North East Derbyshire District Council

Cabinet

28 November 2018

Risk Management Update, Partnership Working and Strategic Risk Register

This report is public

Report of Councillor P R Kerry, Portfolio Holder with Responsibility for Finance

Purpose of the Report

- To update Members concerning the current position regarding Risk Management and Partnership Arrangements and to seek approval for the revised Strategic Risk Register as at 30 September 2018, as part of the suite of Finance, Performance and Risk reports.

1 Report Details

Background

1.1. The Council's Strategic Risk Register has been developed in the light of a consideration of the strategic and operational risks which have been identified by Elected Members and Officers as part of the Council's risk, service management and quarterly performance arrangements.

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 the impact 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 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 allows a fully informed decision to be made, and helps

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, whilst ensuring the organisation has a good awareness of its overall risk exposure.

The Strategic Risk Register

1.3. The revised Strategic Risk Register as at 30 September 2018 is set out in **Appendix 1** for consideration by Cabinet. The intention is that this 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.

- To revisit risk score assessments and ensure that appropriate mitigation remains in place.

1.4. A key theme which emerges from the Strategic Risk Register is one of an ongoing requirement to maintain performance levels in respect of service delivery, performance, governance and of ensuring that the Council mitigates the risk of a catastrophic event or service failure impacting upon our community. This objective needs to be secured against a background of both declining and less certainty concerning financial resources. Allied to the financial position, local authorities are faced with significant national political/legislative change impacting upon the financial framework within which Council's operate. Housing, Planning, finance, the welfare system, Brexit and devolution are all areas where significant changes are anticipated over the next two years. These developments are anticipated to require some significant changes in the manner in which our services to local residents are delivered with the level of change required clearly having the potential to disrupt service provision.

1.5. During the recent round of Quarterly Performance meetings one of the key issues discussed was the uncertainties associated with Brexit, the roll out of Universal Credit, the pace of legislative change and the ability to recruit and retain appropriately qualified staff were all viewed as remaining of concern. In addition, in light of the level of savings that needed to be identified over the period of the current MTFP, concerns were reiterated regarding the challenges in respect of securing these savings, against a background in which some services were experiencing increased pressures as a result of other agencies withdrawing services. The uncertainties arising from Brexit, the roll out of Universal Credit and legislative changes are incorporated within the same Strategic Risk (Risk 1) as outlined in Appendix 1. The issue of the loss of key staff and the difficulties being experienced in finding suitable replacements continues to be a widespread concern expressed by managers. This issue already featured within the Strategic Risk Register and is detailed as Strategic Risk 5 within Appendix 1, while the issue of financial pressures is covered by Strategic Risk 2 within Appendix 1.

1.6. There were no further risks added to the Strategic Risk Register at the end of this quarter.

1.7. In order to develop the understanding/culture of risk throughout the organisations a series of refresher training sessions for senior managers which covered the issue of Risk Management were held in early summer 2017. Likewise, as part of the Members Development Programme in January 2016 there was a presentation to Members concerning Risk Management. A further series of training will be undertaken during the next year.

Partnership Arrangements

1.8. Under the Council's Risk Management (including Partnership Working) Strategy, a range of strategic partnerships are reported on and monitored within the Council's quarterly report in respect of Risk. These are complementary to the existing reports prepared by the Partnerships Team in respect of the partnerships they co-ordinate. The Partnership Team provides to Cabinet update and progress monitoring reports as appropriate. While the Partnerships Team co-ordinate the Council's work with a range of external organisations it should be noted that many of these have been assessed as being of relatively limited risk, with officers adopting a proportionate and 'light touch' approach in developing appropriate working relationships which fully recognises and respects the independence of partner organisations.

1.9 While there will invariably be an overlap between the two reports this report will set out what might be termed as the Council's key partnerships. These are as follows:

- The relationship with the North Midlands authorities (Derbyshire and Nottinghamshire) and Sheffield City Region in progressing the economic development and devolution agenda.
- Participation in a Derbyshire wide 100% Business Rates Retention Pilot.
- Rykneld Homes the Council's Arms Length Management Housing provider.
- The Strategic Alliance with Bolsover District Council which is central to the transformation agenda of delivering services at lower costs whilst enhancing service resilience.
- Arrangements with Derbyshire County Council amongst others to secure aligned services across the public sector in areas such as health and economic development.
- The Community Safety Team and associated statutory partners including the Police.

Although the partnerships outlined above are very different in terms of scope and working arrangements they all have in place formal governance arrangements between the partners, supported by appropriate internal governance arrangements which cover performance, finance and risk. Appropriate approvals have been agreed through the Council's formal committee arrangements, with partnership issues and developments being considered as required by this Council's constitution.

1.10 While the Council has in place appropriate arrangements for the management of its relationship with partner organisations it needs to be recognised that these arrangements are specific to particular partnerships. The arrangements in place are

intended to be risk based and proportionate to the risks / exposure of the Council. In all cases the Council seeks to ensure that the benefits from partnership working in terms of securing the Council's corporate objectives exceed the associated risk.

2 Conclusions and Reasons for Recommendation

2.1. The Strategic Risk Register is intended to highlight the major 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. The section of Partnerships serves to highlight the extent of these working arrangements, together with the approach that has been adopted for their effective management.

Reasons for Recommendation

2.2. To enable Cabinet to consider the risks identified within the Strategic Risk Register/Partnership Arrangements 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 formal 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 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. This report is intended for Members and Officers to consider both the Strategic Risk Register, together with the Council's wider framework for managing risk and partnerships. Given the importance of these arrangements for the overall governance of the Council it is necessary to subject them to regular review. This report is intended to undertake that review and as such it is necessary that this report is considered by Members. The alternative of not providing this or a similar report is accordingly rejected.

5 Implications

5.1 Finance and Risk Implications

Financial

5.1.1 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

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

5.2 Legal Implications including Data Protection

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

5.3 Human Resources Implications

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

6 Recommendations

6.1. That Cabinet notes the report and approves the Strategic Risk Register as at 30 June 2018 as set out in Appendix 1.

7 Decision Information

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: *BDC: Revenue - £75,000* ☐ *Capital - £150,000* ☐ *NEDDC: Revenue - £100,000* ☐ *Capital - £250,000* ☐ ☑ *Please indicate which threshold applies*	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
Has the relevant Portfolio Holder been informed	Yes
District Wards Affected	None directly
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
1	Strategic Risk Register as at 30 September 2018
Background Papers (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)	
Report Author	**Contact Number**
Dawn Clarke – Head of Finance & Resources	(01246) 217658

STRATEGIC RISK REGISTER SUMMARY AS AT: 30 September 2018

	Risk	Consequences	Risk Score (Likelihood x Impact)	Risk Score (Likelihood x Impact)Taking into Account Current Controls	Risk Owner / Lead Officer
1	Parliamentary uncertainty following the General Election, Government Legislation / impact of referendum vote to leave the EU / adverse external economic climate has an accelerating impact on Council funding, or upon the local economy, to which Council is unable to adopt an appropriate change of Strategic direction.	• Unable to deliver a package of services that both addresses changing national priorities whilst meeting changing local needs and aspirations. • Increases costs or reduces resources available to the Council directly, or to its key partners. • Reduced influence over delivery of local services. • Unable to effectively support local communities. • Increased demands on Council services at a time when Council resource base is reducing.	4,4, **16**	3,4 **12**	SAMT / Political Leadership

Appendix 1

	The decision to leave the EU creates significant uncertainties whilst there is a significant programme of legislative change which impacts directly upon local government.				
	<u>Mitigation.</u> • The Council is outward looking and actively works to secure details of proposed change and the approaches that might be adopted to mitigate against associated risks, including working to identify new income streams. • The Council has effective political and managerial arrangements in place to manage change. • Appropriate levels of financial reserves / investment funding are maintained to fund strategic shifts in service delivery. • Effective engagement with staff to ensure they embrace necessary change.				
2	Failure to deliver a balanced budget in line with the MTFP, at a time when the Council's reserves are at an acceptable rather than a robust level, and localism has created significant uncertainties re future funding levels.	• Impact upon ability to deliver current level of services. • Unable to resource acceptable levels of service. • Significant adverse reputational Impact.	4,4 **16**	3,4 **12**	SAMT / Chief Executive / Chief Financial Officer / Political Leadership

	<u>Mitigation</u> • The Council has effective financial management in place to ensure budget arrangements are robust. • The Council has appropriate managerial arrangements and culture in place to manage any necessary change. • The Council has 'adequate' financial reserves in place to cushion against any loss of income for a period of at least one financial year.				
3	The Council is affected by a operational service failure which has a major impact upon the local community, this impact being reflected in the Council's sustainability and reputation. Failure could arise from services – inc Data Protection – failing to adhere to best practice. Resulting in a potential impact upon the Council's ability to secure its corporate objectives. Given the efficiency measures that have been introduced to date	• A significant service failure associated with a major impact on the local community. • Deterioration in services to the public, potentially a major impact upon a local resident or a group of local residents. • Significant staff and financial resources required to resolve position, impacting on other services. • A major service has its operating capacity significantly impact and is required to introduce major reform in its approach to service delivery. • Severe reputational damage	3,5 **15**	2,5 **10**	SAMT / Assistant Directors

	this is considered to be an increasing issue for the Council.				
	<u>Mitigation</u> • The Council has appropriate managerial arrangements in place supported by staff recruitment and training to ensure these risks are effectively managed. • The Council has a Performance Management Framework in place to help ensure that services are delivered in line with good practice and industry standards. On going monitoring and regular reporting will help ensure that any emerging issues re service performance are effectively identified and resolved at the earliest possible opportunity.				
4.	Emergency Planning and Business Continuity arrangements fail to meet required standards when tested by flu pandemic, natural disaster (flood), etc. Cyber crime with a	• Inability of Council to provide services as a consequence of a severe catastrophic external event (e.g. flooding, major terrorist incident, flu pandemic, fire, cyber crime). • Failure of IT infrastructure, leading to inability to effectively operate services and to safeguard income streams. • Business Continuity Plans prove	3,4 **12**	2,4 **8**	SAMT / Chief Executive

	loss of data / systems, results in the inability to provide core services and reputational damage.	ineffective in practice.			
	Mitigation • The Council works in partnership with a range of partners on its Emergency Planning arrangements to ensure that we operate in line with best practice. There is an annual 'desktop' scenario to test officers understanding of the arrangements and validate that they are fit for purpose in a realistic 'trial' scenario. • All services have Business Continuity plans in place which identify key risks and mitigation. Corporate IT systems have been tested against Industry standards for Business Continuity. • The Council works in partnership with a range of other agencies that should be able to provide support in the event of the Council's own procedures failing to be effective. • The Council has in place industry standard measures to minimise the risk of cyber crime.				
5	Increasing difficulty in recruiting to key posts or in replacing key staff who leave. Staff morale is adversely affected arising from the pace of change, tightening financial	• Deterioration in services to the public. • Increasing inefficiencies in service provision. • Weakening of Internal Control arrangements. • Increased pressure on other members of staff.	3,4 **12**	2,4 **8**	SAMT / Asst Director HR

	circumstances or external circumstances.				
	Mitigation • The Council has effective communication and working with staff as validated by securing 'silver' accreditation at IIP. • There is sufficient funding to bring in agency staff where required to maintain service performance. • At this stage the problematic areas are those where there are national 'shortages'. In the majority of areas it has proved possible to recruit appropriate replacement staff. • Appropriate training budgets are in place to ensure that staff receive necessary training to maintain service quality / continuity. • The Council is looking to introduce appropriate apprenticeship / training schemes in order to develop suitable staff.				
6	Delivery of the Council's Agenda is dependent upon effective delivery of both a number of major initiatives / projects and implementing a range of new government reforms whilst achieving financial targets and maintaining service quality, which may overstretch our reduced organisational	• New initiatives are not delivered in a cost-effective manner. • Failure to maintain / improve services in line with local aspirations. • Failure to generate the savings required to balance the budget. • Financial savings measures weaken Governance / Internal Control arrangements. • Service deterioration / failure arising from capacity issues.	3,4 **12**	2,4 **8**	SAMT / Chief Executive

	capacity.				
	<u>Mitigation</u> • The Council has effective prioritisation and project management arrangements in place to ensure resources are directed at key objectives. • The Council has made efforts to ensure effective use of employees by utilising shared services to protect service resilience, by maintaining appropriate training arrangements and by investing in transformational service delivery projects. • The Council has a robust performance management framework that is intended to highlight emerging issues.				
7	Need to effectively engage with local communities and a range of local partners (inc Shared / Joint services) to deliver cost effective	• Failure to provide effective community leadership. • Loss of trust in the Council • Inability to deliver good quality cost effective services targeted at local needs. • Poor outcomes for local	3,4 **12**	2,4 **8**	Political Leadership Team / Chief Executive

	joined up services.	residents, due to failure to engage other agencies.			
	Mitigation • The Council has in place a range of mechanisms designed to secure feedback from local residents including the Performance Framework, a range of consultation events and the role of Elected Members as local champions. • The Council has an active Partnerships Team and senior Members / Officers actively engage with other organisations serving the area. • The Council's management structures are aligned to our key partnership arrangements.				
8	Governance Arrangements including Performance, Finance and Risk Management need to be maintained in order to continue to operate effectively in a rapidly changing environment.	• Adverse Impact upon Service Quality. • Failure to deliver high quality services which address national and local priorities. • Significant adverse reputational impact.	3,4 **12**	2,4 **8**	Chief Financial Officer / Monitoring Officer
	Mitigation • The Council has appropriate managerial arrangements in place supported by staff recruitment and training to ensure these risks are effectively managed. • The Council has active Standards and Audit Committees which provide independent review of the Governance arrangements in the Council. • The Annual Governance Report sets out an evidence based structured assessment of the operation of the Council's governance arrangements.				
9	Staff morale / Sickness Levels	• Deterioration in services to the public and loss of productivity.	3,4 **12**	3,3 **9**	SAMT / Asst Director HR

	adversely affected as a result of the pace of change, tightening financial circumstances or external circumstances.	• Loss of key staff / increased sickness levels. • Increased pressure on other members of staff. • Loss of 'goodwill.'			
	• The Council operates in line with the independent IIP standards and HR 'good practice' to help ensure current staff are well managed and motivated. • The staff has a range of communication mechanisms in place to ensure staff engagement with the Council's agenda. • The Council has reduced its emphasis of securing savings through vacancy management and seeks to bring in 'agency staff' etc as required. • While the Council cannot control external circumstances it has continued to work with staff to mitigate the impact of these on individual employees.				
10	Failure to have in place robust, comprehensive and up to date policies and procedures for safeguarding children and vulnerable adults.	• Profile of safeguarding is poor • Staff and members do not know what safeguarding is and their role within it • Staff and members do not know how to spot the signs • Staff and members do not know how to report it and to who? • Lack of public confidence in Council policies plans and staff • Reputational damage • Potential significant harm to individuals resulting from abuse and neglect of Children and/or Vulnerable Adults possibly	4,4, **16**	2,4, **8**	SAMT/Political Leadership

		leading to personal harm, injury and death			
	• The Council has in place up to date policies for safeguarding both Children and Vulnerable Adults. These policies are aligned to DCC policies which in turn are in line with legislation, regulation and statutory duties placed on Local Authorities. • The Council has in place and maintain systems of working practice to safeguard children and vulnerable adults at Council activities and those who receive Council services. • Staff recognised as appropriate to do, are DBS/CRB checked • All staff receive mandatory safeguarding training • Safeguarding is widely promoted and embedded throughout the organisation with all staff being issued with a wallet sized 'safeguarding quick reference guide' which details what to look out for and what to do • The Council has an internal safeguarding group which meets quarterly which has representation from all service areas of the Council. • The Council host and Chair the Countywide Derbyshire Safeguarding Leads Sub Group of the Derbyshire Safeguarding Childrens Board and Derbyshire Safeguarding Adults Board • The Council are represented on both the Derbyshire Safeguarding Children's Board (DSCB) and the Derbyshire Safeguarding Adults Board (DSAB)			
11	Failure of NEDDC's Local Plan to be found sound at independent examination.	• Potential Government intervention • Undermining the local plan • Reputational damage • Loss of control of planning and development	4,4, **16**	2,4, **8**	SAMT / Political Leadership
	• The Council has successfully avoided Government intervention in the plan-making process. • The Plan will be at independent examination and in the hands of the independent Inspector, with timescales largely outside of the Council's control. The greatest risk to any Plan at this stage is that it could be found to be unsound on a point of law, or it fails to demonstrate that it has been positively prepared and is justified. This is expected to take place during the Autumn of 2018. • The Council has taken all reasonable steps in the preparation of the Plan to ensure that it is based on sound evidence and meets procedural and legal requirements. This has included taking external legal advice, securing				

	an advisory visit with the Planning Inspectorate and engaging consultants to critically review the Publication Draft Plan.				
12	Impact of HS2 and the electrification of the MML on environment, heritage, communities and businesses.	• Without considerable environmental mitigation measures will have a negative impact on the visual amenity of the district, disruption to businesses, home owners and communities. It also has the potential to sterilise areas of development due to uncertainty.	4,4,**16**	4,4,**16**	SAMT / Political Leadership
	• CEX and senior management actively engaged with HS2 staff to discuss proactive business mitigation measures. • Political leadership working with relevant community groups and agencies lobbying for enhanced mitigation measures. • Contributing to the East Midlands HS2 growth strategy and also that we part of the mitigation study				