

**North East Derbyshire District Council**

**Cabinet**

**11 June 2014**

**Risk Management Update, Partnership Working and Strategic Risk Register**

**Report No: PRK/14/14/BM of Councillor P R Kerry Portfolio Holder with  
Responsibility for Economy, Finance and Regeneration**

This report is public

**Purpose of the Report**

- To update Members concerning the current position regarding Risk Management and to seek approval for the revised Strategic Risk Register as at 31 March 2014, as part of the suite of Finance, Performance and Risk reports.
- To update Members regarding the arrangements which are currently in place to manage partnership arrangements including the associated risk.

**1 Report Details**

**Background**

- 1.1 The Council has a well established framework and approach to Risk Management which features a Risk Management Strategy supported by a Risk Management Toolkit both of which are available on the Council's website.
- 1.2 In its approach to Risk Management the Council is seeking to secure a number of objectives and to operate in line with recognised best practice. In order to appreciate the importance of Risk Management it is useful to reiterate these objectives:
  - To improve the way in which the Council manages its key risks so as to reduce the likelihood of them happening, and to mitigate their impact or magnitude in those cases where they do materialise. This is a key element in protecting service delivery arrangements, the financial position and the reputation of the Council.
  - To strengthen the overall managerial approach of the Council. From a Governance perspective the effective operation of Risk Management is regarded as being a key element of the managerial framework operating within an authority.

- Effective Risk Management is a key component in ensuring that organisations are able to achieve their objectives, and that key projects proceed in line with plan.
- The identification of the risks attached to existing service delivery, or to a project or new initiative is important both to allow a fully informed decision to be made, and ensure that all appropriate measures to mitigate (or reduce) the risk are in place from the outset.
- Finally, an appreciation of the risk environment within which the Council operates assists in determining an appropriate level of financial reserves for sound financial management, and ensures that the organisation has a better awareness of its overall risk exposure.

### **The Strategic Risk Register**

- 1.3 The revised Strategic Risk Register as at 31 March 2014 is set out in **Appendix 1** for consideration and approval by Cabinet. The intention is that this quarterly review of the Register will secure the following objectives:
- Identify any newly emerging risks which need to be added to the Register and removing any risks that have been resolved to maintain a focus on current risks.
  - Revising the Risk Register ensures that existing risks are reviewed, that appropriate mitigation remains in place, and where necessary the assessment is revisited.
- 1.4 The standard quarterly review of the Strategic Risk Register consists of three main pieces of work. Firstly, all Service Plans incorporate a Risk Register concerning that service. Consideration is then given to the issue of whether issues identified in Service Risk Registers should be incorporated into the Council's Strategic Risk Register. Secondly, Risk Management is integral to the work that is undertaken on a quarterly basis at Directorate level to bring together Performance Finance and Risk. Both Strategic and Directorate risks are explicitly considered at these meetings. Finally, the revised Strategic Risk Register has been subject to comment and the agreement of service managers, Portfolio Members, the Audit and Governance Committee and the Strategic Alliance Management Team.
- 1.5 As part of the quarterly performance, finance and risk meetings two themes were identified as being of increased importance in the Council's risk profile. The first of these was that the ongoing drive to safeguard the Council's financial position whilst protecting levels of service to the public may overstretch the Council's managerial capacity. This is illustrated by reference to Strategic Risk 3 which outlines some of the major initiatives currently being pursued by the Council. Many of these projects are both time consuming and require specialist skills. Secondly, at the Quarterly Performance meeting officers did express the concern that an operational risk such as the loss of a planning appeal, or the need to undertake remedial work to the work undertaken as part of the asset refurbishment programme could escalate into a Strategic Risk with significant financial implications for the Council. The net risk

attributed to Strategic Risk 5 has been increased to reflect the concerns that have been raised.

1.6 The Strategic Risk Register as set out in **Appendix 1** is structured so that those risks with the highest gross score (before mitigating action is put in place) are detailed first. As would be expected, there are some revisions proposed to the previously approved Strategic Risk Register (as at 31 December 2013). The main changes are that the risk around not realising the opportunities presented by the Strategic Alliance has been incorporated into Risk 7 which concerns Partnership Working. Likewise the risk of a lack of Strategic Direction from Members / Senior Management has been incorporated into Risk 2 which now covers the failure of the Council to respond effectively to change brought about by developments external to the Council (eg central government initiatives). The main issues which are continuing to impact upon the development of the Strategic Risk Register may be summarised as follows:

- The Council continues to face a significant level of risk in respect of the impact of adverse external financial circumstances. Given the wider national economic situation this is a risk which continues to evolve. In addition Members should note that one of the mitigating strategies which has been adopted in order to address this risk is to increase the level of locally generated funding through an income strategy and the growth agenda. While the Council has been successful in this approach it does need to be recognised that local income streams can prove volatile and there is therefore a clear element of risk in adopting this strategy. Although the wider economic position and the impact of the Comprehensive Spending Review continues to place pressure on the Council's financial position the Council is managing within its approved budgets, and has secured gradual increases in its level of financial reserves.
- A key risk that continues to feature on the Strategic Risk Register relates to the requirement to achieve a balanced budget, and to protect the level of the Council's financial reserves which in the view of the Chief Financial Officer remain at just above minimum levels. To date the measures implemented to manage the Council's financial position have proved to be relatively successful. In particular budgets have been effectively managed which has secured an increased level of balances for all of the Council's main financial accounts. Approved Budgets in respect of 2013/14 and 2014/15 have been further reduced leading to a position where the Council has less scope to cover in year budget pressures that may arise. Over the three year period of the current MTFP the Council has a target to identify £1.8m of financial savings. The localised financial regimes of Non Domestic Rates, New Homes Bonus and Localisation of Council Tax Benefits have also shifted financial risk from central to local government.
- In addition to the direct impact upon the Council's financial position of public expenditure reductions it needs to be recognised that the Council has a clear role as a community leader, which may stretch both its operational and its financial capacity as the needs of our local communities evolve. Alongside the direct impact of the reductions in Government grant the Council may well be impacted upon by welfare reform, housing reforms and other Government initiatives. Cabinet will be aware that we are working with our partners in order

to promote a growth agenda for the local area. Action taken so far has included arrangements to facilitate prompt payment for small businesses, working with Rykneld Homes our Housing ALMO to maximise funding for refurbishment work on our housing stock, pursuing the Council's economic development initiatives including active Membership of the Sheffield City Region together with a number of measures to promote financial inclusion including support for the local Credit Union.

- A related risk to the requirement to secure efficiencies is that the drive to secure financial efficiencies has necessitated reductions in the number of staff employed by the Council. This clearly has a potential impact upon both the ability to deliver services, while it may disrupt the Council's internal control arrangements. In developing proposals for efficiency savings SAMT has consciously addressed this risk, and has sought to minimise it. It needs, however, to be recognised that the freezing of a number of vacant posts together with the redundancies which have already been implemented has reduced the Council's employee numbers by some 20%. Recent Strategic Alliance Management restructures have further reduced senior managerial capacity. It will clearly be difficult to continue to manage the position without an impact on some areas of service, and the potential for an increased level of demand being placed upon the remaining workforce may result in adverse outcomes such as increasing levels of sickness, or staff leaving for positions outside the authority. There remains a concern that while services have minimised the impact on service delivery of the efficiency measures introduced over the last 3 years, that significant capacity has been removed from the Council which would make it difficult to maintain services should key individual members of staff not be available. This is a risk that will continue to require appropriate management through the Council's performance management framework.

- 1.7 In overall terms a key element which emerges from the Strategic Risk Register is one of an ongoing requirement to maintain our current performance in respect of service delivery, performance and governance. The current position, however, needs to be maintained at a time when it will be necessary to continue to manage the Council's finances in a pro active way in order to ensure that our expenditure remains in line with the level of our resources and that the level of our financial balances are maintained. While, the Council has delivered a comprehensive programme of change over recent years, there remain a number of significant issues where continued progress is necessary if the Council is to better secure the outcomes sought by our local residents. The initiatives necessary to secure continued improvement all bring with them risks which need to be effectively managed, and the Council's Risk Management framework should assist in ensuring that these risks continue to be addressed.

### **Issues for Consideration - Partnership Arrangements**

- 1.8 While increased reliance is now placed upon partnership arrangements by local authorities these arrangements have a range of associated risks including potentially financial (unbudgeted costs), operational (failure of the partnership to provide an agreed service), and reputational where the failings of one of our partners reflects badly on the perception of the Council and its overall competence. In particular we have made efforts to put in place processes which ensure that the

risks identified by our key partners are fully considered against the Council's own Strategic Risk Register. While there are clear risks associated with our involvement in partnership working it is clear from the previous sections of this report that the Council is increasingly reliant upon Partnership working in order to achieve its agreed priorities for local residents.

- 1.9 Previously the Council has agreed that it would designate Rykneld Homes, Sheffield City Region, and our Joint Service arrangements with Bolsover, Chesterfield and Derbyshire Dales as being our significant partnerships. The current position in respect of these significant partnership relationships is outlined in the following paragraphs.
- 1.10 The relationship with Rykneld Homes is governed by a robust set of Partnership arrangements including the Management Agreement which was drawn up by external solicitors in line with the arrangements which are used nationally between local authorities and their ALMO's. This is supported by formal reporting procedures back to this Cabinet in respect of both performance and financial issues which will enable the Council to effectively monitor both progress and risk. The working relationship which has been established with Rykneld Homes is a positive one, and Government funding remains in place for 2014/15. Given that Rykneld Homes is operating what is the Council's largest service, and is responsible for delivering a Programme of some £60m to refurbish the Council's Housing stock, the success of Rykneld Homes is crucial to the Council to local residents and the economic prosperity of the District. Given this position the Council continues to work closely with Rykneld Homes in order to achieve the shared goals of both organisations.
- 1.11 Council Officers have considered the Risk Management arrangements in place with Rykneld Homes in the light of good practice. Given that Rykneld Homes operates a Risk Management Framework which is in line with that of best practice including formal quarterly reporting to its Board, that Risk Management is a standing item on the Operational Management Group Agenda, and that the Company's Risk Management framework is subject to internal audit officers are of the view that reliance can be placed upon these arrangements.
- 1.12 In February 2011 the Council formally entered into a Strategic Alliance with Bolsover District Council a neighbouring local authority. This arrangement is a key partnership for the Council. One of the key objectives of this Alliance is to preserve and enhance the quality of services to local residents against the background of progressively tighter financial settlements. While the Strategic Alliance is in part a mechanism for cost savings it is also intended to help secure greater resilience for our services by operating services on a joint basis with another local authority. In this sense given the extent of the financial savings and service reductions which will be necessary as a result of the CSR the entering into the Strategic Alliance is a key element of risk mitigation, which should serve to assist in managing the risks which both authorities face.
- 1.13 Although the Strategic Alliance is a key element of the Council's Strategic Risk mitigation it needs to be recognised that it has and may continue to require fundamental changes in the Council's management structures and working arrangements which will inevitably significantly impact upon existing internal control arrangements. While it is clear that given the extent of the savings that are required by the CSR similar changes would have been necessary irrespective of the

Strategic Alliance it is nonetheless important that the Strategic Alliance is recognised as a Strategic Risk for the Council. While the Strategic Alliance continues to be viewed as a key risk it needs to be recognised that it has secured its initial targeted level of savings. Members at both Councils have now approved that the Strategic Alliance having secured its original savings target should now be utilised as a vehicle for securing a further savings through the introduction of a Transformation Agenda across both Councils. Work on securing the Transformation Agenda is already in progress with a further senior management restructure completed and some key transformational projects underway.

- 1.14 The second key partnership concerns the Sheffield City Region of which the Council is a full member. While the Council's direct financial exposure to any risks arising from the Sheffield City Region is limited to those specifically approved by Members the performance of Sheffield City Region is likely to be a key factor in determining the overall economic prosperity of both the District and the sub region. A failure of the City Region – which is now a key element of Government Policy – to facilitate economic prosperity would have a significant detrimental impact on the local area. The Council also operates with the region of the Derbyshire Nottinghamshire Local Economic Partnership where again the success of that partnership is a key factor in the economic prosperity of the District.
- 1.15 There are a number of arrangements around the Community Safety Team, and around the promotion of health. While these activities involve Partnership working it would perhaps not be appropriate to consider them as being operational partnerships at this stage given that the Council's own governance arrangements cover these activities. In certain respects external organisations are merely funding activity which is co-ordinated and managed by the Council.
- 1.16 Finally, in respect of the joint work undertaken outside of the Strategic Alliance which operates 5 core services namely the Crematorium, Building Control, ICT, Internal Audit, and Procurement then any failure of these services would have a significant service and financial impact. The operation of these arrangements continues to be monitored through Joint Board arrangements at which both Members and Officers of this Council are represented. Again officers are of the view that these represent appropriate Governance arrangements. Underpinning these Governance arrangements is the fact that all of the four authorities concerned have appropriate Risk Management arrangements in place, and such arrangements can be relied upon to manage risk effectively. The reports that have been taken to the Joint Boards have been carefully considered by this Council's officers who do not believe that there are any issues arising which need to be considered in the context of this report. Members should note that the Shared Procurement Service has now moved from Bassetlaw acting as host to Joint Working with Chesterfield Royal Hospital.
- 1.17 While the Council has identified its significant Partnerships there are clearly a number of smaller 'partnerships arrangements' which fall outside this categorisation. These continue to be managed through the Council's existing managerial framework. Given that these Partnerships are viewed as being of relatively limited risk, officers have adopted a 'light touch' approach towards their management. A comprehensive list of smaller partnerships will, however, continue to be maintained and reported to Council on an annual basis.

## **2 Conclusions and Reasons for Recommendation**

- 2.1 The Strategic Risk Register is intended to highlight those areas where the Council needs to manage its risks effectively. One of the key purposes of this report is to set out the risks that have been identified (see Appendix 1) and to encourage both Members and Officers to actively consider whether the Strategic Risk Register and supporting Service Risk Registers actively cover all of the issues facing the Council.

### **Reasons for Recommendation**

- 2.2 To enable the Cabinet to consider the risks identified within the Strategic Risk Register in order to assist in maintaining effective governance arrangements, service and financial performance.

## **3 Consultation and Equality Impact**

### **Consultation**

- 3.1 There are no issues arising from this report which necessitate a detailed consultation process.

### **Equalities**

- 3.2 There are no equalities issues arising directly out of this report.

## **4 Alternative Options and Reasons for Rejection**

- 4.1 Under the relevant good practice and to facilitate the development of robust managerial arrangements the Council is required to prepare a Strategic Risk Register as part of its risk management framework and to manage its Partnership arrangements effectively. This report is in part intended for Members and Officers to consider whether the Council has adopted an appropriate approach to its management of risk and partnerships. It is part of a well established framework of debate within the Council and with external partners with options in respect of both the risks identified and the management processes considered as part of that ongoing debate.

## **5 Implications**

### **5.1 Finance and Risk Implications**

#### **Financial**

There are no additional financial implications arising out of this report at this stage. While where appropriate additional mitigation measures have been identified and implemented during the course of preparing the Strategic and Operational Risk Registers, the cost of implementing this mitigation will be met from within previously agreed budgets.

#### **Risk**

Risk Management Issues are covered throughout the body of the main report.

## 5.2 Legal Implications including Data Protection

There are no legal or data protection issues arising directly out of this report.

## 5.3 Human Resources Implications

There are no human resource issues arising directly out of this report.

## 6 Recommendations

- 6.1 That Cabinet considers the report and approve the Council's Strategic Risk Register as set out in **Appendix 1**.
- 6.2 That Cabinet request that an update of the Strategic Risk Register as at 30 June 2014 be brought back to a future meeting of Cabinet for approval.

## 7 Decision Information

<b>Is the decision a Key Decision?</b> (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
<b>District Wards Affected</b>	All.
<b>Links to Corporate Plan priorities or Policy Framework</b>	Robust Governance (including Risk Management) arrangements underpin the effective operation of the Council and its ability to secure all of the Corporate Plan priorities.

## 8 Document Information

Appendix No	Title	
1	Strategic Risk Register Summary	
<b>Background Papers</b> (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)		
Service Plan Risk Registers Strategic Risk Register		
Report Author		Contact Number
Executive Director – Operations		(01246) 217154



# APPENDIX 1

**TABLE 1**

## STRATEGIC RISK REGISTER SUMMARY

### STRATEGIC RISK REGISTER SUMMARY AS AT: MARCH 2014

	<b>Risk</b>	<b>Consequences</b>	<b>Gross Risk (Probability x Severity)</b>	<b>Net Risk (Probability x Severity)  Taking into Account Current Controls</b>	<b>Risk Owner / Lead Officer</b>
1	Failure to deliver a balanced budget in line with the MTFP, at a time when the Council's reserves are marginally above minimum levels.	<ul style="list-style-type: none"> <li>• Impact upon ability to deliver current level of services</li> <li>• Unable to resource acceptable levels of service.</li> <li>• Significant adverse reputational Impact.</li> </ul>	4,4 <b>16</b>	3,4 12	SAMT / Chief Financial Officer
2	External financial / policy developments have an adverse impact on Council (poor grant settlement), or upon the local economy (employment losses / welfare reform), to which Council is unable to adopt an appropriate change of Strategic direction.	<ul style="list-style-type: none"> <li>• Unable to deliver the package of services to meet changing local needs and aspirations.</li> <li>• Unable to effectively support local communities.</li> <li>• Increased demands on Council services at a time when the Council resource base is reducing.</li> </ul>	4,4, <b>16</b>	4,3 <b>12</b>	SAMT / Political Leadership
3	Delivery of the Council's Agenda is dependent upon effective delivery of both a number of major initiatives inc	<ul style="list-style-type: none"> <li>• New initiatives are not delivered in a cost-effective manner.</li> </ul>	4,4 <b>16</b>	4,3 <b>12</b>	SAMT / Chief Executive / Political

	<b>Risk</b>	<b>Consequences</b>	<b>Gross Risk (Probability x Severity)</b>	<b>Net Risk (Probability x Severity)  Taking into Account Current Controls</b>	<b>Risk Owner / Lead Officer</b>
	the Growth Strategy, the Transformation Agenda, Welfare Reform, the localised HRA Regeneration Initiatives (including Mill Lane), securing major financial savings and implementing a range of new government reforms whilst maintaining service quality, which may overstretch our reduced organisational capacity.	<ul style="list-style-type: none"> <li>• Failure to maintain / improve services in line with local aspirations</li> <li>• Failure to generate the savings required to balance the budget</li> <li>• Financial efficiencies weaken Governance / Internal Control arrangements.</li> <li>• Service deterioration / failure arising from capacity issues.</li> </ul>			Leadership.
4	Increasing difficult in recruiting to key posts or to replace key staff who leave	<ul style="list-style-type: none"> <li>• Deterioration in services to the public and loss of productivity</li> <li>• Weakening of Internal Control arrangements.</li> <li>• Ability to deliver Corporate Plan, service improvement falters.</li> </ul>	4,4 16	4,3 12	SAMT / Asst Director HR
5	A major operational risk materialises resulting in a significant impact upon the Council's ability to secure its corporate objectives. Given the efficiency measures that have been introduced to date this is considered to be an increasing issue for the Council.	<ul style="list-style-type: none"> <li>• Deterioration in services to the public, potentially a major initial impact upon a local resident or a group of local residents.</li> <li>• Significant staff and financial resources required to resolve position, impacting on other services.</li> <li>• A major service has its operating capacity significantly affected and is required to</li> </ul>	4,4 16	4,3 12	SAMT / Assistant Directors

	<b>Risk</b>	<b>Consequences</b>	<b>Gross Risk (Probability x Severity)</b>	<b>Net Risk (Probability x Severity)  Taking into Account Current Controls</b>	<b>Risk Owner / Lead Officer</b>
		introduce major reform in its approach to service delivery.			
6	Failure to resource and deliver acceptable service performance improvement/ reconfiguration to maintain good external reputation.	<ul style="list-style-type: none"> <li>• Pace of external change results in underperforming services with adverse impact on local residents.</li> <li>• Financial viability of the Council potentially undermined.</li> <li>• Significant reputational damage to the Council.</li> </ul>	4,4 <b>16</b>	3,3 <b>9</b>	SAMT / Chief Executive
7	Need to effectively engage with local communities and a range of local partners (through the Strategic Alliance and other Joint services) to deliver cost effective joined up services.	<ul style="list-style-type: none"> <li>• Failure to provide effective community leadership.</li> <li>• Inability to deliver good quality cost effective services targeted at local needs</li> <li>• Failure to achieve the required MTFP savings targets.</li> <li>• Weak outcomes for local residents, due to failure to engage other agencies.</li> </ul>	4,4 <b>16</b>	3,3 <b>9</b>	Political Leadership Team / SAMT
8	Emergency Planning and Business Continuity arrangements fail to meet required standards when tested by flu pandemic, natural disaster (flood), etc	<ul style="list-style-type: none"> <li>• Inability of Council to provide services as a consequence of a severe catastrophic external event (eg flooding, major terrorist incident, flu pandemic, fire at Salter gate).</li> <li>• Failure of IT infrastructure, leading to inability</li> </ul>	3,5 <b>15</b>	2,5 <b>10</b>	SAMT / Director of Health and Well Being

	<b>Risk</b>	<b>Consequences</b>	<b>Gross Risk (Probability x Severity)</b>	<b>Net Risk (Probability x Severity)  Taking into Account Current Controls</b>	<b>Risk Owner / Lead Officer</b>
		<p>to effectively operate services and to safeguard income streams.</p> <ul style="list-style-type: none"> <li>• Business Continuity Plans prove ineffective in practice.</li> </ul>			
9	Governance Arrangements including Performance, Finance and Risk Management need to be maintained in order to continue to operate effectively in a rapidly changing environment.	<ul style="list-style-type: none"> <li>• Adverse Impact upon Service Quality.</li> <li>• Failure to deliver high quality services which address national and local priorities.</li> <li>• Significant adverse reputational impact.</li> </ul>	3,4 <b>12</b>	3,3 <b>9</b>	Chief Financial Officer / Monitoring Officer
10	Staff morale / Sickness Levels adversely affected as a result of pace of change, tightening financial circumstances or external circumstances.	<ul style="list-style-type: none"> <li>• Deterioration in services to the public and loss of productivity</li> <li>• Loss of key staff increased sickness levels</li> <li>• Increased pressure on other members of staff</li> <li>• Potential Industrial Action.</li> </ul>	3,4 <b>12</b>	3,3 <b>9</b>	SAMT / Assistant Director HR