Report To:	**CABINET**	**Date:**	**21 JULY 2020**
Heading:	**CORPORATE RISK – YEAR END 2019/2020 POSITION**		
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 Cabinet to review the Corporate Risk Register and the analysis of movement in risk and mitigating actions in respect of those risks. For Cabinet also to consider and approve the updated Corporate Risk Strategy.

Recommendation(s)

- **Cabinet are asked to endorse the current significant items on the Register and to consider whether any further immediate actions are necessary to mitigate those risks.**
- **Cabinet are asked to approve the updated Corporate Risk Strategy.**

Reasons for Recommendation(s)

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

Updates to the Corporate Risk Strategy in 2018 were considered appropriate 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. We are continuing to develop our approaches to understanding risk appetite.

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

Alternative Options Considered

none

Detailed Information

Context/Background

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.

All levels of risk are 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.

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, during the last 12 months, the following risks have seen a significant increase due to the impact of COVID:-

- Introduction of universal credit - At the end of the financial year, Universal Credit claiming tenants contributed to 42% of the total arrears cases and 60% of the arrears value. The total arrears value attributed to Universal Credit at week 53 = £230,733.06 (549 cases).

  The COVID-19 crisis is likely to see an increase in more Universal Credit claimants than we have estimated, which will impact on the support required for tenants/residents and rent collection/income recovery. The government/DWP have confirmed that there has been a significant increase in Universal Credit claims due to the lockdown.

  Value of the COVID impact equates to around £50k reduction in rent collected during last 2 weeks of March.

- Sustainability of HRA business plan - post COVID cost pressures will be felt due to rent default leading to some bad debt and higher turnover of properties. A number of properties used as temporary accommodation are expected to come back requiring extensive repair.

  It is highly likely the new major improvement works contract (tender imminent) will come at a premium. Costs can be absorbed out of reserves, however this will foreshorten the viability date of the 30 year HRA Business Plan.

- Failure to have an adopted Local Plan - The Local Plan is being assessed against our current Local Development Scheme timetable. Not achieving a local plan within agreed timescales would lead to a poor reputation it could also result in the loss of autonomy in plan making. There is an increased risk to the timetable as evidence base commissioning has been impacted on by the pandemic. The risk remains significant until we are able to review our position, which is likely to be September, when we will have a more realistic timetable, and the Greater Notts evidence base will have been commissioned. MHCLG will still be reviewing our progress despite the pandemic.

- High levels of sickness absence – Whilst non-covid related absence rates have reduced slightly at year end, there is the potential that absence due to self-isolation or increased mental and physical health anxieties could increase as a result of Covid. Currently, absence due to covid is very low and will not be counted as ‘normal sickness’.

- Commercial property investment - The likelihood of lost rent is increasing with the COVID 19 lockdown. The Ashfield position is currently that rents can be deferred for one Q1 2020/2021 if requested by a tenant, with tenant to pay the outstanding sum no later than 31 March 2021. Ashfield have received a number of requests for rent deferrals. We are working to quantify the impact in order to allow Finance to plan cash flow accordingly. Further, one of Ashfield’s tenants, Shearings Hotels, has entered administration and is likely to be liquidated – Ashfield is currently working with the Administrators to surrender the lease and take possession of the property, with a view to finding a new tenant.

- Workforce planning, inability to recruit to critical roles - The ongoing risk is that we are unable to recruit to identified critical roles. Due to Covid we are refreshing the list of critical roles and mitigating measures i.e. Covid Recovery may see increased prominence of certain roles in regard to their critical importance for example. web development, IT, estates etc. Peer Challenge highlighted particular resilience issue with commercial investments.

7 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 structure due to the need to react quickly to 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

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
Significant	15	10	10	9	7	4	12
Medium	11	9	7	6	10	10	12
Low	8	7	5	2	3	6	4
Total	34	26	22	17	20	20	28

The identification of those risks with a high ability to influence should enable Cabinet to review progress against those areas of risk where mitigation has not been achieved.

The total number of Corporate Risks has therefore increased significantly. There has also been a corresponding increase in significant rated risks.

Those significant risks are (* mitigatable, and remained significant over last 12 months):-
- Introduction of Universal Credit
- Failure to have adopted Local Plan
- Town centre funding, inability to deliver (impacted by delay in government funding)
- Government Waste Strategy targets unattainable *
- HRA business planning
- Level of Central Government funding 2020 onwards

- Workforce Planning
- Temporary Accommodation – insufficient units to meet demand
- Reduced resource levels and capacity due to COVID 19
- Data Protection – spike in remote working and risks of data loss (physical and digital)
- Loss / delays in receipt of key income sources (Business Rates, Council Tax, Housing and Investment Property Rents)
- Statutory obligation process delays (eg gas servicing)

The new Governance and Decision Making risk due to covid was a pertinent high risk early doors, but the mitigations now mean it is no longer significant.

Risk Audit Update

An Internal Audit of risk was undertaken in 2019, the recommendations were:-

- 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. It is suggested for bi-annual reporting to Audit Committee, the Corporate Risk Strategy has been amended in accordance.*

- 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.*

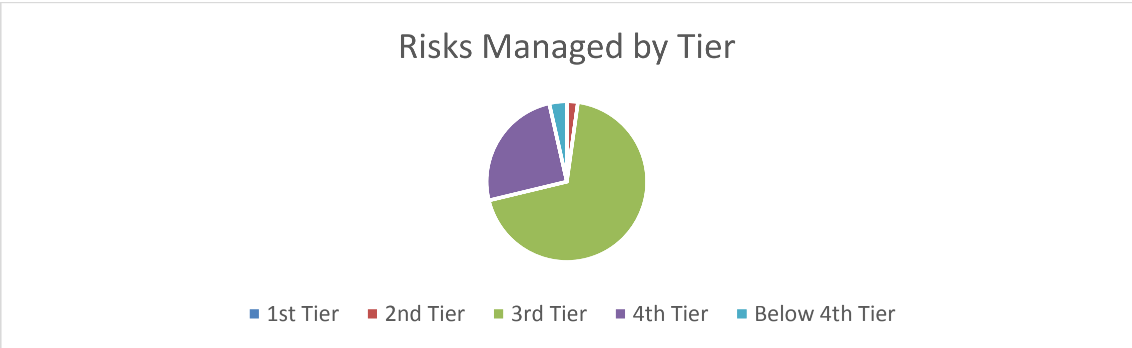
- The Council formally assesses and documents its risk appetite as soon as practically possible. As a core consideration of the Council's risk management approach, formally documenting its risk appetite could help the Council to make informed decisions, achieve its goals and support sustainability. *The most appropriate and relevant approaches to understand risk appetite are being determined. We recognise that specific key projects or corporate activity, such as commercial investment, have a level of risk appetite integral to decision making.*

- 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.*

Corporate Risk Strategy

- The Corporate Risk Strategy was reviewed and approved by Cabinet in 2018 in order to ensure that it 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. We have four membership subscriptions to ALARM allowing for the access to training and development resources which are being used in a rolling programme to embed risk management across the organisation.
- The Transformation team have raised awareness of the ALARM model across all service directorates. In March 2019, this was further embedded as the Midlands Chair of ALARM presented a session to the Extended Leadership Team in relation to managing risk using the ALARM model.
- A pre-Covid valuation of the management of risks across the Council was undertaken in order to understand the levels that risk is currently being managed. The ALARM model encourages a risk culture over the entire organisation and it is clear from the below that there is still much more work to do in order to delegate risk management to other levels within the Council. This will be addressed with the roll out of a risk management training program using the resources that are available from ALARM. Discussion at DMTs will be undertaken to strengthen the delegation of risk management.



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 December 2019
Detailed Corporate Risk Register – Year End 2019/20

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