

## **AUDIT & ACCOUNTS COMMITTEE**

**24April 2019**

### **RISK MANAGEMENT**

#### **1.0 Purpose of Report**

1.1 To provide an update to members on the Council's Risk Management arrangements and status of the Council's Strategic Risks.

#### **2.0 Background Information - Risk Management**

2.1 The Risk Management Group continues to meet on a quarterly basis. Members of this group are provided with an overview of the current situation/performance of strategic and operational risks. Emerging/ongoing risks are also discussed.

2.2 The Risk Management Policy is currently under review. It is envisaged that this policy will be submitted to SLT for approval in April 2019.

2.3 An audit of the Council's Risk Management arrangements, undertaken last year by Assurance Lincolnshire, has identified a **substantial** level of confidence in service delivery, management of risks and operation of controls and/or performance.

2.4 A small number of improvements were noted as part of this audit and it is envisaged that all outstanding actions will be completed by July 2019.

2.5 Operational risks identified as red are monitored and reported to SLT as part of the wider assurance arrangements.

2.6 Following the restructure, meetings are being held with new business units and existing units with new operations, to identify and develop their operational risks.

2.7 Further assistance will be provided to Business Managers in reviewing and developing their operational risks once business plans have been approved.

2.8 Projects have the potential to expose the Council to numerous risks. It is therefore essential that they are managed by competent project leads that have a good understanding of how to manage risk. A series of sessions have recently been delivered around Project Management which includes a section on risk covering identification, management, mitigation and control.

#### **3.0 Strategic Risks**

3.1 Strategic risks are those that have the potential to halt or interfere with the Council's ability to achieve its priorities and/or deliver its statutory duties.

3.2 A workshop involving members of SLT is held annually to agree risks that are strategic in nature for the forthcoming year. When reviewing risks consideration is

given to how the whole organisation is positioned to deliver its objectives having regard to internal/external factors, some of which are out of the Council's control e.g. economic downturn.

- 3.3 Individual action plans are produced for all strategic risks as a means of controlling/mitigating the risk to a level that is acceptable (i.e. target risk) from SLT's perspective. Action plans are reviewed quarterly and recorded/managed within pentana.
- 3.4 The next annual strategic risk review workshop will be undertaken during the summer of 2019. Existing strategic risks will be reviewed by SLT at this workshop to determine if they remain appropriate and, if so, agree new risk scores. In circumstances where risks are no longer deemed appropriate from a strategic perspective they will either be closed (if appropriate) or re-classified as operational (if appropriate). Consideration will also be given to the addition of new/emerging risks arising as a result of internal/external factors e.g. adoption of the Council's Community Plan.
- 3.5 A quarterly assurance report regarding risk management is provided to SLT for their consideration/information. This report provides an overview of the risks, outstanding actions and areas of concern.
- 3.6 Ownership of each risk is assigned to a relevant director(s) who have, with the assistance of Business Managers, developed action plans to manage, mitigate or reduce the risk accordingly. However, as the very nature of strategic risks are complex and influenced by many outside factors/controls, some actions can be very long term and the ability to reduce the risk level may be limited. Having risks that are either shown as high risk or above target risk level does not necessarily mean that the Council is not actively managing the risk.
- 3.7 In addition to strategic risks, the Council has also identified a number of operational risks for each business unit. These have been developed by Business Managers and the Risk and Safety Management Officer and have been recorded on pentana for management purposes. Both managers and directors have responsibility to manage/monitor these and are required to formally review them at least quarterly.
- 3.8 Following the last annual SLT risk review workshop SR02, SR10, SR11 and SR12 were added to the strategic risk register and the strategic risk for Major Projects was removed.
- 3.9 There are currently twelve Strategic Risks as set out below:

Risk Name and Code	Risk Description
STRAT_SR001 Financial sustainability.	Uncertain changes in Central Government funding increased and demand in service resulting in lack of financial resilience.

<b>STRAT_SR002</b> Safeguarding Management	Inappropriate management of a safeguarding Issue
<b>STRAT_SR003</b> Facilitating growth.	The inability of the Council to facilitate the market to deliver the Council's growth agenda. This failure may reduce investment in infrastructure, inward investment, job opportunities, new housing and commercial development therefore impacting on communities and businesses.
<b>STRAT_SR004</b> Supply chain failures and contract management.	Failure of key suppliers, key service providers to deliver contracted or agreed services, leading to failure to achieve Council priorities and outcomes.
<b>STRAT_SR005</b> Organisational Development	Ensuring that the Council, its Members and its workforce have the skills, resources, ability and capacity to adequately respond to current and future organisational change meaning the Council is able to deliver its services in the most efficient and effective manner.
<b>STRAT_SR006</b> Sustainable communities.	The risk of various communities within NSDC feeling excluded, disengaged or being unable to access available services and opportunities including, rural, deprived, minority and vulnerable communities and local businesses etc.  NB. Services and opportunities to include health and wellbeing, early intervention and prevention.
<b>STRAT_SR007</b> Continuity of service (Civil Contingency & Emergency).	NSDC's ability to effectively respond to a major emergency and maintain that response without affecting essential day to day service delivery.  The risk is to both NSDC as a business continuity issue and to our at risk communities.
<b>STRAT_SR008</b> Corporate governance.	The risk of failures in systems of governance within the Council, within Council owned/influenced organisations and partnerships and other collaboration arrangements, leading to governance issues, fraud and corruption, failures in management systems, poor policy and decision making.
<b>STRAT_SR009</b> Data management and security.	Deliberate or unintentional loss/disclosure of personal, sensitive, confidential or business critical information or breach of Information Governance Legislation

<b>STRAT_SR010</b> Impact of welfare reform changes	Internally: Impact of welfare reform changes on a number of business units including revs/bens, customer services and housing options. Externally: Impact of welfare reform changes on residents and registered providers
<b>STRAT_SR011</b> Arkwood Development Limited	Managing the performance relationship between the council and Arkwood Developments in line with the Governance agreement
<b>STRAT_SR012</b> Brexit	Inadequate processes in place for the identification and management of Brexit implications

### 3.10 Current Strategic Risk Levels

3.11 In accordance with the Risk Management Policy, strategic risks continue to be reviewed on a quarterly basis by risk owners and assignees. As part of this review the risk score is also considered to determine whether it has changed.

3.12 A target risk score is assigned to all strategic risks. Scores are agreed annually by members of SLT.

3.12 The table below includes the risk profile for all strategic risks:

Likelihood	High				
	Significant		6,7	3,9, 11,12	
	Low			1,2,4,5,8,10	
	Very Low				
		Negligible	Marginal	Critical	Catastrophic
	Impact				

#### Key

	High risk
	Medium risk
	Low risk

3.13 The table below illustrates changes in risk scores during the previous 12 months:

Risk name and code	Direction of risk travel	Details
<b>STRAT_SR001</b> Financial sustainability.	=	No change. Remained at target risk.
<b>STRAT_SR002</b> Safeguarding Management	=	New Strat risk – No change. Remained at target risk.
<b>STRAT_SR003</b> Facilitating growth.	=	No change. Not at target risk

<b>STRAT_SR004</b> Supply chain failures and contract management.	=	No change. Not at target risk
<b>STRAT_SR005</b> Organisational development.	=	No change. Remained at target risk.
<b>STRAT_SR006</b> Sustainable communities.	↑	Increased in likelihood score. Not at target risk
<b>STRAT_SR007</b> Continuity of service (Civil Contingency & Emergency).	=	No change. Remained at target risk.
<b>STRAT_SR008</b> Corporate governance.	=	No change. Remained at target risk.
<b>STRAT_SR009</b> Data management and security.	↑	Increased in likelihood score. Not at target risk
<b>STRAT_SR010</b> Impact of welfare reform changes	↓	New Strat risk – Decrease in likelihood. At target risk.
<b>STRAT_SR011</b> Arkwood Development Limited	↑	New Strat risk – Increased in likelihood score. Not at target risk
<b>STRAT_SR012</b> Brexit	=	New Strat risk – No movement in score since introduction.

3.14 All twelve Strategic Risk assessments have been appended to this report.

#### **4.0 Equalities Implications**

4.1 There are no specific equalities implications arising from the details set out within this report. Where appropriate equalities are considered as part of the risk management process and where appropriate these are noted against the relevant risk and mitigation put in place to manage the risk along with any other risks identified.

#### **5.0 Community Plan- alignment to objectives**

5.1 Any additional risks either strategic or operational arising from the adoption of the community plan will be considered as part of the wider business planning process.

#### **6.0 Financial Implications (FIN19-20/7396)**

6.1 There are no direct financial implications arising from this report.

#### **7.0 RECOMMENDATION**

Members of the Committee are recommended to note the content of this report.

#### **Reason for Recommendations**

**To update the Committee on the Council's approach to risk management and provide an update on the status of the Council's strategic risks**

**Background Papers**

Nil.

For further information please contact Richard Bates – Safety and Risk Management Officer on extension 5593.

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