

**AUDIT & GOVERNANCE COMMITTEE**

Thursday, 15 March 2018

**CORPORATE RISK MANAGEMENT UPDATE (REP1655)****EXECUTIVE SUMMARY**

1. This report provides an overview and update on how the Council's strategic and operational risks are managed.
2. Members are asked to make comment on the corporate strategic risks from the Council's current Corporate Risk Register which is maintained by the Corporate Risk Management Group.
3. Following review by Zurich, the Corporate Risk Management Process and Toolkit has been updated to include an additional category (major impact) and the likelihood criteria of risks including further details. Members are asked to note these relevant updates.
4. Members are asked to review the key risks on the register at regular intervals, and consider corporate risk management when they are planning any future work programmes.

Is the report Open or Exempt?	Open
<b>Wards Affected:</b>	All Wards in the District
<b>Cabinet Member:</b>	Councillor Bruce Provan Cabinet Member for Resources
<b>Supporting Officer:</b>	Homira Javadi Chief Finance Officer <a href="mailto:homira.javadi@eastsoffolk.gov.uk">homira.javadi@eastsoffolk.gov.uk</a> 01394 444529

## INTRODUCTION

1.1 The Audit and Governance Committee has responsibility for overseeing risk management for Waveney District Council. Corporate risk management is the processes and structures by which the business and affairs of the Council are directed and managed. This is in order to improve long-term stakeholder confidence by enhancing corporate performance and accountability. An annual update on Corporate Risk Management was reported to the Committee on 14<sup>th</sup> September 2017.

1.2 Corporate risk management is about building credibility, ensuring transparency and accountability as well as maintaining an effective channel of information disclosure that would foster good corporate performance. Risk management also covers opportunity management.

1.3 For the purposes of effectively managing risk, and in accordance with best practice, the Council manages risk within four categories:

- **Corporate (also known as ‘Strategic’)** risks which affect our ability to achieve long-term Council objectives, such as those in the East Suffolk Business Plan.

These are recorded in the Corporate Risk Register (CRR) and considered at least quarterly, by exception at Corporate Governance Group (CGG), and in detail at the joint Corporate Risk Management Group (CRMG). The joint CRR provides the ability, when appropriate, to have different scoring of risks between the two authorities to ensure that the risks are managed appropriately for each sovereign.

- **Operational** risks are those that affect the day to day business of a service; for example, staff absence and its impact on service delivery.

These are recorded in service plans, which are living documents, updated by teams as required throughout the year. Heads of Service are expected to report risks from these plans to CRMG for escalation to the CRR, and risks can also be moved from the CRR to service plans if appropriate.

- **Health and Safety** includes health and safety of service users as well as staff and councillors. This is overseen by Environmental Services and Port Health. Information, policies and risk assessments are available on the Councils’ intranet (FRED).

- **Emergency Planning and Business Continuity** are the responsibility of the Head of Environmental Services and Port Health. Emergency Planning and internal Business Continuity Services for the Councils are provided by one District Emergency Planning Officer and one Emergency Planning Officer, employed by the Suffolk Joint Emergency Planning Unit. This enables the Councils to react effectively to infrequent Major Emergencies, in partnership with other agencies, as required by the Civil Contingencies Act 2004. Further information is available on FRED, while general information on the multi-agency response to Major Emergencies, together with plans available for public scrutiny are available at [www.suffolkresilience.com](http://www.suffolkresilience.com)

1.4 Section four of this report outlines how project and partnership risks are managed.

## 2. RISK MANAGEMENT

2.1 This report provides an update on how strategic risk continues to be monitored and managed. Details are set out in the East Suffolk Corporate Risk Management Strategy which was approved at Audit and Governance Committee on 15<sup>th</sup> September 2016.

- 2.2 The Councils' approach to corporate risk management is to embed risk management across the Councils so that it is the responsibility of all managers and teams rather than side-lined to be managed by one team. This approach was approved by both Councils' Audit and Governance Committees in 2014.
- 2.3 The Chief Finance Officer has overall responsibility for Risk Management along with Financial Services and Corporate Performance which includes providing risk management advice and support to all officers. Heads of Service ensure that risks within their area are recorded and managed appropriately, in line with the risk management framework. CRMG regularly review and monitor the approach to risk management.
- 2.4 The Risk Management Toolkit (developed with Zurich) is used to assess and manage corporate, operational, project and partnership risks. The toolkit has been updated further and details are provided at section 3.5 below.
- 2.5 Risk registers form part of the service plan system on FRED. Links are included in the document templates for projects and business case appraisals (BCAs). Risk registers are designed to be living documents, updated regularly. The CRR covers risks which affect our ability to achieve long-term Council objectives. Risks can be escalated from service plans up to the CRMG for inclusion in the CRR – or moved down as required. Risks within the CRR state the cause, event and effect. For example, "as a result of bad weather, there is a risk that staff will not be able to get to the office and undertake their work which will result in unhappy service users and increased complaints."
- 2.6 Projects are given an overall risk rating by the Project Manager and recorded in service plans. Corporate projects, where applicable, are considered at CGG to ensure that high risk projects can be considered at a senior level. The Corporate Project Register, which continues to be developed, captures key projects which contribute to delivering specific actions and deliverables within the East Suffolk Business Plan. CRMG continues to meet as part of CGG (quarterly) and hold independent CRMG meetings (twice a year); the last CGG was held on 27<sup>th</sup> February 2018. The CRR is a standard agenda item at all meetings and Heads of Service are asked to provide updates of risks (existing and new) for the meeting.
- 2.7 An overview of the Councils' corporate strategic risks are included in the quarterly East Suffolk Performance Reports which monitors performance and progress against meeting and delivering the East Suffolk Business Plan. The report includes the current and target ratings, projected direction of travel and a high level update on each risk.
- 2.8 The Councils' intranet has a dedicated Risk Management page which contains documents and links including the East Suffolk Corporate Risk Management Strategy guidance, training presentations and documents, Corporate Risk Registers and CRMG Terms of Reference.

### **3. DEVELOPMENT AND PROGRESS IN MANAGING RISK**

- 3.1 Following the successful rollout of the Risk Management e-learning module 408 officers and 5 members have completed the training. The Risk Management e-learning module now forms part of the induction process and it is mandatory for all new staff to undertake the training within one month of employment. Further training or guidance on risk management is available.
- 3.2 A high level overview of the performance of key corporate projects that deliver against the Business Plan are reported within the East Suffolk Performance Report. Further development and review of the Corporate Project Register is being undertaken and will be continue to be reported within the East Suffolk Performance Report.

- 3.3 Service plans are in place and available on FRED to allow for ongoing updates, monitoring and reporting on risks across the Councils. Training had been delivered to managers on the use of service plans on the intranet and informal training is available if required. The Corporate Project Register (via FRED) has been integrated in the Councils' existing corporate system for Service Plans.
- 3.4 As part of the Risk Management Training Programme the Councils' insurance providers and advisors, Zurich Insurance Group, delivered project management training on 20<sup>th</sup> and 21<sup>st</sup> February 2018 for officers who are responsible for managing projects, involved in project delivery, are members of a project team or will be in future. All project managers had been encouraged to attend these informative sessions. The training had been tailored to meet the Council's project management requirements and was aligned to the Council's existing Project Management Framework. Approximately 35 officers attended the training and feedback received had been positive.
- 3.5 At CRMG, on 10<sup>th</sup> October 2017, Zurich facilitated an 'Horizon Scanning and Corporate Risk Challenge' session which involved assessing existing corporate risks, identification of potential and future risks, and review of the Council's Risk Management toolkit/matrix to allow further variation of risks. The interactive session fully reviewed all corporate risks (full details are reported in Section 5) and resulted in a number of risks at current risk ratings, and no longer considered high level, to be removed from the Corporate Risk Register. Updates to the Risk Management Toolkit/Matrix included:
- 'Major' being added as an additional impact category which would allow further identification and movement of risks. As a result the guidance table for each 'impact' was updated to assist risk categorisation.
  - Likelihood: Percentages were reviewed and updated and likely descriptions had been added to provide further explanation. Proximity and timing had also been included within this table which had previously been tabled separately within the toolkit.
- 3.6 Members are asked to note the changes to the Risk Management Toolkit/Matrix (in paragraph 3.5 above).
- 3.7 Risk management training sessions are scheduled to be held on 13<sup>th</sup> March 2018 (East Suffolk House in the morning and Riverside in the afternoon) by Zurich. The training will include details on how the Councils manage and monitor risks. The training is available for all officers; team leaders and managers are encouraged to attend these sessions, particularly new members of staff within managerial positions.
- 3.8 Risks and opportunities will continue to be monitored at CRMG/CGG and at Corporate Management Team (CMT) and Senior Management Team (SMT) meetings, to ensure they are being effectively identified and managed.

#### **4. PROJECT AND PARTNERSHIP RISKS**

- 4.1 Project risks are managed according to the general risk management toolkit (Appendix A). Links to the relevant documents are included in the Project Management Framework. Each project should have its own risk register so that the Project Manager may actively manage risks and the Project Board can monitor those risks.
- 4.2 Service Plans include details of corporate/key projects. Using the same scoring system as the general risk management toolkit, managers provide an overall risk score for each project. Projects will be reviewed at CGG and are raised, where necessary, with CRMG members or at monthly CMT meetings.

- 4.3 Risk management of partnerships uses the general risk management toolkit (Appendix A). The main difference in managing partnership risk is that there are two key types of risk:
- Risks to the Council of entering or being in the partnership; and
  - Risks to the success of the partnership.
- 4.4 These are often kept as two separate registers, as risks to the Council may be confidential, and will need to be managed by the Council. Risks to the success of the partnership are shared and managed by all the partners.

## 5. CORPORATE RISKS

- 5.1 CGG on 24<sup>th</sup> July 2017 reviewed all current key risks to the Councils and at CRMG on 10<sup>th</sup> October 2017 a horizon scanning risk challenge of the current key risks was undertaken by Zurich. This section provides details on progress being undertaken to achieve specific targets and meet risk scores of existing corporate risks and includes details of new risks.

### **Failure to have a single plan to manage Asset Management Strategy (Red C1, significant likelihood, catastrophic impact)**

- 5.2 The description of this risk had been amended and now specifically relates to the Asset Management Strategy (previously **Failure to utilise council assets to maximum benefit**). The current risk score remains at C1 red, however a significant amount of work continues to be undertaken including an Acquisition for Land and Property which has been drafted and is currently being consulted upon and investment of the Argus software system, which will allow WDC to access the financial performance of current and potential assets. In addition, case for change has been written by the Head of Asset and Investment Management, which sets out the framework for improving the financial return on all assets.
- 5.3 The target score is currently D4 green (low likelihood, marginal impact) and the current risk score is likely to be re-categorised following completion of the work identified above and further review at CRMG.

### **Failure to produce and deliver a sustainable Medium Term Financial Strategy (Amber C2, significant likelihood, critical impact)**

- 5.4 Although there is a significant improvement, the risk rating continues to reflect uncertainty around national Government initiatives and their potential financial impact, delivery of key projects, and economic outlook.
- 5.5 The Councils' Business Plan sets out Financial Self-sufficiency as one of its three key strategic priorities. The annual budget is approved by Full Council annually. The MTFS position is reviewed continuously. CMT works with Cabinet to develop and implement plans to deliver a sustainable balanced position.
- 5.6 Target score is D4 green (low likelihood and marginal impact).

### **Failure to deliver balanced Annual Budget (Amber C2, significant likelihood, critical impact)**

- 5.7 Although both Councils have continued to deliver balanced budgets without excessively using reserves, the current risk had been re-categorised from D3 green to C2 amber which reflects uncertainty around national Government financial policy and incentivised income areas, the current climate and also budget pressures for next year.
- 5.8 Appropriate controls continue to be in place and the Councils have a robust approval process in place. Monitoring of potential impacts of local government reforms is undertaken. Regular budget workshops are held to review and reconsider strategic priorities and various cost saving options. Ongoing identification of savings continues.

5.9 Target score is D4 green (low likelihood and marginal impact).

**Failure of Service Planning (Amber C2, significant likelihood and critical impact)**

5.10 Service Plans now capture progress on delivering the actions within the East Suffolk Business Plan and regular updates are fed into the quarterly East Suffolk Performance Report. Service delivery partnerships have now been included within Service Plans. Significant work continues to be undertaken to ensure that all key projects are entered on the Corporate Project Register, the process for capturing this information involves Heads of Service (or the relevant project manager) entering details within the appropriate service plan.

5.11 Following further work relating to corporate projects re-categorisation of the current risk score will then be undertaken. The target score of D4 green (low likelihood, marginal impact) will be achievable following further analysis of information and completeness of all key.

**Failure to implement Asset Management Capital Programme (Amber C2, significant likelihood, critical impact)**

5.12 An Officer Group has been set up to look at the implementation of an Asset Investment Strategy. Planning sessions had taken place and a workshop with Grant Thornton has been arranged for April 2018. Processes are being developed to improve the transition between contract procurement and contract management. The target score is green D4 (low likelihood and marginal impact).

**Failure of Service Delivery Contracts/Partnerships (Amber C2, significant likelihood, critical impact)**

5.13 Although the current risk score remained at C2 amber significant work continues to take place to manage and improve this risk. Two dedicated Contract Managers have recently been appointed following a review of need and restructure. They have three areas of responsibility; assurance, customer expectation and growth. Both are developing a programme to improve the assurance of our partners. The current target score is D4 (low likelihood and marginal impact).

**Welfare Reform (Universal Credit) Impact (Amber C2, significant likelihood, critical impact)**

5.14 This risk reflects the impact of the Welfare Reform (rollout of Universal Credit) and the significant impact it will have upon the Councils. The key achievement had been that WDC influenced two national policy changes, namely temporary accommodation being taken out of Universal Credit and changes to consent/alternative payment arrangements for private landlords. A number of controls and mitigating actions have already been implemented and will continue to be reviewed. The significant work included assisting over 600 customers to apply or maintain their online UC claim, UC information pack for private landlords created and personal budgeting support.

5.15 The target score is green D4 (low likelihood, marginal impact).

**Failure to deliver Housing Development Programme (Amber C2, significant likelihood, critical impact)**

- 5.16 This risk relates to the failure to deliver the Housing Development Programme and is currently scored at C2 amber. Bi-monthly meetings of the East Suffolk Housing Development Board continue and reviews are underway of the contract compliance procedures and alternative procurement/project management options for council approval.
- 5.17 The target score is green D4 (low likelihood, marginal impact).
- Failure of ICT (including Disaster Recovery for ICT) (Amber D2, low likelihood, critical impact)**
- 5.18 ICT resilience remains a key priority with ongoing review and updating of infrastructure, systems and processes to mitigate against evolving ICT risks, specific measures in place to address cyber security risks
- 5.19 Target score D2 amber (low likelihood and critical impact) is being achieved.
- Failure of Financial Governance (Amber D2, low likelihood, critical impact)**
- 5.20 The current risk score remains unchanged, however, significant work continues and the risk classification will be reviewed in future. Updates include regular review of the Financial Governance Framework, ensuring alignment with corporate priorities and current financial management and best practice. Review of policies and procedures are undertaken to ensure appropriate financial controls are in place to tighten budgetary control spending of Council monies.
- 5.21 The target score is green E4 (very low likelihood and marginal impact).
- Failure to deliver digital transformational services (Amber D2, low likelihood, critical impact)**
- 5.22 This risk remains unchanged however significant progress has been achieved and continues to improve. Increased corporate awareness of Digital Strategy and transformation programme, specific digital transformation outcomes and benefits are being incorporated into all appropriate projects. Design of the new East Suffolk Council Programme ensures opportunities for digital transformation are identified and included
- 5.23 Target score D4 green (low likelihood and marginal impact), near to being met.
- Failure of the delivery of the East Suffolk Business Plan (Amber D2, low likelihood, critical impact)**
- 5.24 Following significant work undertaken and underway to ensure the successful delivery of the East Suffolk Business Plan this risk had been re-categorised (previously D1 'amber' low likelihood, catastrophic impact). A corporate work team and an action plan are in place to ensure the corporate embedding of the East Suffolk Business Plan. Significant emphasis is in place to ensure delivery of the 71 Actions and a high level overview is reported within the East Suffolk Business Plan. Case studies have been, and will continue to be, produced for completed actions. The current risk will be considered for re-categorisation following further completion of the actions.
- 5.25 The target score is green D4 (low likelihood and marginal impact).
- Failure to successfully dissolve the two Councils and become 'East Suffolk Council' (Amber C2, significant likelihood, critical impact)**
- 5.26 The risk relating to the failure to successfully dissolve both Councils and create a new East Suffolk Council was added to the Corporate Risk Register due to its high level status and possibility that, if it were to fail, adverse national publicity. A significant amount of work continues to be undertaken to ensure the smooth transition to become 'East Suffolk Council' and work continues to manage risks including a Member Programme Board providing

direction, member workstream groups in place to deliver specific actions. It also remains a standing CMT agenda item.

- 5.27 The target score is green D4 (low likelihood, marginal impact).

**Failure of Programme and Project Delivery (Amber D2, low likelihood, critical impact)**

- 5.28 The current risk score remained at D2 although significant progress continues to be undertaken. Actions to date resulted in increased awareness, monitoring and reporting on programme and project performance. Established good practice is being adopted for delivery of the new East Suffolk Council Programme. Further opportunities are being developed across the partnership to improve consistency and application of project management. The target score is E3 green (very low likelihood, major impact).

**New Corporate Risks:**

**Failure to have appropriate Safeguarding Policies and procedures in place and to embed these in the practice of both staff and Councillors (Amber C2, significant likelihood, critical impact)**

- 5.29 Identified and agreed as a new risk for the Corporate Risk Register due to implications of not meeting statutory requirement Section 11 Full Audit now underway. Presentation to Children's Safeguarding Board on SCDC/WDC self assessment in April 2018. Session planned later in the year at CMT to ensure all CMT members up to date on policy and practice, and pick up any actions following the Audit. Training reviewed and updated regularly to include emerging safeguarding issues. Currently meeting commissioned services (Norse, Sentinel and Place for People) quarterly to ensure they are aware of their responsibilities. Target score is D4 green (low likelihood, marginal impact).

**Failure to meet General Data Protection Regulation (GDPR) (Amber D2, low likelihood, critical impact)**

- 5.30 The new General Data Protection Regulations come into force on 1<sup>st</sup> May 2018. Due to the impact upon the Councils if they do not fully comply with the legislation, and there are data breaches, it was agreed this risk should be on the Corporate Risk Register. It is currently categorised as C2 amber (significant likelihood and critical impact) but will be reviewed following after its implementation.

- 5.31 The project to manage its implementation and ensure that the legislation criteria is met is on track, the Deputy Data Protection Officer is now qualified and work streams are planned in March and April 2018. Target score of D4 green (low likelihood and marginal impact).

**Failure to promote and maintain Ethical Standards (Green D4, low likelihood, marginal impact)**

- 5.32 Failure to embed ethical standards was fully embedded resulting in the closure of this risk. However, due to the importance of maintaining and promotion of Ethical Standards this risk has been added. The Council's Audit and Governance Committee has a statutory duty to promote and maintain high standards of behaviour. Regular reports are made to the Committee about Standards. it Declarations of interests, gifts and hospitality are made and monitored.

- 5.33 The target score is E4 green (very low likelihood and marginal impact).

### **Closed Risks:**

The following risks are no longer considered significant risks to the council and current risks scores had successfully reached target scores.

- 5.34 **Failure of Corporate Business Continuity:** Appropriate systems and procedures are in place to manage the Business Continuity Planning of the Council and which will be constantly reviewed to ensure robustness.
- 5.35 **Failure of Organisational Culture:** Significant work had, and continues to take place, resulting in organisational culture no longer being deemed a corporate risk. Communication channels are constantly improving, natural work teams are continuing and are providing a successful approach to progressing corporate projects and engaging with staff. Although this is no longer a corporate risk it will continue to remain a key focus.
- 5.36 **Failure to fully embed Ethical Standards:** Ethical Standards is now fully embedded. The Council's Audit and Governance Committee has a statutory duty to promote and maintain high standards of behaviour.
- 5.37 **Failure of communication resulting in adverse impact on reputation:** A Communication Strategy and action plan is in place, with emphasis on clear and consistent messaging. The Communications and IT Teams will continue to work on new and innovative ideas.
- 5.38 **Failure of Internal Controls:** Regular review of corporate governance arrangements are undertaken which ensures reflection of best practices. Policies/codes and protocols are being reviewed and, where applicable, updated in readiness for the merger.

### **Overview of Risk Ratings:**

- 5.38 A summary of the current and target risk scores along with the projected direction of travel is detailed below:

<b>Corporate Risk</b>	<b>Current rating</b>	<b>Target rating</b>	<b>Projected Direction to meet target</b>
Asset Management Strategy	Red	Green	↑
Service Planning	Amber	Green	→
Asset Management Capital Programme	Amber	Green	→
Service Delivery Contracts / Partnerships	Amber	Green	↑
Medium Term Overview	Amber	Green	→
Welfare Reform	Amber	Green	→
Housing Development Programme	Amber	Green	↑
Programme and Project Delivery	Amber	Green	↑
ICT (including Disaster Recovery for ICT)	Amber	Amber	→
Financial Governance	Amber	Green	↑
Digital Transformation Services	Amber	Green	↑
East Suffolk Business Plan	Amber	Green	↑
Annual Budget	Amber	Green	→
Creation of East Suffolk Council	Amber	Green	↑
<b><i>New risks:</i></b>			

Safeguarding	Amber	Green	n/a
General Data Protection Regulations (GDPR)	Amber	Green	n/a
Ethical Standards	Green	Green	n/a
<b>Closed Risks:</b>			
Business Continuity	Green	Green	➔
Organisational Culture	Green	Green	➔
Ethical Standards	Green	Green	➔
Communication resulting in adverse impact on reputation	Green	Green	➔
Internal Controls	Green	Green	➔

5.39 Brexit remains as a potential risk which may need further consideration in future.

## 6. FINANCIAL AND GOVERNANCE IMPLICATIONS

6.1 The Council's focus on risk management provides a robust mechanism for governance and considers a wide number of areas, including financial.

## 7. CONSULTATION

7.1 Work on Corporate Risk Management has been shaped by consultation with the relevant committees at each Council, with Zurich Municipal, other councils and Internal Audit.

## 8. RECOMMENDATION

8.1 To build on effective corporate risk management across both Councils, it is recommended that the Committee reviews current risk reporting to ensure the reports continue to be useful and in an effective format.

### RECOMMENDATION

That the Committee make comment on the current key risks and corporate risk appetite and note the latest update.

### APPENDICES

<b>Appendix A</b>	Corporate Risk Management Process and Toolkit
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### BACKGROUND PAPERS

Date	Description	Source
2018	Corporate Risk Register	<a href="#">Available on intranet</a>