NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S
REPORT TO

Audit & Standards Committee
19 April 2021

Report Title: **Corporate Risk Management Report - Follow Up**

Submitted by: **Executive Management Team**

Portfolios: **Corporate and Service Improvement, People and Partnerships**

Ward(s) affected: **All**

Purpose of the Report

To provide Members with detail on three risk areas selected for review at the last Audit and Standards Committee Meeting held on 8 February 2021.

Recommendation

The Committee is asked to:-

1. **To note detail on the following risk profiles; Air Quality, Financial Risk and Workforce.**

Reasons

To provide Members with detail on a selected number of risk profiles to enable greater understanding.

The risk management process adopted by the Council has been reviewed to incorporate changes in the way the Council works and to provide continuity and streamlined reporting of risks to allow the process to become further embedded at each level of the authority. This will also aid the identification of key risks that potentially threaten the delivery of the Council's corporate priorities. The Risk Management Strategy provides a formal and proportionate framework to manage these identified risks and thus reduce the Council's exposure.

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1. **Background**

    1.1 At the last Audit and Standards Committee meeting held on 8 February 2021, Members requested further details around the formulation and rating of the corporate risks to enable greater understanding.

    1.2 Members selected the following three risks to be reviewed; Air Quality, Financial Risk and Workforce.

2. **Issues**

    2.1 **Question from the last meeting**

    2.1.1 To be advised by way of a question raised at the last meeting, of how risks are identified, recorded, reviewed and escalated within the Council (the risk management process).

3.   **Proposal**

3.1   At the last meeting the Chair noted the Committee had previously discussed the need to give detailed consideration to a selected number of risks to enable greater understanding. Members suggested these include Air Quality; Financial Risk and Workforce – these risks appear in the Corporate Risk Register.

In regards to the request a summary of the risk management process is as follows:

- Risk identification – what could go wrong; what are the important risks to the Council; key elements/consequences to the risk occurring.
- Evaluation/assessment – rate the impact and likelihood it could have on the Council, Directorate, Service or project (see point 3.3).
- Control – what do we do to control the impact and or likelihood; what can we do to control the impact and or likelihood.
- Monitor, review and communicate – Monitor - are the controls effective; has the risk changed; does it need escalating; or are new risks evolving because of the identified risk or other factors. Review – depending on the final rating or the profile it sits in, how often does it needs to be reviewed.

3.2   These reviews are co-ordinated by the Strategic Risk Champion who works closely with Directors, Operational Risk Champions and Risk Owners.

3.3   The measure of the ratings for the impact and likelihood are shown below, for ease of use.

Impact Measures

	High (red)	Medium (amber)	Low (green)
Health & Safety	Death, abuse, life threatening OR permanent disability	Serious injury OR long-term absence from work (over 7 days)	Minor injury OR short-term absence from work (less than 7 days)
Cost	More than £300k	Between £50-£300k	Between £20-£50k
Reputation	National media attention, potential public interest report, third party intervention	Sustained local media attention, Executive Director reporting, Member interest	Short term local media attention, Wider Management Team reporting
Service Delivery	Serious service failure directly affecting partners, stakeholders (more than 1 month)	Service failure but not directly affecting partners or stakeholders (up to 1 month)	Service disruption (between 1 day to 2 weeks)
Project Delivery	Project failure impacting on council's priorities and performance	Project failure impacting on Directorate's performance and priorities	Project delay impacting on service performance and priorities
Legal implications	Statutory body, partner or enforcement agency	Member and Executive Management Team	Wider Management Team

Likelihood Measures

	High (red)	Medium (amber)	Low (green)
Timescale	Highly likely to occur (90%+ chance)	Likely to happen (50-89% chance)	Possible (1-49% chance)
	An incident has occurred in the past year OR is highly likely to occur in the next year	An incident has occurred in the past 2-5 years OR is likely to occur in the next 2-5 years	An incident has occurred in the past 6+ years OR is likely to occur in the next 6+ years

L I K E L I H O O D	High	7 Amber	8 Amber	9 High Red
	Medium	4 Green	5 Amber	6 Amber
	Low	1 Green	2 Green	3 Amber
		Low	Medium	High
IMPACT				

3.4 Risks can be managed at various levels – operational, directorate and corporate.

3.4.1 Air Quality Risk

The Air Quality risk that is in the Corporate risk register appears at operational level in Environmental Protection, where it is managed by way of controls, ratings and further actions at officer level. This has then been escalated to EMT to manage in the Corporate risk profile as it is an overall risk that affects the whole council, due to Government Direction – however, the day to day management of the risk is left with Environmental Protection to handle, with specific actions reported to EMT.

As advised above, Air Quality risks can be found in the operational risk profile of Environmental Protection, and Appendix A shows how they appear, and you can see that there are 3 identified air quality risks.

Each risk was discussed by officers in Environmental Protection and the Head of Service.

Taking the first identified risk in to consideration, Air Quality – JAQU – Bus Retrofit, and the points in 3.1 above, officers then started the risk management process.

The risk was discussed, the consequences and implications on the Service, Directorate and Council identified.

The risk was then evaluated or assessed using the table at point 3.3, **WITHOUT** any identified controls in place. The result is a Medium Amber 3 rating – this was achieved by first looking at the impact table above.

Based on the implications and consequences identified, and the descriptions in the table, the worst case impact identified for this risk was in the high column – it ticked all of those boxes.

The next step is to think about the likelihood of the risk occurring – in this risk, even with no controls/mitigating actions in place, officers agreed that it would result in a low likelihood – a possible chance of it occurring (1-49%) or an incident has occurred in the past 6+ years.

The next step was identifying a risk owner.

Then the control measures (key controls identified) were collated – those that could possibly help control the impact and likelihood of the risk occurring. *Remember that even though these are in place, the risk could still happen – as it may be outside of the council's control.

The risk was then re-rated **WITH** controls in place, in the same way as above. In this case, the rating remains the same – the impact, regardless of what the council do could still occur and the likelihood is low, to give a final risk rating of Medium Amber 3.

Further actions were then identified, along with action owner/s – then once delivered, would become part of the normal working practice, or extra control measures for the risk, and target dates for when they should be completed.

The same process was undertaken for the other two risks listed in Appendix A, and are managed at this service level with regular reviews.

The escalation to EMT was from the Head of Service involvement and Executive Director as Air Quality is a major concern for the Borough – as the council are not the Highways Agency and may not have any say over traffic regulations through the towns etc. but are responsible for enforcing air quality management.

This has then become a Corporate risk which is reported to this Committee as part of the Corporate risk register. EMT follow the same principles as above in identifying each step and where they can deal with further actions at a higher level.
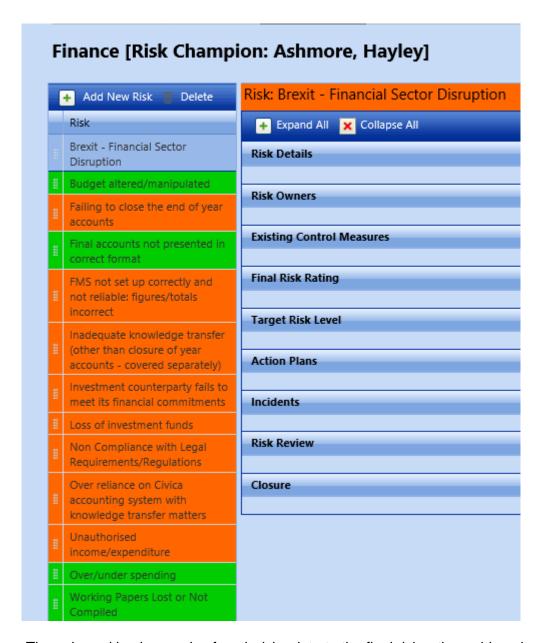
3.4.2 **Financial Risk**

The Financial Risk in the Corporate risk register – various departments have their own operational risk registers where financial risks are identified and dealt with at that level, however overall finance is a corporate risk for the whole Council and has its own set of controls and further actions to deal with its management.

Appendix B shows some of the organisational structure of how GRACE is set up with different risk profiles.

Within each profile they identify their own risks. For financial risk each service has its own views on risks, consequences, impact and likelihood etc. for their area, or even if they think they have a financial risk of some type, BUT all follow the same principles for recording and assessing as described above.

If we take a look at the profile of Finance (shown on Appendix B by the yellow arrow), you can see below the finance risks that this profile has identified as a concern to the operation of their service.

Finance [Risk Champion: Ashmore, Hayley]

Risk
Brexit - Financial Sector Disruption
Budget altered/manipulated
Failing to close the end of year accounts
Final accounts not presented in correct format
FMS not set up correctly and not reliable: figures/totals incorrect
Inadequate knowledge transfer (other than closure of year accounts - covered separately)
Investment counterparty fails to meet its financial commitments
Loss of investment funds
Non Compliance with Legal Requirements/Regulations
Over reliance on Civica accounting system with knowledge transfer matters
Unauthorised income/expenditure
Over/under spending
Working Papers Lost or Not Compiled

Risk: Brexit - Financial Sector Disruption

Expand All   Collapse All

Risk Details

Risk Owners

Existing Control Measures

Final Risk Rating

Target Risk Level

Action Plans

Incidents

Risk Review

Closure

The coloured backgrounds of each risk relate to the final risk rating achieved, and then tie in to the review timelines of each risk.

In the operational area of Commercial Development, they have identified a financial risk of not achieving income targets – see below.

Appendix C is this risk's breakdown of their controls and any further actions that they can do to control this risk at operational level – following the same principles.
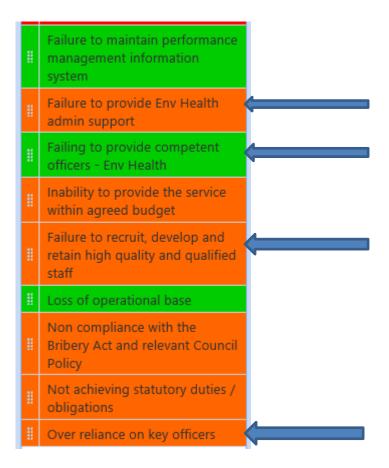
As you can imagine there are a lot of financial risks identified for each service, so these have again been collated to a corporate finance risk, which is owned by EMT to control and mitigate further where possible, again dealing with the further actions where they have the most control – lobbying Government for funding; applying for major funding commissioning for projects etc.

3.4.3 Workforce

With Workforce, each service and directorate again, may have identified various risks relating to their workforce and manage them accordingly. The corporate risk relates to the issue for the whole of the council and how it is being controlled. These further actions will be different from those sitting in a service area for example, where they need specific actions completing to recruit specialist staff for their area. It might however need escalating to the Departmental Management Team or Executive Management Team if they can't fill the post, and a decision needs to be made to authorise any changes in grade, whether the post can be filled or if the service could be outsourced etc.

Using Environmental Services as an example, below is a screenshot of some of their risks where workforce risks have been identified.

Again throughout the council similar risks have been identified, and each follows the same principles to rate and control the risks.

If there is a major problem with any of these the escalation process is followed to report to EMT or other arenas.

As workforce is again a corporate risk all of these risks as shown above, have been collated to a corporate risk for EMT to manage accordingly. The corporate risk further actions will address the higher level and disseminate down to assist departments where possible to protect and support the current employees and to strengthen any recruitment. There still may be however, issues in specialist areas for certain posts, which is completely out of the Council's control.

4. **Reasons for Proposed Solution**

4.1 To offer a continual review process to minimise and mitigate risks.

5. **Options Considered**

5.1 To accept explained as at point 3.4.

6. **Legal and Statutory Implications**

6.1 The Accounts and Audit (England) Regulations 2015, state that:

*"The relevant body **is** responsible for ensuring that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective, and includes effective arrangements for the management of risk".*

7. **Equality Impact Assessment**

    7.1   There are no differential equality impact issues in relation to this report.

8. **Financial and Resource Implications**

    8.1   None where actions are to be taken in order to mitigate the risks as these will be met from within existing budgets. Where this is not possible, further reports will be submitted to Members of relevant Committees.

9. **Major Risks**

    9.1   Insufficient risk profiles may expose the council to non-compliance with its Legal and Statutory obligations.

10. **UN Sustainable Development Goals and Climate Change Implications**

    10.1   Good risk management is a key part of the overall delivery of the Council's four corporate priorities of; Local Services that Work for Local People, Growing our People and Places, a Healthy, Active and Safe Borough, a Town Centre for all. Officers assess sustainability and climate change implications as part of their local services.

11. **Key Decision Information**

    11.1   This report is for information and there are no key decision requirements pertaining to the information contained within the report.

12. **Earlier Cabinet/Committee Resolutions**

    12.1   Previous Minutes from Committee meeting held on 08 February 2021.

13. **List of Appendices**

    13.1   Appendix A – Air Quality risks identified in Environmental Protection
    13.2   Appendix B – GRACE risk profile organisational structure
    13.3   Appendix C – example of Commercial Development financial risk

14. **Background Papers**

    14.1   None