

**AUDIT AND GOVERNANCE COMMITTEE**

Thursday, 7<sup>th</sup> March 2019

**CORPORATE RISK MANAGEMENT UPDATE (REP1797)**

**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 Municipal and discussions at Audit and Governance Committee in May 2018, the likelihood percentages within the Corporate Risk Management Process and Toolkit had been updated creating a greater variance. 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 with Responsibility for Resources
<b>Supporting Officer:</b>	Simon Taylor Chief Finance Officer Tel: 01394 444570 <a href="mailto:simon.taylor@eastsoffolk.gov.uk">simon.taylor@eastsoffolk.gov.uk</a>

## 1 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 15<sup>th</sup> March 2018.

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 Corporate Risk Management Group (CRMG). The 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. From 1<sup>st</sup> April 2019, all risks will become corporate risks for East Suffolk Council.

- **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 five 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 by the 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 and continues to be working practice to date.
- 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 in paragraph 4.7.
- 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. 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/CRMG was held on 28<sup>th</sup> January 2019. The CRR is a standard agenda item at all meetings and Heads of Service are asked to provide updates of risks (existing and new).
- 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. HOW DOES THIS RELATE TO THE EAST SUFFOLK BUSINESS PLAN?**

- 3.1 Risk management supports and delivers the good governance required to deliver the East Suffolk Business Plan, ensuring that risks are managed effectively and contributes to efficient governance procedures.

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

#### **Risk Management E-learning Module**

- 4.1 The Risk Management e-learning module forms part of the induction process and it is mandatory for all new staff to undertake the training within one month of employment. To-date 491 officers and members had completed the training. Work is underway to review the e-learning module to update details in preparation for the implementation of East Suffolk

Council on 1<sup>st</sup> April 2019 which could result in tailoring a generic e-learning package to meet the Council's needs. Further training or guidance on risk management is available.

### Corporate Projects

- 4.2 A high level overview of the performance of key corporate projects that deliver against the Business Plan are reported within the quarterly East Suffolk Performance Report. The Corporate Project Register is constantly reviewed and developed which includes the overall current risk level.

### Service Plans

- 4.3 Service plans are in place and available on FRED to allow for ongoing updates, monitoring and reporting on risks across the Councils. Training continues to be available on the use of service plans on the intranet. The Corporate Project Register (via FRED) has been integrated in the Councils' existing corporate system for Service Plans.

### Risk Management Training Programme

- 4.4 As part of the Risk Management Training Programme the Councils' insurance providers and advisors, Zurich Insurance Group, delivered Event Management training on 12<sup>th</sup> and 13<sup>th</sup> November 2018 which was attended by 44 officers. The training provided an in-depth understanding of the reasons why and how to manage events safely (including advice on risk assessments). Feedback from the sessions advised the training had proved useful.
- 4.5 Risk management training was delivered to 23 officers on 14<sup>th</sup> and 15<sup>th</sup> January 2019. The sessions were tailored on the Councils' risk management procedures and process, and was available for existing officers and new officers to the councils.
- 4.6 At CRMG, on 3<sup>rd</sup> December 2018, Zurich facilitated a 'Horizon Scanning and Corporate Risk Challenge' session which involved fully assessing existing corporate risks, identification of potential and future risks. Outcomes from that session resulted in CRMG, at its meeting on 28<sup>th</sup> January 2019, agreeing that the financial risks ('financial governance' and 'failure to deliver a balanced annual budget') would be incorporated within the 'Medium Term Financial Strategy' risk. It was also agreed to separate the risk relating to 'service delivery contracts/partnerships' into two, namely 'large/significant' and 'smaller/other', due to the impact upon the council varying significantly if they were to fail. The interactive session also resulted in current risk scores being challenged, assessed and where relevant re-categorised (details of corporate risks are reported in Section 6).

### Updates to Risk Management Process/Toolkit

- 4.7 Following recommendation by Zurich Municipal, discussion at Audit and Governance Committee and approval by CRMG, it was agreed that '*likelihood*' percentages of risks would be amended to allow greater risk variation. The current likelihood categorisation is detailed below:

Likelihood		%	Description	Proximity/Timing
A	Very High	90%	Event is very likely to occur.	Within current financial year
B	High	60% - 90%	Strong possibility the event will occur.	Will occur at least once per year
C	Significant	30% - 60%	Will probably occur in most circumstances	Will occur within next 4 years
D	Low	15% - 30%	Risk event likely to occur at some time.	Likely to occur once in 4 to 6 yrs
E	Very Low	5% - 15%	Risk event could occur at some time.	Likely to occur within 6 to 10 yrs
F	Almost Impossible	0% - 5%	May occur only in exceptional circumstances. Extremely unlikely or virtually impossible.	May occur once within 10 to 50 yrs

## **East Suffolk Risk Management Strategy**

- 4.8 In order for the joint East Suffolk Risk Management Strategy to be implemented for East Suffolk Council on 1<sup>st</sup> April 2019, as part of the formal process, a report was presented to the Joint Policy and Service Alignment and Finance Member Working Groups on 28<sup>th</sup> November 2018. No changes were proposed and it was agreed that it would be implemented on 1<sup>st</sup> April 2019. Significant changes to the Strategy would continue to be reported to the Audit and Governance Committee at future meetings.
- 4.9 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.

### **5. PROJECT AND PARTNERSHIP RISKS**

- 5.1 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.
- 5.2 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.
- 5.3 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.
- 5.4 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.

### **6. CORPORATE RISKS**

- 6.1 CRMG, on 28<sup>th</sup> January 2018, reviewed all current key risks to the Councils and incorporated relevant changes following the horizon scanning and risk challenge facilitated by Zurich Municipal on 3<sup>rd</sup> December 2018. This section provides details on progress being undertaken to achieve specific targets, meet risk scores of existing corporate risks and includes details of new risks.

#### **Failure to produce and deliver a sustainable Medium Term Financial Strategy including delivery of balanced Annual Budget (Amber C2, significant likelihood, critical impact)**

- 6.2 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.
- 6.3 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 and the MTFs position is reviewed continuously. CMT works with Cabinet to develop and implement plans to deliver a sustainable balanced position. At the horizon scanning and risk challenge session facilitated by Zurich Municipal in December 2018 and further consideration by CRMG it was agreed that this risk would now incorporate the delivery of a balanced annual budget and financial governance (which were previously identified as separate risks).

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

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

6.5 Following agreement at CRMG, on 8<sup>th</sup> December 2018, this risk was split into two separate risks to reflect 'large' and 'small' contracts/partnerships due to the impact upon the councils and relevant actions, should they fail, varying significantly. The Procurement Team had been restructured and work continues to ensure that Contract Management Procedures and documentation fully meet the needs of managing contracts effectively. The new Constitution (which includes Contract Procedure Rules) for East Suffolk Council was approved by the Shadow Council on 28<sup>th</sup> January 2019. A Contract Management training session is also planned on 28<sup>th</sup> February 2019 to advise of good contract management guidance and include an interactive workshop session to help shape future contract management in the Councils. New procurement rules will require officers to play a more proactive role in understanding and monitoring contract performance, and that the procurement process will be the point at which KPIs are set.

6.6 The current risk score for large contracts/partnerships would remain at C2 amber. Significant work will continue to be undertaken to manage and improve this risk. Two dedicated Contract Managers have recently been appointed following a review. The target score is green D4 (low likelihood and marginal impact).

**Failure of Other (smaller) Service Delivery Contracts/Partnerships (Green D4, low likelihood marginal impact)**

6.7 Details explained in paragraph 6.5. The current target score is D4 (low likelihood and marginal impact). Because of the smaller nature of these contracts, their failure (whilst undesirable) would be less likely to present a corporate risk to the Council.

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

6.8 This risk reflects the impact of the Welfare Reform (rollout of Universal Credit) and the significant impact it will have upon the Councils. A number of controls and mitigating actions have already been implemented and the Housing Team has invested in predictive analytical software to enable better focus on accounts of customers who require review including new Universal Credit cases. This software went live in early February 2019 and work continues to review the rent debt position. Rent arrears is one of the KPIs monitored within the East Suffolk Performance Report. Work is also continuing to assist customers to apply or maintain their online Universal Credit claim, a Universal Credit information pack for private landlords and personal budgeting support.

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

**Failure of ICT (including Disaster Recovery for ICT) (Amber D2, low likelihood, critical impact)**

6.10 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 also options for use of Cloud facilities are being investigated which may provide additional resilience in the future.

6.11 Target score D2 amber (low likelihood and critical impact) is being achieved.

**Failure to deliver digital transformational services (Amber D2, low likelihood, critical impact)**

6.12 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 had been incorporated into all appropriate projects. Design of the new East Suffolk Council Programme ensures opportunities for digital transformation are identified and included

- 6.13 Target score D4 green (low likelihood and marginal impact), near to being met.

**Failure of Programme and Project Delivery (Amber C2, significant likelihood, critical impact)**

- 6.14 The current risk score remained at C2 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 had been adopted for delivery of the new East Suffolk Council Programme. The Digital Programme Board also effectively ensures governance of projects. 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).

**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)**

- 6.15 A session was held involving CMT to ensure all were up to date on policy and practice, and address any actions following the audit. Training is reviewed and updated regularly to include emerging safeguarding issues. Updated packages of 'face to face' and 'online' training will be in place for the new Council and Councillors which will include new sections on emerging issues such as County Lines and Child Sexual Exploitation. There is an on-line module which now forms part of the requirements for licensing taxi drivers. Also the Lead Officer meets commissioned services (Norse, Sentinel and Places for People) quarterly to ensure they are aware of their responsibilities. Target score is D4 green (low likelihood, marginal impact).

**Failure to have a single plan to manage Asset Management Strategy (Amber C3, significant likelihood, catastrophic major)**

- 6.16 Due to the significant work undertaken to review asset management including the completion of the Asset Management Strategy, and the creation of a single, electronic Asset Register for East Suffolk Council, all of which will be completed by 1<sup>st</sup> April 2019, it was agreed at CRMG on 1<sup>st</sup> October 2018 that the current risk was no longer red C1 (significant likelihood, catastrophic impact).
- 6.17 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 deliver Housing Development Programme (Amber C3, significant likelihood, major impact)**

- 6.18 The current score for this risk had been lowered from C2 amber (significant likelihood, critical impact) to C3 amber (significant likelihood, major impact) which was due to the significant amount of work undertaken including the production of an HRA Business Plan and implementation of the Housing Strategy. Bi-monthly meetings of the East Suffolk Housing Development Board continue and revised contract compliance procedures and alternative procurement/project management options for council approval are prepared.
- 6.19 The target score is green D4 (low likelihood, marginal impact).

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

- 6.20 The new General Data Protection Regulations came 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 if there are data breaches, it was agreed this risk should be on the Corporate Risk Register. At CRMG on 28<sup>th</sup> January 2019 it was also reported that data governance would be included within this risk. It is currently categorised as C2 amber (significant likelihood and critical impact).
- 6.21 Work continues to ensure that the legislation criteria is met, the Deputy Data Protection Officer is qualified and work streams are continuing. Target score of D4 green (low likelihood and marginal impact).

**Failure to implement Capital Programme (Green D4, low likelihood and marginal impact)**

- 6.22 Following review at CRMG this risk had been amended to relate to the Capital Programme as it related to other projects including asset management, it also captures the implementation of revenue generation. A Capital Strategy is in place and reported annually to Cabinet. The implementation of the Asset Management and Investment Strategy will contribute to revenue generation. 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 Planning (Green D4, low likelihood and marginal impact)**

- 6.23 The current risk had been lowered from C2 amber (significant likelihood and critical impact) due to Service Plans continuing to capture progress on delivering the actions within the East Suffolk Business Plan, and regular updates are fed into the quarterly East Suffolk Performance Report. 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 relevant project manager) entering details within the appropriate service plan.
- 6.24 Business planning is due to be undertaken by CMT in the future which will also include consideration on how service plans are used. Work will also continue to ensure that corporate projects are entered on Heads of Service Plans. The target score remains at D4 green (low likelihood, marginal impact).

**Failure of delivery of East Suffolk Business Plan (Green D4, low likelihood, marginal impact)**

- 6.25 Following significant work undertaken and continuing to ensure the successful delivery of the East Suffolk Business Plan this risk had been recategorised (previously D2 'amber' low likelihood, critical impact). Significant emphasis had been placed to ensure the 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.
- 6.26 The target score is green D4 (low likelihood and marginal impact).

**Failure to successfully dissolve the two Councils and become 'East Suffolk Council' (Green D4, low likelihood, marginal impact)**

- 6.27 The current risk for the failure to successfully dissolve both Councils and create a new East Suffolk Council had been recategorised (previously C2 amber, significant likelihood, critical impact) which is at its target score. There had, and continues to be, significant work undertaken to ensure the smooth transition to become 'East Suffolk Council' from 1<sup>st</sup> April

2019 and all parliamentary orders had been received. This risk will be removed once East Suffolk Council becomes operational.

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

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

6.29 Due to the importance of maintaining and promotion of Ethical Standards this risk continues to remain a corporate risk. 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. Declarations of interests, gifts and hospitality are made and monitored.

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

**New Corporate Risks:**

**Failure to implement East Suffolk Commercial Strategy (Amber C2, significant likelihood, critical impact)**

6.31 The East Suffolk Commercial Strategy risk was added due to the uncertainty as to whether it could deliver against requirements within the Commercial Strategy and deliver the identified revenue. Significant work is underway including a full business case for a trading company which will be implemented from 1<sup>st</sup> April 2019. The target score for this risk is D4 green (low likelihood, marginal impact).

**Failure to plan and prepare for the consequences of Brexit (Amber C2, significant likelihood, critical impact)**

6.32 Risk added due to the potential disruption upon services (e.g. import controls at Felixstowe Border inspection post and those delivered under contract for PHAs), impacts on the local economy and potential for civil disruption and unrest. Extensive engagement is taking place with government departments including DEFRA, LGA and the Food Standards Agency. The Council is also represented at the countywide Brexit planning team which was established to coordinate a county response. The target score is green D4 (low likelihood, marginal impact).

**Overview of Risk Ratings:**

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

Corporate Risk	Current rating	Target rating	Projected Direction to meet target
Asset Management Strategy	Amber	Green	↑
Service Delivery Contracts / Partnerships (large)	Amber	Green	↑
Medium Term Overview (inc. Annual Budget and Financial Governance)	Amber	Green	→
Welfare Reform	Amber	Green	→
Housing Development Programme	Amber	Green	↑
Programme and Project Delivery	Amber	Green	↑
Digital Transformation Services	Amber	Green	↑
General Data Protection Regulation and Data Governance	Amber	Green	→
Safeguarding	Amber	Green	→

Corporate Risk	Current rating	Target rating	Projected Direction to meet target
Brexit	Amber	Green	➔
ICT (including Disaster Recovery for ICT)	Amber	Amber	➔
Service Delivery Contracts / Partnerships (small/other)	Green	Green	➔
Service Planning	Green	Green	⬆
Capital Programme	Green	Green	⬆
East Suffolk Business Plan	Green	Green	⬆
Creation of East Suffolk Council	Green	Green	⬆
Ethical Standards	Green	Green	➔
<b>New risks:</b>			
East Suffolk Commercial Strategy	Amber	Green	n/a
<b>Closed Risks (incorporated within MTFS)</b>			
Financial Governance	Green	Green	➔
Annual Budget	Amber	Green	➔

6.34 Cyber crime remains as a potential risk which may need further consideration in future.

## 7. FINANCIAL AND GOVERNANCE IMPLICATIONS

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

## 8. CONSULTATION

8.1 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.

## 9. REASON FOR RECOMMENDATION

9.1 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

#### Appendix A

Corporate Risk Management Process and Toolkit

### BACKGROUND PAPERS

Date	Description	Source
2019	Corporate Risk Register	<a href="#">Available on intranet</a>