Report To:	**AUDIT COMMITTEE**	**Date:**	**1ST FEBRUARY 2021**
Heading:	**CORPORATE RISK UPDATE**		
Portfolio Holder:	**COUNCILLOR SAMANTHA DEAKIN, PORTFOLIO HOLDER FOR CUSTOMER SERVICES AND IT**		
Ward/s:	**ALL**		
Key Decision:	**NO**		
Subject to Call-In:	**NO**		

Purpose of Report

For Audit Committee to review the Corporate Risk Register and the analysis of movement in risk and mitigating actions in respect of those risks. For Audit Committee to also to consider and endorse the updated Corporate Risk Strategy and new Risk Appetite Framework.

Recommendation(s)

- **To note the current significant items on the Register and to consider whether any further immediate actions are necessary to mitigate those risks.**
- **To endorse the updated Corporate Risk Strategy and new Risk Appetite Framework prior to Cabinet approval.**

Reasons for Recommendation(s)

To prioritise and manage the mitigation of Risk in order that the Council can achieve its objectives.

Updates have been made to the Corporate Risk Strategy in order to facilitate greater understanding of risk maturity and improved organisational performance against the ALARM national performance model for risk management in public services, as suggested by Internal Audit. This is also highlighted as an improvement action in the Annual Governance Statement.

Updates have also been made to the Corporate Risk Strategy to incorporate new approaches to understanding risk appetite, as defined in the new Corporate Risk Appetite Framework.

The Corporate Risk Strategy has recently been reviewed following the outcome of audit recommendations summarised within this report.

Alternative Options Considered
none

Detailed Information

All strategic risk at corporate and service level is incorporated into the Pentana performance system to enable quarterly updates at the same time as updating performance, therefore enhancing the consideration of risk in the delivery of services.

Significant corporate and service level risks are also discussed bi-annually in detail with each service manager as a standing agenda item for Performance Boards, led by the Chief Executive and Assistant Director – Corporate Services and Transformation.

1. Audits of Risk Management

An audit review of the Council's approach to Risk Management was undertaken in 2019 by the Central Midlands Audit Partnership (CMAP). All recommendations have been implemented to date apart from one outstanding recommendation relating to the Council formally assessing and documenting its risk appetite, as per the strategy.

The recommendations were (responsive action in italics):-

- Corporate Leadership Team and Audit Committee review the Council's corporate risks in accordance with the quarterly time frequency stipulated within the Corporate Risk Management Strategy and Process document. Regular review and monitoring of risks is fundamental to embedding a risk management framework and culture along with a commitment to ensuring the risk process is continuous and high-profile.

Corporate risk is now scheduled as a quarterly tracker item for CLT consideration and for for bi-annual reporting to Audit Committee. The Corporate Risk Strategy has been amended accordingly

- Senior Council Officers and Elected Members should actively scrutinise and challenge the identified risks on the Council's Corporate Risk Register. The discussions that take place as part of that process should be minuted accordingly with sufficient detail provided which evidences that corporate risks are subject to the appropriate degree of scrutiny afforded to identify risks which could impact on the delivery of the Council's strategic objectives.

More detailed minutes of discussion and action at CLT are now minuted and identified risks are also scrutinised at Audit Committee.

- A formal procedure is established and documented within the Corporate Risk Management Strategy and Process, which ensures that those risks identified outside of the typical process for identifying and escalating potential risks are captured for discussion and decision by CLT, i.e. Council committees.

The Performance Boards specifically discuss all levels of risk on a bi-annual basis. This procedure has now been incorporated into the Corporate Risk Strategy.

- In accordance with the ALARM best practice guidance, all Council Members should receive training on risk management. Given that all Elected Members, Council, Cabinet and Audit Committee have specific responsibilities in respect of the Council's risk management framework, it is important that Members are appropriately trained such that they are able to actively support the Council in its management of risks and also challenge and scrutinise the Council's risk position. Evidence of the training given to Members should be retained.

Risk Management training is currently being reviewed by the Democratic Services Manager.

- The Council formally assesses and documents its risk appetite as soon as practically possible. As a core consideration of the Council's risk management approach, formally documenting its risk appetite could help the Council to make informed decisions, achieve its goals and support sustainability.

  This report details specifically our proposed response and implementation of a new Risk Appetite Framework.

CMAP have also recently completed an advisory audit to help the Council understand how to best accommodate the Regulator of Social Housing's view of health and safety risk mitigation and reporting alongside that of the general activities of the Council. The audit focused on providing a consultancy review of the management and reporting of Housing health and safety risks arising from Council's role as social landlord. The audit also compared the reporting of risks with other local authority approaches and best practice to ensure that the Council complies with Housing Regulations. The audit has indicated:-

a) The lack of definition within the Council's Risk Management Framework as to what constitutes a corporate risk is allowing for multiple interpretations and risk appetites.

   It was noted that the Council's approach to risk management is set out in the Corporate Risk Strategy & Process document. The risk management process records risks at 2 levels; service risks and the more serious corporate risks. However, beyond a reference to risks above the tolerance line (which was not previously defined) there was no definition as to what constituted a corporate risk. Although the Corporate Risk Strategy did not previously clearly define the threshold which changed a risk from service level to corporate level, it did advocate that the more serious risks should be on the Corporate Risk Register.

   The audit also commented that it would not be practical or proportionate to list every risk that may arise from non-compliance with the social landlord duties on the Corporate Risk Register. However, when looking at a recent copy of the Corporate Risk Register, risk CR003 regarding Members' ethical framework, it does not list every individual way the ethics code could be breached but encapsulates them all into a higher-level risk which is recorded on the Corporate Risk Register. CMAP therefore recommended it would be appropriate to consider recording the social landlord risks in a similar way.

Potential Risk	Mitigating Actions
The lack of definition within the Council's Risk Management framework as to what constitutes a corporate risk is allowing for multiple interpretations and risk appetites. This is highlighted in the Corporate Risk Register for September 2020 with risks that appeared to be at all levels; corporate, service and project level with risk scores from the very low to very high. That could lead to the potential issue of the Boards time being wasted on risks that would be better managed elsewhere, such as departmentally or at project level. It could also lead to key risks being overlooked.	We suggest that definitions of what constitute an operational risk, corporate risk and the threshold between them is clearly defined within the Corporate Risk Management Strategy & Process to ensure a consistent and proportionate corporate response. The social landlord risks should then be considered in light of these definitions. It is anticipated they would be included and encapsulated where necessary.

Definition of what constitutes a Corporate Risk and associated thresholds is now incorporated into 2.3 of the Corporate Risk Strategy. Social Landlord risk is currently being assessed in light of these definitions.

b) The removal of risks from the active Corporate Risk register whilst they still could impact on the Council's objectives, impairs the reviewing phase of the risk management cycle and could result in the risk manifesting and resources being wasted.

It was noticed that there was nothing in the Corporate Risk Management Strategy & Process setting out an approach. It was also noted that:-

- Corporate Leadership Team consider all corporate risks on a quarterly basis and decide if any risk is to be removed from the Corporate Risk Register based on; whether the reason for the risk has now diminished; or whether the risk assessment has been reduced to such a low level that it is now deemed to be manageable at service level; or the risk no longer exists.
- Risks removed from the Corporate Risk Register therefore may be passed down to the relevant service area or project manager, in some cases it may mean the risk description is revised.
- All risks are retained on the performance management system, being deactivated where relevant, but can be referenced if required.

Audit recommendation is that the review phase of the risk management process should also consider the risk controls in regards to; are they working? Will they work as intended? Are they worth the resources allocated or could something different be done and that any subsequent changes to the risk or the controls, good or bad, be considered when removing any risk from the Corporate Risk Register.

It has been agreed that, whilst a risk has the potential to impact on a Corporate Objective it should remain on the Corporate Risk Register for monitoring. This would additionally ensure that Cabinet and Audit Committee Members would be able to review the risk response.

Potential Risk	Mitigating Actions
The removal (or deactivation) of risks from the active Corporate Risk Register whilst they still could impact on the Council's objectives, impairs the reviewing phase of the risk management cycle and could result in the risk manifesting and resources being wasted.	We suggest that identified risks that could impact on the objective should remain on the risk register until they no longer have that potential.

Relevant updates have been made to Section 2.3 of the Corporate Risk Strategy

2. Corporate Risk Strategy and Risk Appetite

- The Corporate Risk Strategy has been reviewed in order to ensure that it continues to meet the needs of the organisation and aligns with the Public Risk Management Association model known as ''The ALARM national performance model for risk management in public services'' . This model is comprehensive and focuses on seven strands of risk management activity, by which the organisation can measure current performance against recognised achievement levels for each of the seven strands. The model provides the basis for clear performance indicators and acts as a catalyst for improved risk management performance within the organisation. It will also inform assurance in corporate governance terms and the further embedding of risk management across the organisation. Four membership subscriptions to ALARM have been purchased and this will allow for the access to training and development resources which will be used in a rolling programme to continue to embed risk management across the organisation.

- A Risk Appetite Framework has now been developed which defines risk appetite together with a statement relating to the Council's position on its openness to risk. The framework also incorporates a risk rating score matrix which will identify the level at which the risk will need to be monitored. Previously there was no methodology in deciding what was referred to the Corporate Risk Register. The Risk Appetite Framework is now referenced at 1.8.of the Corporate Risk Strategy.

- As no defined methodology for placing risks on the Corporate Risk Register existed, the matrix will now determine at what score the risk will need to be elevated to the Corporate Risk Register in line with limits on acceptable risk appetite. Aligned with the Risk Appetite Framework, the table below describes the type of action required in accordance with our risk appetite.

Risk rating Score	**Risk rating action required**
18-24 (A)	Risks at this level sit above the tolerance of the Council and are of such magnitude that they form the Council's biggest risks. The Council is not willing to take risks at this level and action should be taken immediately to manage the risk. Corporate Risks, monitored by CLT
15-16 (B)	These risks are within the upper limit of risk appetite. While these risks can be tolerated, controls should be identified to bring the risk down to a more manageable level where possible. Corporate Risks, monitored by CLT
5-12	These risks sit on the borders of the Council's risk appetite and so while they don't pose an immediate threat, they are still risks that should remain under review. If the impact or likelihood increases then risk owners should seek to manage the increase. Corporate Risk only if deemed a threat to delivery of Corporate Objectives
3-4	These are low level risks that could impede or hinder achievement of objectives. Due to the relative low level it is unlikely that additional controls will be identified to respond to the risk.
1-2	Minor level risks with little consequence but not to be overlooked completely. They are enough of a risk to have been assessed through the process, but unlikely to prevent the achievement of objectives.
Impact 4, Likelihood 1	Rare events that have a catastrophic impact form part of the Council's Business Continuity Planning response.

In addressing Audit's recommendation, the Risk Appetite Framework together with the revised Corporate Risk Strategy will meet the needs of the Council in effectively managing risks as well as risk appetite.

The risk rating matrix will ensure that risks are being managed at the right level and will help to drive organisational excellence, allowing all staff to be empowered as responsible for risk management.

Risk definitions

A set of risk definitions has been included in 2.3 of the revised strategy. The risk definitions included are now also reflected in the Corporate Risk Register is as follows;

1. Strategic Risk

The consequences of strategic decisions, or the failure to achieve our strategic vision.

2. Financial Risk

Risk to the Council's balance sheet, assets and liabilities, funding, income and spending levels

3. Service Delivery Risk

Risks to the effective and efficient delivery of Council services and business continuity.

4. Legal & Regulatory Risk

Risks of breaching the law, legal action, losses, fines and other sanctions arising from non-compliance with laws and regulations.

5. Reputational Risk

Risks of adverse or damaging perception of the Council by the general public and Ashfield residents.

Removal of risks from the register.

The removal of risks from the Corporate Risk Register will be at the discretion of CLT. A risk can be removed once it is considered that it will have no impact on the Council's objectives in line with audit recommendations,.

3. Corporate Risk Register

The Corporate Risk Register (most up to date position) is appended to this report.

There has been a substantial review of our corporate risk to reflect the organisational impact of the COVID pandemic. As a result, the following risks have seen a significant increase due to the impact of COVID:-

- Introduction of Universal Credit - At the end of December 2020, Universal Credit claiming tenants accounted for 48% (14% increase since March 2020) of the total arrears cases and 67% of the total arrears value. The total arrears value attributed to Universal Credit at the end of December was £341,204.29 (47% increase from March 2020) with 696 cases (27% increase from March 2020).

  The COVID-19 pandemic has seen a 40% increase in the number of tenants claiming Universal Credit. This is expected to increase further once the Furlough scheme ends, as this is likely to result in unemployment levels increasing, due to the current pressures on retail and hospitality sectors. This will impact on the support required for tenants/residents and the ability to collect rent. Recent discussions with the DWP have confirmed that they are anticipating an increase in unemployment levels/UC claimants once the Furlough scheme ends.

The pandemic has also impacted on our ability to take enforcement action for rent arrears. As a result of this no tenants have been evicted for rent arrears (eviction and ban in place by the Government) yet this financial year. There have also been delays in new referrals to court, resulting in an increase in the percentage of tenants with arrears in excess of 7 weeks. It is anticipated that this will result in an increase in enforcement action and bad debt in future years, once the back logs/suspensions have been cleared.

- Sustainability of HRA business plan - The HRA 30 year business plan continues to be monitored on a regular basis. Short-term pressures include rent arrears, bad debt and void rent loss as a result of the pandemic and general economic situation of our tenant base. This is somewhat offset due to lower expenditure on repairs and capital works in the lockdown period. Longer term pressures include the new legislative requirements to attain thermal efficiency EPC level 'C' by 2030 across the stock (est. £10m) and then a further forthcoming legislation to install carbon monoxide detectors in all properties (circa £480k) and achieve net carbon zero across the stock by 2050 (a definition of what this entails is still to be published but the cost will be many tens of millions)

- Commercial property investment - All current Investment Property tenants are paying their rents in accordance with their contracts. A Political Leadership decision has been taken that no further out of District acquisitions will take place so as not to affect the Council's access to the PWLB as a source of borrowing.

8 new risks have been added to the register, mostly in relation to the impacts of COVID:-

- Reduced resource levels and capacity due to COVID
- Absence related to COVID
- Governance and decision making - During the COVID19 pandemic, increased risk of decisions being made outside "normal" governance structures due to the need to react quickly to a constantly changing situation
- Loss / delays in receipt of key income sources (Business Rates, Council Tax, Housing and Investment Property Rents)
- Data Protection-spike in remote working and risks of data loss (physical and digital)
- Statutory obligation process delays (eg gas servicing)
- Effective strategic leadership of a robust coronavirus recovery plan
- Town centre funding – inability to deliver

Risk Rating Summary

	2013/14 Qu 4	2014/15 Qu4	2015/16 Qu4	2016/17 Qu4	2017/18 Qu4	2018/19 Qu4	2019/20 Qu4	2020/21 Qu 2/3
Significant	15	10	10	9	7	4	12	12
Medium	11	9	7	6	10	10	12	9
Low	8	7	5	2	3	6	4	7
Total	34	26	22	17	20	20	28	28

The total number of Corporate Risks has increased significantly since pre Covid, however this has stabilised during this financial year. There has also been a corresponding increase in significant rated risks.

Those significant risks which have remained significant over last 12 months are:-

- Introduction of Universal Credit
- Failure to have adopted Local Plan
- Government Waste Strategy targets unattainable
- Workforce Planning

Implications

Corporate Plan:

Effective risk management will enable the delivery of corporate and service level priorities, particularly ensuring our people, structures, systems, processes and practices are 'fit for purpose' and remove barriers to improvement and growth.

Legal:
No direct legal implications in respect of the recommendations in the report. Legal and Governance risks are outlined in the report and in the Corporate Risk Register.

Finance:

Budget Area	Implication
General Fund – Revenue Budget	There may be resource implications to the improvement or mitigation of risk. Financial risks are incorporated into the Corporate Risk Register.
General Fund – Capital Programme	
Housing Revenue Account – Revenue Budget	
Housing Revenue Account – Capital Programme	

Risk:

Risk	Mitigation
Lack of an effective risk management framework could result in the organisation having a poor understanding of the major obstacles or blockages that could potentially impact upon its ability to maximise the delivery of its objectives and provision of services to customers	• Make risk management part of normal business and therefore incorporate within all decision making processes, including key project delivery. • Integrate risk management into the culture of the Council and cascade awareness through all levels of leadership and beyond. • Ensure the organisation has a clear understanding of its risk maturity level and is taking steps towards improving this to a desired level.

Human Resources:
There is a need to ensure that service managers are clear with regards to the Corporate Risk Strategy and the requirement to follow the consistent processes contained therein. Risk Management training is a priority and refresher training is currently being scheduled for Members and Officers.

Environmental/Sustainability
No direct implications

Equalities:
No direct implications

Other Implications:

Reason(s) for Urgency

Reason(s) for Exemption

Background Papers
Corporate Risk Strategy – updated January 2021
Detailed Corporate Risk Register – Quarter 2 2020/21
New Risk Appetite Framework

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