

**North East Derbyshire District Council**

**Audit and Corporate Governance Scrutiny Committee**

**16 November 2017**

<p><b><u>Risk Management Update, Partnership Working and Strategic Risk Register</u></b></p>
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**Report of the Assistant Director – Finance, Revenues and Benefits**

This report is public

**Purpose of the Report**

- To enable the Audit and Corporate Governance Scrutiny Committee to consider the attached report concerning the Strategic Risk Register which will be considered by Cabinet at its meeting of 22 November 2017.

**1 Report Details**

- 1.1 To update Members of the Audit and Corporate Governance Scrutiny Committee concerning Risk Management, Partnership Working and the Strategic Risk Register. Any comments expressed by the Audit and Corporate Governance Scrutiny Committee will be taken into account in developing both the Council's risk management reports and wider risk management arrangements.

**2 Conclusions and Reasons for Recommendation**

- 2.1 These are detailed in the attached report.

**Reasons for Recommendation**

- 2.2 To ensure that the Audit and Corporate Governance Scrutiny Committee are kept informed concerning the Council's latest position regarding Risk Management and Partnership working and are able to exercise effective influence on the Council's Risk Management arrangements.

**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 direct implications arising from this report.

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

- 4.1 These are detailed in the attached report.

## **5 Implications**

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

#### **Financial**

These are detailed in the attached report.

#### **Risk**

These are detailed in the attached report.

### **5.2 Legal Implications including Data Protection**

These are detailed in the attached report.

### **5.3 Human Resources Implications**

These are detailed in the attached report.

## **6 Recommendations**

- 6.1 That the Audit and Corporate Governance Scrutiny Committee note the report and make any comments that they believe to be appropriate with regards to the attached report which will be considered by Cabinet at its meeting on 22 November 2017.

## **7 Decision Information**

<b>Is the decision a Key Decision?</b> 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: <i>BDC: Revenue - £75,000 <input type="checkbox"/></i> <i>Capital - £150,000 <input type="checkbox"/></i> <i>NEDDC: Revenue - £100,000 <input type="checkbox"/></i> <i>Capital - £250,000 <input type="checkbox"/></i> <input checked="" type="checkbox"/> Please indicate which threshold applies	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	/No

<b>District Wards Affected</b>	All
<b>Links to Corporate Plan priorities or Policy Framework</b>	All

## 8 Document Information

<b>Appendix No</b>	<b>Title</b>
1	Cabinet Report 22 November 2017 – Risk Management Update, Partnership Working and Strategic Risk Register
<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	
<b>Report Author</b>	<b>Contact Number</b>
Assistant Director – Finance, Revenues & Benefits	7658

AGIN 8(c)(1116) 2017 Risk Management

**North East Derbyshire District Council**

**Cabinet**

**22 November 2017**

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

This report is public

**Report of Councillor P R Kerry, Portfolio Holder with Responsibility for Economy,  
Finance and Regeneration**

**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 2017, 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<sup>th</sup> September 2017 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. 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.

### **Partnership Arrangements**

- 1.7. 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.
- 1.8. 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. In recent weeks, the Council have been working with all other Derbyshire authorities in order to put a bid to the Government to participate in a 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.
  - Shared Services arrangements with Chesterfield, Derbyshire Dales, and the Chesterfield Royal Hospital which help secure cost effective arrangements in a number of specialist service areas.
  - 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.

- 1.9. 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 September 2017 as set out in Appendix 1.

## **7 Decision Information**

<b>Is the decision a Key Decision?</b> 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: <i>BDC:      Revenue - £75,000    <input type="checkbox"/></i> <i>Capital - £150,000    <input type="checkbox"/></i> <i>NEDDC:   Revenue - £100,000 <input type="checkbox"/></i> <i>Capital - £250,000    <input type="checkbox"/></i> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No
<b>District Wards Affected</b>	All
<b>Links to Corporate Plan priorities or Policy Framework</b>	All

## 8 Document Information

Appendix No	Title
1	Strategic Risk Register as at 30 June 2017
<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)	
Report Author	Contact Number
Dawn Clarke Assistant Director – Finance, Revenues and Benefits	(01246) 217658

AGIN ??(CAB 1122) Risk Management/AJD

## STRATEGIC RISK REGISTER SUMMARY AS AT: 30 September 2017

	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. The decision to leave the EU creates significant uncertainties whilst there is a significant programme of	<ul style="list-style-type: none"> <li>• Unable to deliver a package of services that both addresses changing national priorities whilst meeting changing local needs and aspirations.</li> <li>• Increases costs or reduces resources available to the Council directly, or to its key partners.</li> <li>• Reduced influence over delivery of local services.</li> <li>• Unable to effectively support local communities.</li> <li>• Increased demands on Council services at a time when Council resource base is reducing.</li> </ul>	4,4, <b>16</b>	3,4 <b>12</b>	SAMT / Political Leadership

	legislative change which impacts directly upon local government.				
	<u>Mitigation.</u> <ul style="list-style-type: none"> <li>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.</li> <li>The Council has effective political and managerial arrangements in place to manage change.</li> <li>Appropriate levels of financial reserves / investment funding are maintained to fund strategic shifts in service delivery.</li> <li>Effective engagement with staff to ensure they embrace necessary change.</li> </ul>				
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.	<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 <b>12</b>	SAMT / Chief Executive / Chief Financial Officer / Political Leadership
	<u>Mitigation</u> <ul style="list-style-type: none"> <li>The Council has effective financial management in place to ensure budget arrangements are robust.</li> <li>The Council has appropriate managerial arrangements and culture in place to manage any necessary change.</li> <li>The Council has 'adequate' financial reserves in place to cushion against any loss of income for a period of at least one financial year.</li> </ul>				

3	<p>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 this is considered to be an increasing issue for the Council.</p>	<ul style="list-style-type: none"> <li>• A significant service failure associated with a major impact on the local community.</li> <li>• Deterioration in services to the public, potentially a major 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 impact and is required to introduce major reform in its approach to service delivery.</li> <li>• Severe reputational damage</li> </ul>	3,5 <b>15</b>	2,5 <b>10</b>	SAMT / Assistant Directors
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	<p><u>Mitigation</u></p> <ul style="list-style-type: none"> <li>The Council has appropriate managerial arrangements in place supported by staff recruitment and training to ensure these risks are effectively managed.</li> <li>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.</li> </ul>				
4.	<p>Emergency Planning and Business Continuity arrangements fail to meet required standards when tested by flu pandemic, natural disaster (flood), etc. Cyber crime with a loss of data / systems, results in the inability to provide core services and reputational damage.</p>	<ul style="list-style-type: none"> <li>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).</li> <li>Failure of IT infrastructure, leading to inability to effectively operate services and to safeguard income streams.</li> <li>Business Continuity Plans prove ineffective in practice.</li> </ul>	3,4 <b>12</b>	2,4 <b>8</b>	SAMT / Chief Executive
	<p><u>Mitigation</u></p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>				

	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The Council has in place industry standard measures to minimise the risk of cyber crime.</li> </ul>				
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 circumstances or external circumstances.	<ul style="list-style-type: none"> <li>• Deterioration in services to the public.</li> <li>• Increasing inefficiencies in service provision.</li> <li>• Weakening of Internal Control arrangements.</li> <li>• Increased pressure on other members of staff.</li> </ul>	3,4 <b>12</b>	2,4 <b>8</b>	SAMT / Asst Director HR
	<p><u>Mitigation</u></p> <ul style="list-style-type: none"> <li>• The Council has effective communication and working with staff as validated by securing 'silver' accreditation at IIP.</li> <li>• There is sufficient funding to bring in agency staff where required to maintain service performance.</li> <li>• 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.</li> <li>• Appropriate training budgets are in place to ensure that staff receive necessary training to maintain service quality / continuity.</li> <li>• The Council is looking to introduce appropriate apprenticeship / training schemes in order to develop suitable staff.</li> </ul>				

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 capacity.	<ul style="list-style-type: none"> <li>• New initiatives are not delivered in a cost-effective manner.</li> <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 savings measures weaken Governance / Internal Control arrangements.</li> <li>• Service deterioration / failure arising from capacity issues.</li> </ul>	3,4 12	2,4 8	SAMT / Chief Executive
	<u>Mitigation</u> <ul style="list-style-type: none"> <li>• The Council has effective prioritisation and project management arrangements in place to ensure resources are directed at key objectives.</li> <li>• 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.</li> <li>• The Council has a robust performance management framework that is intended to highlight emerging issues.</li> </ul>				
7	Need to effectively engage with local communities and a range of local partners (inc Shared / Joint services) to deliver cost effective joined up services.	<ul style="list-style-type: none"> <li>• Failure to provide effective community leadership.</li> <li>• Loss of trust in the Council</li> <li>• Inability to deliver good quality cost effective services targeted at local needs.</li> <li>• Poor outcomes for local residents, due to failure to engage other agencies.</li> </ul>	3,4 12	2,4 8	Political Leadership Team / Chief Executive

	<u>Mitigation</u> <ul style="list-style-type: none"> <li>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.</li> <li>The Council has an active Partnerships Team and senior Members / Officers actively engage with other organisations serving the area. <ul style="list-style-type: none"> <li>The Council's management structures are aligned to our key partnership arrangements.</li> </ul> </li> </ul>				
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.	<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 12	2,4 8	Chief Financial Officer / Monitoring Officer
	<u>Mitigation</u> <ul style="list-style-type: none"> <li>The Council has appropriate managerial arrangements in place supported by staff recruitment and training to ensure these risks are effectively managed.</li> <li>The Council has active Standards and Audit Committees which provide independent review of the Governance arrangements in the Council.</li> <li>The Annual Governance Report sets out an evidence based structured assessment of the operation of the Council's governance arrangements.</li> </ul>				
9	Staff morale / Sickness Levels adversely affected as a result of the pace of change, tightening financial circumstances or external	<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>Loss of 'goodwill.'</li> </ul>	3,4 12	3,3 9	SAMT / Asst Director HR

	circumstances.				
	<ul style="list-style-type: none"> <li>• The Council operates in line with the independent IIP standards and HR 'good practice' to help ensure current staff are well managed and motivated.</li> <li>• The staff has a range of communication mechanisms in place to ensure staff engagement with the Council's agenda.</li> <li>• The Council has reduced its emphasis of securing savings through vacancy management and seeks to bring in 'agency staff' etc as required.</li> <li>• While the Council cannot control external circumstances it has continued to work with staff to mitigate the impact of these on individual employees.</li> </ul>				