area across all departments.
- **Delivering financial plans (ref: RS4):** The risk score has increased to 12 (significant) in Quarter 2, going up from 8 (medium) as assessed in Quarter 1. The likelihood of the risk has been upgraded to reflect slippage on the MTFP timetable and the significant gap that remains to balance the Council's budget. The first set of budget proposals, predominantly impacting on People Services, was taken to Cabinet on 24 October with a further set of proposals due to be presented in December 2018. The timetable has been reconfigured to enable more discussion between CLT and Cabinet to achieve this deadline.
- **Procurement and contract management (ref: SR7):** The risk score has increased to 12 (significant) in Quarter 2, going up from 9 (medium) as assessed in Quarter 1. The likelihood of the risk has been upgraded to “highly probable” (replacing the “probable” assessment of Quarter 1), due to an increase in the backlog of work, which is itself a result of the high levels of project work currently on-going, alongside staff holidays/vacancies.

4.7 There is one risk which has improved compared to the Quarter 1 i.e. the risk ratings have decreased in Quarter 2 as compared with Quarter 1. The risk (along with a reason for this change) is listed below:

- **Senior Management restructure and interim arrangements (ref: SR2):** The risk score has decreased to 2 (low) in Quarter 2, down from 6 (medium) as assessed at the end of Quarter 1. The likelihood, as well as the impact of the risk have been

downgraded to “remote” and “medium” respectively (replacing the “possible” likelihood and “high” impact risk assessment of Quarter 1). This is a result of the interim posts being progressively replaced with permanent roles, with the final permanent Service Director recruitment underway.

Risk Surgeries

- 4.8 It was agreed at the last meeting that the Committee would commission 'Risk Surgeries' to enable targeted reviews of specific risks, where they feel further challenge and reassurance is required. Based on the approved guidance and criteria for the identification of risks for surgery (Appendix 3), there are no recommendations as part of this report.

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: Background papers: List of appendices:	Heather Greenan – Head of Performance and Intelligence 01332 643462 None Appendix 1 – Implications Appendix 2 – Strategic Risk Register (2018/19 Q2) Appendix 3 – Risk Surgery Guidance Appendix 4 – Risk Assessment Guidance

IMPLICATIONS

Financial and Value for Money

- 1.1 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.
- 1.2 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

- 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 and Safeguarding

- 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

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

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	<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	Significant Risk Medium Risk Low Risk
	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
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