Agenda Item No 8(b)

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

24 September 2015

Risk Management Update, Partnership Working and Strategic Risk Register

Report No: EDO/10/15-16/BM of the Executive Director Operations

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 was taken to Cabinet 5 August 2015.

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.

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 taken to Cabinet on 10 June 2015.

7 Decision Information

Is the decision a Key Decision? (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
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	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	Cabinet Report 5 August 2015 – Risk Management Update, Partnership Woking and Strategic Risk Register
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)	
Service Plan Risk Registers Strategic Risk Register	
Report Author	**Contact Number**
Executive Director - Operations	7154

AGIN8(b)(A&CGC0924)Risk Management

Appendix 1

North East Derbyshire District Council

Cabinet

5 August 2015

Risk Management Update, Partnership Working and Strategic Risk Register

Report No: PRK/8/15-16/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 30 June 2015, 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 seeks to secure a number of objectives and to operate in line with recognised best practice. The agreed objectives are:

- 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

1.2 The revised Strategic Risk Register as at 30 June 2015 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.

1.3 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 Service risks are explicitly considered at these meetings. Finally, the revised Strategic Risk Register is subject to comment and the agreement of service managers, Portfolio Members, the Audit and Governance Committee and the Strategic Alliance Management Team.

1.4 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. 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 and in particular the position in respect of the public finances 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 to date in this approach it does need to be recognised that local income streams can prove volatile and there are risks associated with 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 the level of financial reserves. To date the Council has effectively managed its budgets securing an increased level of reserves on all three main accounts, however. Over the

three year period of the current MTFP the Council has a target to identify over £2m 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, devolution and other Government initiatives. The pace of legislative initiatives has quickened significantly following the General Election of May 2015. It is important that the Council responds effectively to the changes and reforms which are likely to be introduced.

- Over the past few months the Council has seen an increase in the number of planning applications that have been refused by the Planning Committee. Given that the legislative framework has significantly reduce local influence over planning issues there is a key risk that some of these decisions will be overturned at appeal with a corresponding cost to the Council. Whilst the cost of current appeals is unlikely to cause the Council significant financial difficulties it does need to be recognised that such appeals will need to be funded from the Invest to Save Reserve which reduces the ability of the Council to invest in measures which protect and improve services to our local communities whilst minimising costs.

- 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 both upon the ability to deliver services and upon the robustness of internal control arrangements. In developing proposals for efficiency savings SAMT has consciously addressed this risk, and has sought to minimise it. There is a clear 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. Recently certain areas of the Council have the seen the loss of significant numbers of key staff to other employers which possibly reflects improvements in the national economy together with pay levels on certain posts not being sufficiently attractive. 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.

1.5 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

1.6 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.

1.7 The Council's key partnerships have been identified as follows:

- The relationship with the Sheffield City Region, N2D2, the proposed Derby and Derbyshire Combined Authority which are key elements for progressing the economic growth agenda.
- 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 Service arrangements with Bolsover, Chesterfield, Derbyshire Dales and the Royal Hospital Chesterfield which help secure cost effective services in a number of specialist service areas.
- A range of arrangements with Derbyshire County Council amongst others to secure aligned services across the public sector in such areas as health and economic development.
- The Community Team and its statutory partners including the Police.

While 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 this Council's committee structure, with partnership issues being considered in line with this Council's Constitution.

1.8 While the Council has identified its significant Partnerships there are also a number of smaller 'partnerships arrangements' which fall outside this categorisation. These continue to be managed through the Council's existing managerial framework and in particular by the work of the Partnership Team. 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

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

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 considers the report and approves 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 2015 be brought back to a future meeting of Cabinet for approval.

7 Decision Information

Is the decision a Key Decision? (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
District Wards Affected	All.
Links to Corporate Plan priorities or Policy Framework	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**
Appendix 1	Strategic Risk Register Summary
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)	
Service Plan Risk Registers Strategic Risk Register	
Report Author	**Contact Number**
Bryan Mason, Executive Director – Operations	(01246) 217154

APPENDIX 1

TABLE 1

STRATEGIC RISK REGISTER SUMMARY

STRATEGIC RISK REGISTER SUMMARY AS AT: 30 JUNE 2015

	Risk	Consequences	Gross Risk (Probability x Severity)	Net Risk (Probability x Severity) Taking into Account Current Controls	Risk Owner / Lead Officer
1	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.	• 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 Financial Officer
2	External financial / policy developments have an adverse impact on Council (poor financial settlement), or upon the local economy (employment losses / welfare reform), to which Council is unable to adopt an appropriate change of Strategic direction.	• Unable to deliver the package of services to meet changing local needs and aspirations. • Unable to effectively support local communities. • Increased demands on Council services at a time when the Council resource base is reducing.	4,4, **16**	4,3 **12**	SAMT / Political Leadership
3	Delivery of the Council's Agenda is dependent upon effective delivery of both a number of major initiatives inc the Growth Strategy, the	• New initiatives are not delivered in a cost-effective manner. • Failure to maintain / improve services in	4,4 **16**	4,3 **12**	SAMT / Chief Executive / Political Leadership.

	Risk	Consequences	Gross Risk (Probability x Severity)	Net Risk (Probability x Severity) Taking into Account Current Controls	Risk Owner / Lead Officer
	Transformation Agenda, Welfare Reform, the localised HRA Regeneration Initiatives (including Mill Lane), the Election, securing major financial savings and implementing a range of government reforms whilst maintaining service quality, which may overstretch our reduced organisational capacity.	line with local aspirations • Failure to generate the savings required to balance the budget • Financial efficiencies weaken Governance / Internal Control arrangements. • Service deterioration / failure arising from capacity issues.			
4	Increasing difficult in recruiting to key posts or to replace key staff who leave. Recent evidence has indicated that this may be an emerging trend with some concerns that in certain areas of work our pay and grading may be inappropriate.	• Deterioration in services to the public and loss of productivity • Weakening of Internal Control arrangements. • Ability to deliver Corporate Service Plan, service delivery / improvement falters.	4,4 **16**	3,3 **9**	SAMT / Asst Director HR
5	A major operational (including data protection) 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.	• Deterioration in services to the public, potentially a major initial impact upon a local resident or a group of local residents. • Severe reputational damage to the Council. • Significant staff and financial resources required to resolve position, impacting on other services. • A major service has its operating capacity significantly affected and is required to	4,4 **16**	3,3 **9**	SAMT / Assistant Directors

	Risk	Consequences	Gross Risk (Probability x Severity)	Net Risk (Probability x Severity) Taking into Account Current Controls	Risk Owner / Lead Officer
		introduce major reform in its approach to service delivery.			
	Need to effectively engage with local communities and a range of local partners (through the Strategic Alliance and other Joint services) to deliver 6cost effective joined up services.	• Failure to provide effective community leadership. • Inability to deliver good quality cost effective services targeted at local needs • Failure to achieve the required MTFP savings targets. • Poor outcomes for local residents, due to failure to engage other agencies.	4,4 **16**	3,3 **9**	Political Leadership Team / SAMT
7	Emergency Planning and Business Continuity arrangements fail to meet required standards when tested by flu pandemic, natural disaster (flood), etc	• 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). • Failure of IT infrastructure, leading to inability to effectively operate services and to safeguard income streams. • Business Continuity Plans prove ineffective in practice.	3,5 **15**	2,5 **10**	SAMT / Director of Transformation

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 reflect changing national and local priorities. • Significant adverse reputational impact.	3,4 **12**	3,3 **9**	Chief Financial Officer / Monitoring Officer
9	Staff morale / Sickness Levels adversely affected as a result of pace of change, tightening financial circumstances or external circumstances.	• Deterioration in services to the public and loss of productivity • Loss of key staff increased sickness levels • Increased pressure on other members of staff • Loss of 'goodwill'.	3,4 **12**	3,3 **9**	SAMT / Assistant Director HR