

10 March 2022

Agenda Item: 7

REPORT OF SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE & IMPROVEMENT

CORPORATE RISK MANAGEMENT UPDATE

Purpose of the Report

1. To inform members of developments in the Council's arrangements for corporate risk management and to report the latest movements in key, operational risks.

Information

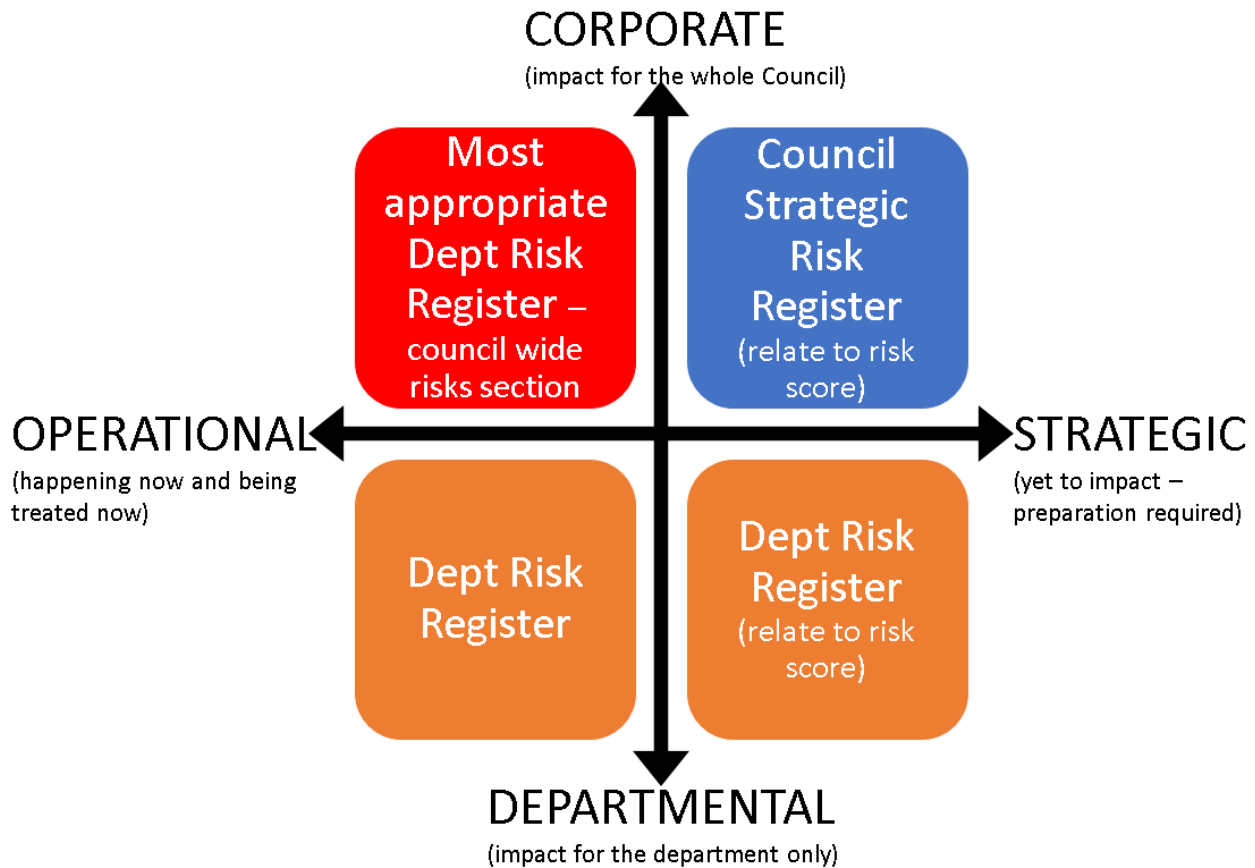
2. The County Council's corporate risk management processes are managed through the work of the Risk, Safety and Emergency Management Board (RSEMB), under the leadership of the Service Director, Place and Communities. The RSEMB comprises representatives from all departments, plus specialist support officers.
3. Under normal circumstances, RSEMB meets five times each year. Meetings are held more frequently to manage the Council's response to local and national emergencies, and this has been the case in recent times as a result of the ongoing, national coronavirus pandemic and to manage local flooding incidents. The RSEMB links to the Risk, Safety and Emergency Management Group (RSEMG) for each department, and it informs the Corporate Leadership Team (CLT) on risk issues. By this mechanism, risk topics are cascaded through the organisation as appropriate.
4. Appendix 1 presents a high-level representation of the Council's risk management framework, showing the key groups and forums involved and their primary focus on strategic and/or operational risk management.

Development of the Council's Risk Management Approach

5. The previous update in September 2021 reported the outcome of an external review of the Council's corporate risk management approach, in which significant scope for improvement was identified. Progress to date against the action plan is set out in the following table.

Action	Progress to date
Strengthening the oversight and management structure for risk management	RSEMB has determined to prioritise risk on its agenda a number of times in its annual schedule of meetings and, for those meetings, all Service Directors will be requested to attend. It has been agreed that the input of this cohort of senior managers will ensure the most appropriate strategic input to the Board's discussions.
Ensuring a reliable support structure is in place	Work continues to identify the most impactful means of supporting and servicing the risk management framework within the resources allocated across the Council. At the corporate level, interim support is being utilised from the Council's current insurers, Zurich Municipal, at no additional cost by utilising the consultancy hours available to the Council through the insurance contract.
Re-aligning the risk focus of the Risk Board and supporting Risk Groups	<p>Progress is being made with establishing a clear distinction between strategic and operational risk management. The corporate risks recorded on the previous Corporate Risk Register have been recognised as key operational risks and, as such, have been re-allocated to RSEMGs for ongoing management and reporting. The section below on Operational Risk sets out further details.</p> <p>Progress has also been made in relation to strategic risk, in that a first risk-focused meeting of the RSEMB was held in early December 2021. This forms the basis for continuing work now to establish a corporate Strategic Risk Register for the Council. Further details are set out below under the section titled, Strategic Risk.</p>
Updating the Council's Risk Management Strategy and Policy	Once the revised approach has been established and settled, a refreshed strategy and policy will be presented to the Governance & Ethics Committee for approval.
Determining the Council's approach to identifying its risk appetite	Work is progressing to introduce Key Risk Indicators into the management of operational risk, as a contributor to a wider approach to determining the Council's risk appetite. It is recognised that further work and thinking is required to identify and propose a suitable approach for the Council.
Improving consistency and clarity in risk templates and reporting	A quarterly risk reporting regime between the Risk Groups and the Risk Board has now been initiated, using a concise and consistent risk reporting template. The first set of reports are used as the basis for reporting the latest position with key, operational risks (<i>see para 11</i>).
Reviewing and refreshing risk management training	Designing and implementing risk management training for officers and Members will follow once the revised strategy and policy have been approved.
Aligning our risk approach with our key suppliers and partners	<p>Work is underway with the Corporate Procurement Team, linking in with the Corporate Contract Management Group, to design and implement a risk-based approach in the Council's contract management framework.</p> <p>Once established, this will form an important source of intelligence for RSEMGs' quarterly operational risk reports in terms of the management of risk in live contracts.</p> <p>The approach is considering the input of risk management throughout the contract management lifecycle; therefore it will also make a contribution to strategic risk management at the commissioning, pre-contract and post-contract evaluation stages of the cycle.</p>

6. Members are likely to have come across reference to the notions of strategic, operational, corporate and departmental risk. To assist Members' appreciation of these terms, the following explains them in the sense of two distinct, but linked, dimensions to risk management. It also identifies which of the Council's risk registers should record each type of risk.



7. Essentially, a risk can be assessed in terms of whether it is:
- a) strategic or operational? – operational risks are those that are impacting now and being treated now on a day-to-day basis, while strategic risks concern changes, developments and opportunities for which the Council needs to prepare
 - b) corporate or departmental? – corporate risks have an impact across the Council, while departmental risks are more confined in specific areas of service.

Strategic Risk

8. As indicated in the table above, progress has been made to establish a forward-looking, strategic risk register for the Council. As a basis for this, RSEMB held a session in December 2021 to consider a PESTLE analysis for the Council. This is a well-established management tool to identify future threats and opportunities across six dimensions of an organisation's operating environment:
- **Political** – national, regional and local political developments likely to impact the Council
 - **Economic** – the Council's financial outlook
 - **Social** – developments and trends in the local population the Council serves
 - **Technological** – opportunities to take advantage of advancing technology

- Legal – proposed and approved statutory changes impacting Council services
- Environmental – opportunities and obligations to protect and sustain the local environment.

9. The outcomes from the PESTLE session are currently being assessed, and a report will be taken back to RSEMB to agree the key risks and opportunities to be included on the Strategic Register. The following sets out a flavour of the type of risks flagged in the December meeting, to illustrate the type of risk likely to feature on the strategic register.

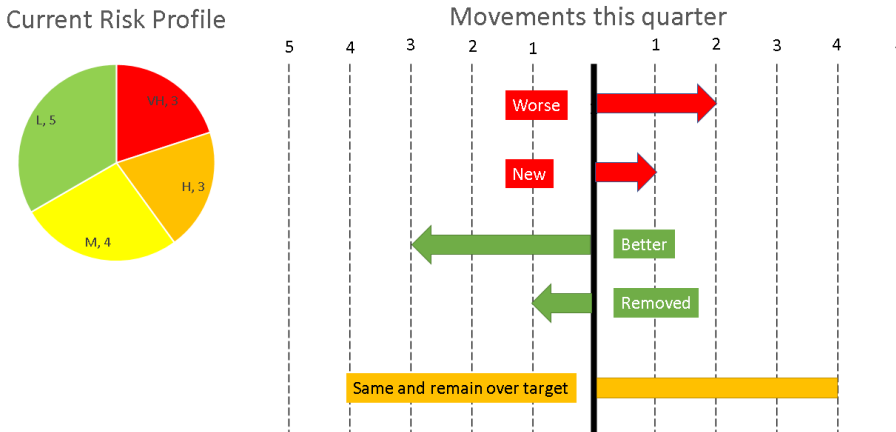
<p>Political</p> <ul style="list-style-type: none"> - Change to cabinet/scrutiny model of governance - Potential consideration of regional structures for key areas of service provision - Opportunity of devolution for Nottinghamshire - Future changes to data protection legislation 	<p>Economic</p> <ul style="list-style-type: none"> - Future reform of local government funding - Macro-economic instability – inflationary pressures in supply chain and labour markets - Continuing pressure for successful transformation and change programmes
<p>Social</p> <ul style="list-style-type: none"> - Potential for widening inequality and division in society, leading to changing demand for services - Clarifying post-pandemic service priorities - Future projection of increasing social care demands from the ageing population 	<p>Technological</p> <ul style="list-style-type: none"> - Digital exclusion of some sectors of the community - Challenge of the future workforce the Council needs, in terms of demographics, projected skills gap, hybrid working, potential impact of automation - Keeping up with the pace of change in ICT
<p>Legal</p> <ul style="list-style-type: none"> - Implementing Health & Social Care Bill - Potential legal challenges to statutory provision - Civil contingency changes 	<p>Environmental</p> <ul style="list-style-type: none"> - Lack of clarity on how to achieve carbon neutrality by 2030 - Supply chain impacts and the concept of ‘green transfer’

10. Once the list of strategic risks is agreed, further work will then be undertaken on each entry to assess the Council’s current level of preparedness and the need for additional mitigations. RSEMB will then keep these risks under regular review, as each one is tracked through to impact. At that point, the strategic risk becomes an operational risk, and so is transferred to the appropriate RSEMG register for ongoing management.

Operational Risk

11. A significant development since the previous update is the implementation of a risk reporting regime between the RSEMGs and the RSEMB. This is founded on a simple format, as illustrated in the following example template, to provide a concise view of current risk levels in departments and, importantly, the movement in those risk levels over the previous quarter.

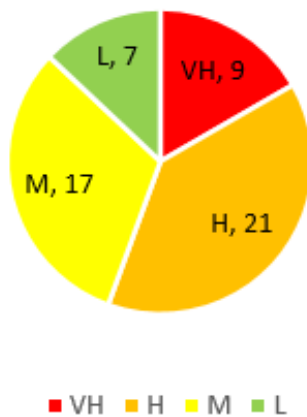
Risk profile and movement



12. The first set of RSEMG reports have been compiled for reporting to RSEMB. The Board will consider the reports in appropriate detail and the intention is to provide a summary of the latest position, both to the Corporate Leadership Team and to this Committee as part of the six-monthly risk updates.

13. The overall profile of operational risk across the Council is indicated in the chart below, followed by a concise summary of key movements over recent months.

The Council's Current Operational Risk Profile



The number of risks currently rated in each of the four levels of severity: Low; Medium; High; Very High

In recent months, increases in risk levels have been experienced in the following key areas:

Risk	Recent experience and response
Ability to meet statutory social care duties	Increased demand for services linked with internal and external capacity issues across both workforce and services has led to backlogs in demand. This risk is being managed as part of the current emergency response. The risk is split into

Risk	Recent experience and response
	several component areas of service, with trends being monitored and a critical incident management plan in place.
Staff wellbeing and resilience	Staff availability levels in frontline care services are being doubly impacted by increased sickness absence and difficulty recruiting to vacant posts.
Major supplier or supply chain failure	There is increased uncertainty in supply markets as a result of several root causes. Mitigations are centred on heightened contract management activity through the Corporate Procurement Team, working closely with departmental leads and key suppliers. A framework for continuous risk assessment is under development for inclusion in the contract management toolkit.
Failure to deliver planned service improvements	The ongoing pressures to prioritise the maintenance of frontline care services is putting service improvement targets at heightened risk of delay.
Market sufficiency for children's residential placements	Additional market capacity pressures arising from a recent change in the law regarding residential placements, impacting the short-term needs of a small number of Nottinghamshire children.
Availability of special school places	Continuing shortfall in places for those children with special education needs. Mitigations are to provide additional support to mainstream settings and, in the longer term, to increase special school capacity.

Risk levels have remained above target levels in some important areas:

Risk	Recent experience and response
Major failure of information governance	Although the number of high-level data breaches is low, any such breaches are of concern. Human error remains the primary root cause. Risk is kept under quarterly review, to monitor incidence levels and compliance with key mitigations around security controls, policies and procedures and completion of mandatory data-security training.
Volatility in key budget areas	Demand for Council services in the areas of Children's and Adults' Social Care where safeguarding takes priority. These centre around pressure on the staffing budget and external market supply. Close budget monitoring and reporting of these high-risk areas continues into the Finance Committee. In terms of the Council-wide position, risk levels are at target level.
Prolonged loss of ICT	A high state of vigilance continues to be required to protect the integrity and resilience of the Council's systems. Further, planned mitigations are focusing on target areas following penetration testing and assessment against Cyber Essentials standards.

Risk	Recent experience and response
Failure to deliver the transformation programme and maintain critical services	Successful, external recruitments have been made to the Service Director and Group Manager posts for Transformation & Change. These appointments will be key to driving forward the full 'Options for Change' cases now in development.
Insufficient post-2020 funding to enable investment in Nottinghamshire	Communication and lobbying with central government to ensure dialogue with the Department of Levelling Up, Housing and Communities (DLUHC) is kept open, and working on major investment opportunities while funding is available.
Risk of significant financial costs arising from a lost or challenged prosecution case or enforcement action taken forward by Trading Standards	While this has not occurred to date in Nottinghamshire, cases have been seen in other local authorities. Key mitigations centre on: enforcement and prosecution policies; case management procedures; investigations overseen by regional and national bodies; reports to committee identifying potential risks.
Failure to meet Dept. for Environment, Food & Rural Affairs (DEFRA) Private Finance Initiative waste contract requirements	The results of a recent DEFRA consultation, along with new guidance and potential funding streams, are currently awaited. The Nottinghamshire Waste Partnerships continue to explore other sources of funding and projects, to improve recycling rates. Covid had a significant impact on waste across the Council. Domestic waste rates increased but the respective recycling rates did not. Therefore, the Waste Recycling Partnership is exploring options regarding the future design of the Household Waste service across Nottinghamshire.

Success has been seen in mitigating some important risks down to lower levels:

Risk	Recent experience and response
Business continuity	All services requiring a business continuity plan have one. These have been tested in various ways during the pandemic over the last two years.
Failure to manage health and safety risks	The latest assessments and internal inspections confirm key controls to be in place, with good engagement around incident reporting, recording and investigation. Risk is now assessed to be at target level.
Failure to maintain effective governance	This related to potential disruption to governance at the outbreak of the pandemic, in particular relating to the suspension of in-person Committee meetings. This was quickly resolved through the establishment of procedures for online meetings and revised arrangements have flexed as restrictions have varied.

14. Future updates will continue to report the latest position and movements with operational risk management. It is anticipated that the next update will also present a first, corporate Strategic Risk Register for review and ongoing monitoring.

Other Options Considered

15. The report presents members with an updated position on the principal, corporate risks for the Council. No other options were considered.

Reason/s for Recommendation/s

16. To present members with the opportunity to consider, and influence, the content of the Council's corporate risk register and its proposed actions to refresh the approach to corporate risk management.

Statutory and Policy Implications

17. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

1) Members consider the progress being made with implementing the improvement plan for risk management, and the latest update in relation to operational risk in the Council, and determine whether they wish to see any further actions or reports in advance of the next six-monthly update.

Nigel Stevenson

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For any enquiries about this report please contact:

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Constitutional Comments (EKH 08.02.2022)

18. Governance and Ethics Committee is the appropriate body to consider the content of the report.

Financial Comments (RWK 10/02/2022)

19. There are no specific financial implications arising directly from the report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All