



**OPEN REPORT
GOVERNANCE AND RESOURCES COMMITTEE**

Governance and Resources Committee - 22 September 2022

Risk Management – Annual Report 2021/22

Report of the Director of Resources

Report Author and Contact Details

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Wards Affected

District Wide

Report Summary

The Council's Risk Management Policy and Strategy requires the Chief Executive to report to Members, by way of an annual report, on the Council's risk management arrangements and how key strategic risks are being managed.

This report describes the Council's risk management processes and working practices, which ensure that risk management arrangements continue to be effective, timely and fit for purpose, providing the Council with the correct levels of insight and support in relation to its risk exposure.

Recommendation

1. That the annual report and risk management arrangements be approved.

List of Appendices

Appendix 1 Strategic Risk Register: Mitigating Actions
Appendix 2 Internal Audit Review Recommendations

Background Papers

None

Consideration of report by Council or other committee

Not applicable

Council Approval Required

No

Exempt from Press or Public

No

Risk Management Annual Report 2021/22

1. Background

- 1.1 The Council's Risk Management Policy and Strategy, approved by this Committee in March 2021, requires the Chief Executive to report to Members, by way of an annual report on the Council's Risk Management arrangements and how key strategic risks are being managed.
- 1.2 This report describes the current risk management processes and working practices, which have been developed to ensure they continue to provide the Council with the correct levels of insight and support in relation to its risk exposure. The report illustrates the strategic risks and scores them as high (red), medium (yellow) or low (green). The report also shows the actions that are planned to mitigate or reduce the risks.
- 1.3 The Council operates a risk management programme whereby risks associated with the Corporate Plan, its key strategic objectives and individual Service Plan Key Actions are formally assessed.

The Council identifies risks at two levels:

- Strategic Risks: These are the risks that will significantly impact the Council in the delivery of its Strategic Objectives and Corporate Plan; and
 - Operational (Service) Risks: These are the risks which will impact on the delivery of each service at an operational level. Managing these risks will assist each Head of Service in the delivery of their Service Plan objectives and key actions.
- 1.4 Relevant individuals (the Risk Management & Continuity Group or RCG) meet on a quarterly basis to discuss the risks facing the Council and the delivery of its objectives. Those risks highlighted during these sessions are analysed and prioritised and further actions identified. These are captured within the Operational and Strategic Risk Registers.
 - 1.5 An essential part of the process involves ensuring all risks have clear ownership. Service Managers are required to identify the key internal controls for each risk they are responsible for and to identify mitigating controls. The risk management methodology provides guidance for risks to be scored, enabling officers to report risks which may prevent them from achieving their required aims.
 - 1.6 Risks are regularly reported to the Risk Continuity Group, which in turn reports quarterly to the Corporate Leadership Team, ensuring that risks, risk management etc. are challenged and reported effectively.
 - 1.7 Further guidance on the Council's risk management processes and procedures can be found in the [Risk Management Policy and Strategy](#).

2. Key Issues for 2021/22

2.1 The Council remains committed to ongoing risk management activities. Risk management practices and procedures are well embedded. The Risk Continuity Group continues to be well attended. Key actions arising since the last annual report include:

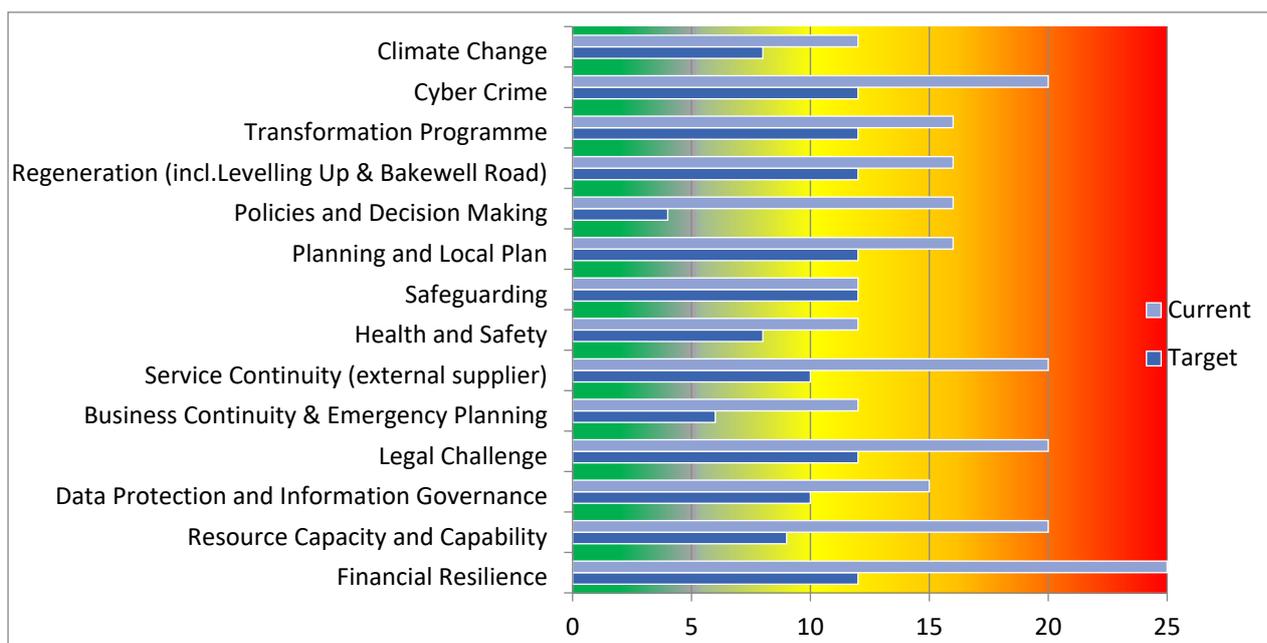
- Regular reviews of the strategic risk register
- Regular discussions relating to risks arising from events being held in the District
- Discussion relating to changes to the Emergency Plan
- Review of terms of reference and membership of group
- Preparation of the draft annual report
- Discussions relating to cyber security risks, protection against attacks, recovery in the event of an attack, prioritisation for the reinstatement of systems, arrangements for business continuity in the event of a cyber incident and the difficulty in obtaining cyber security insurance
- Discussing the outcome of the internal audit review of risk management arrangements (see next paragraph).

2.2 Internal Audit Review: An internal audit review of risk management arrangements was undertaken in 2022. The overall conclusion of the internal audit review was that the reliability of the internal controls operating in respect of risk management was assessed as **Reasonable**. (Reasonable is defined as *“the majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed”*). However, five recommendations were agreed (3 low risk and 2 medium risks) and the RCG will oversee the implementation by the end of the financial year. Details of the recommendations are set out in Appendix 2.

2.3 Risk Assessments: Strategic Risks are considered by relevant officers and documented within the Strategic Risk Register. Those risks identified and scored by the RCG at the meeting in June 2022 are set out in Chart 1 below.

The chart shows that the Council currently has 14 risks on its strategic risk register. It also shows that the five highest scoring risks are currently Financial Resilience (score of 25), followed by Cyber Crime, Service Continuity (External Supplier), Legal Challenge and Resource Capacity / Capability (all scored 20).

Chart 1: Strategic Risk Scores (June 2022)



2.4 A comparison of current risks with the chart shown in last year’s report shows a worsening overall situation, as illustrated in table 1 below.

Table 1: Change in risk levels 2021 to 2022

Level of Risk	Rating	Number of risks at each level April 2021	Number of risks at each level June 2022	Change
Low	1 - 4	0	0	-
Medium	5 - 16	11	9	↓
High	17 - 25	3	5	↑

The table shows that two strategic risks have been moved from medium risk to high risk in 2022.

The strategic risks for “Legal Challenge” and “Service Continuity (External Supplier)” have been increased from “medium” to “high”.

2.5 Strategic Risk Action Plan: Service managers and the Risk Continuity Group have identified that actions are required in order to further mitigate strategic risks, moving risk scores closer to targets, and to reduce the Council’s risk profile. These mitigating actions are shown in Appendix 1.

3. Recommended Proposal

3.1 It is recommended that the annual report and risk management arrangements be approved.

4. Consultation

- 4.1 This report does not seek a decision to make changes to policy or procedure and therefore it has not been subject to consultation.

5. Timetable for Implementation

- 5.1 Further mitigating actions (shown in Appendix 1) will be implemented as soon as practicable.
- 5.2 The recommendations arising from the Internal Audit Review (shown in Appendix 2) are all expected to be implemented by March 2023.

6. Policy Implications

- 6.1 This report links to the Council's [Risk Management Policy and Strategy](#) and addresses the requirement for an annual report on risk management activities to be presented to the Committee.
- 6.2 Effective Risk Management provisions enable significant risks to be identified, mitigated and monitored thus contributing to the provision of all services and priorities.

7. Financial and Resource Implications

- 7.1 The cost of insurance cover and other mitigating actions is contained within existing budgets. The financial risk of this report's recommendations is assessed as low.

8. Legal Advice and Implications

- 8.1 The report documents an effective system of risk management, which aims to identify, control and mitigate risk. Whilst not all risks can be mitigated, the measures currently in place provide for low legal risk.

9. Equalities Implications

- 9.1 There are no direct equality or diversity issues arising from this report, so it has not been necessary to prepare an Equality Impact Assessment.

10. Climate Change Implications

- 10.1 There are no direct implications for CO2 Emissions and Climate Change arising from this report.
- 10.2 Climate change risks are assessed and monitored on the strategic risk register. More detailed operational risk assessments for specific climate change projects, such as the Public Sector Decarbonisation Scheme, are held in the regulatory services department.

11. Risk Management

- 11.1 The whole of this report addresses the Council's [Risk Management Policy and Strategy](#), which is designed to ensure that risk management arrangements continue to be effective, timely and fit for purpose and to provide the Council with the correct levels of insight and support in relation to its risk exposure.
- 11.2 Risk management can help ensure that potential barriers to the delivery of its priorities and services are identified and addressed in advance. It can help to direct resources to areas of most need, including areas of innovation and efficiency.

Report Authorisation

Approvals obtained from:-

	Named Officer	Date
Chief Executive	Paul Wilson	05/09/2022
Director of Resources/ S.151 Officer (or Financial Services Manager)	Karen Henriksen	22/08/2022
Monitoring Officer (or Legal Services Manager)	James McLaughlin	31/08/2022

Strategic Risk Register: Mitigating Actions

Strategic Risk	Mitigating Actions Identified
<p>Financial Resilience</p> <p>Current Score 25</p> <p>Target Score 12</p>	<ul style="list-style-type: none"> • The Council's Medium Term Financial Plan that sets out the approach to achieving the savings that will be required from 2023/24 onwards was approved by Council in March 2022. • Final Local Government Finance Settlement received February 2022 and the impact on Budget for 2022/23 has been assessed. The settlement for 2022/23 was an improvement on the assumptions made in the MTFP but funding position for 2023/24 onwards is still unclear. • Clearer picture on outlook expected when government announces details of 75% rate retention and the results of the Fair Funding Review, hopefully in autumn 2022. • Assess high value contracts to identify possible levels of exposure to increased expenditure due to rising inflation.
<p>Resource: Capacity and Capability</p> <p>Current Score 20</p> <p>Target Score 9</p>	<ul style="list-style-type: none"> • If required, neighbouring authorities could be approached for resource support (though at a significant cost). • More focus on PDRs • Delivery of Learning & Development Programme • Fully utilise E-Learning Platform, with annual review of mandatory courses • Plan being developed to address age profile of depot employees and provide future resilience, as part of a wider review of the Clean and Green Service • Need to manage the new council agenda (e.g. climate change) as there is a risk that too much focus on new projects will leave little capacity for ongoing service issues • Strategic capacity is being reviewed and addressed • Dales INSIGHT Programme to recognise and develop talent to be delivered (and refreshed when capacity to do so) • Review issues relating to Resilience, Resources and Priorities.

<p>Data Protection & Information Governance</p> <p>Current Score 15</p> <p>Target Score 10</p>	<ul style="list-style-type: none"> • Review contracts to ensure DPA and GDPR are addressed; • IGO to deliver training for non office-based employees • There is a need for a change in culture to meet the requirements under the Accountability Principle • All recommendations from Internal Audit Review 2020 to be implemented by agreed deadlines, including redaction training • Provide awareness training for breach management • Provide DPIA guidance and training • Consider impact of guidance from ICO on data sharing agreements • Review CCTV against Surveillance Code of Practice • Deliver mandatory training on data protection to employees and members, for all new starters and refreshed every two years.
<p>Legal challenge in respect of contracts etc.</p> <p>Current Score 20</p> <p>Target Score 12</p>	<ul style="list-style-type: none"> • Review contract standing orders and financial regulations • Establish a corporate approach to contract management and deliver training to managers who manage contracts • Provide guidance on consultation issues for relevant officers. • Roll out PSS Live to ensure that there is a record of inspections, reducing the risk of successful compensation / insurance claims • Review limit of indemnity for official indemnity insurance • Due diligence over insurance limits of liability & contractual terms of contractors • New easement being negotiated over land at Blenheim Road, Ashbourne; • If rising inflation causes increased costs, managers need to consider measures to mitigate cost increases & service disruption.

<p>Business Continuity & Emergency Planning</p> <p>Current Score 12</p> <p>Target Score 6</p>	<ul style="list-style-type: none"> • Training on emergency planning to be delivered to Members later in 2022 • Build resilience within CLT and SMT • Increased capacity in Local Resilience Forum • Consideration of PROTECT awareness training for CLT • Interim review of business continuity arrangements to include consideration of splitting and rostering staff e.g. flooding events lasting several days. • Current pressures on human and financial resources to be monitored by CLT • Business continuity and multi-agency exercises to be planned for 2022 • PREVENT training to be delivered in person at the depot: • Continue to review the business continuity arrangements of contractors to ensure that they are fit for purpose. • Building up our pool of experienced people to work in an emergency • Consider impacts on strategic partners e.g. CAB
<p>Continuity of Service (where there is an External Supplier)</p> <p>Current Score 20</p> <p>Target Score 10</p>	<ul style="list-style-type: none"> • Review contracts to ensure exit strategies are included and documented. Where these are not in place discuss with suppliers how these could be implemented. • Identify alternative/temporary solutions for key contracts and minimum delivery requirements. • Working with existing contractors to ensure continuity of service; Develop suite of contracts to include provisions to mitigate this risk. • Ensure new contracts have a sensible share of risks and liabilities; • Updating building control contract • Council to be asked to give approval to adopt temporary measures outside terms and conditions of waste management contract; • Deliver training for managers involved in managing contracts in relation to compliance and procurement.

<p>Health & Safety</p> <p>Current Score 12</p> <p>Target Score 8</p>	<ul style="list-style-type: none"> • Continue to grow and develop the Safety Committee. • Ensure that the RCG is informed of risks on a regular basis to reflect risks in the department and strategic risk registers. • Engage with providers to identify any proactive measures that the Council could take, if not already being performed. • Refine play equipment etc. inspection reporting regime to ensure regular inspections take place and are recorded • Review the asbestos register to ensure that this is up to date. • Continue to update fire risk assessments. • Review Lovers Walk risk assessments in relation to rock falls and monitor in accordance with survey & develop maintenance programme for rock faces; • Health & safety training to be considered for SMT • Implement outstanding recommendations from Internal Audit Review (IOSH training; reporting) • Working with event organisers to assist with risk assessments for holding events safely where possible, resulting in a number of cancellations. • Continue to monitor accident reports and trends including RIDDOR • In-house health and safety trainer to deliver training to others • The safety committee has approved a second trainer. • Reviewing exposure to water hazards: a Derbyshire Water Safety Group is being established.
<p>Safeguarding</p> <p>Current Score 12</p> <p>Target Score 12</p>	<ul style="list-style-type: none"> • Specific training for safeguarding officers • Refresher training for taxi drivers with Derbyshire County Council now underway but not fully rolled out • ~ Section 11 audit due to be repeated

<p>Planning & Local Plan</p> <p>Current Score 16</p> <p>Target Score 12</p>	<ul style="list-style-type: none"> • Ongoing Local Plan monitoring • Statutory Review Local Plan by 2022 to determine if longer term changes to residential patterns required • Capacity to undertake delivery of sites is currently under review • Further member workshops and meetings of local plan working group planned • Report from consultants expected mid-2023 and further consultation to be undertaken.
<p>Policies & Decision Making</p> <p>Current Score 16</p> <p>Target Score 4</p>	<ul style="list-style-type: none"> • Further training as necessary • Member workshops on keys areas for policy development, member engagement & decision making • In depth risk assessments for commercial projects • Urgent business can be delegated to policy committees, subject to Council approval; monitoring will take place to ensure that this is effective. • Constitution changes in July 2022 for scheme of delegation
<p>Regeneration</p> <p>Current Score 16</p> <p>Target Score 12</p>	<ul style="list-style-type: none"> • Assess risks from regeneration projects • Availability of officer support in Estates, Legal and Finance identified as a risk • Timeliness of County Council engagement to be continually reviewed • Identify and address ongoing implications for costs & staff of projects once they have been delivered

<p>Transformation Programme</p> <p>Current Score 16</p> <p>Target Score 12</p>	<ul style="list-style-type: none"> • Consider lessons learned from other programmes and implement learning where appropriate. • Business process Re-engineering in Development Management has commenced • Rollout of EDMS to be determined and resourced • Customer Access Strategy to be prepared & Online Payment Facilities to be taken forward by Innovation Hub focusing on environmental services (charging for bins and garden waste) with business process re-engineering where helpful • CLT need to keep under review the organisational structure as the CRM is rolled out. • Resolve integration of payments with CRM and other systems
<p>Cyber Crime</p> <p>Current Score 20</p> <p>Target Score 12</p>	<ul style="list-style-type: none"> • Roll out exercise that will raise employee awareness of “phishing” • Provide refresher training every 2 years for ICT security awareness • Carry out full assessment of cyber risks • Try to obtain insurance cover • Cyber security formal qualification for ICT staff • Review and update the ICT Strategy and Information Governance Strategy • Operational and strategic risk registers to be aligned for ICT • Service managers to be asked to review the business continuity plan specifically related to a cyber-attack.
<p>Climate Change</p> <p>Current Score 12</p> <p>Target Score 8</p>	<ul style="list-style-type: none"> • Seek further funding for planned capital works • Take advantage of funding opportunities as they arise • Recalculate carbon footprint on annual basis • Climate Change Officer to take on role at officer groups and maximise opportunity • Develop project plan to deliver capital works • Develop Climate Change role outside the Council and within the community • Consider potential for renewable energy generation across the District • Adopt and implement Climate Change SPD • Form internal Climate Change officer working group • Harness staff and elected Member ideas • Develop role of the Climate Change Working Group

	<ul style="list-style-type: none">• Electrification of fleet vehicles• Review use of chemicals & type of equipment for Clean & Green• Developing a strategy for EV charging points in the community• Monitor risks associated with delay in delivering grant funded projects
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Recommendations from the Internal Audit Review of Risk Management

Recommendations		Priority (High, Medium, Low)	To be Implemented By:	
			Officer	Date
R1	Operational risk registers should be reviewed and brought up to date as soon as possible (where not recently reviewed).	Med	Chief Executive (for HR) & Directors of Housing and Resources	Before next RCG meeting on 21 September 2022
R2	The Risk Continuity Group should monitor operational risk registers on a half yearly basis to check that departmental risk registers are being reviewed and updated regularly to ensure all risks identified are being well managed and updated/reviewed in accordance with the Risk Management Policy and Strategy.	Low	RCG	From the next RCG meeting on 21 September 2022
R3	The Risk Management Policy when next reviewed should be updated to reflect how the RCG group report to CLT and Members.	Low	Director of Resources	At the time of the next policy update which is due by February 2023
R4	To ensure all employees and Members have a sound understanding of risk management a training programme to imbed risk management throughout the organisation should be implemented by the Risk Continuity Group. Information and material to aid the risk management process and to provide information to employees should be placed on the intranet as a point of reference	Med	Director of Resources	31 December 2022

Recommendations		Priority (High, Medium, Low)	To be Implemented By:	
			Officer	Date
R5	As part of the contract award process for high value/high risk procurement exercises, the Risk Continuity Group should discuss and provide guidance for the review and monitoring of critical risk supplier's business continuity plans. A formal process for reviewing credit checks of a critical supplier prior to contract award and during the contract period should also be discussed and developed if required.	Low	RCG	From the next RCG meeting on 21 September 2022