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Standards and Audit Committee

Tuesday, 23 January 2024 at 7.30 pm

Council Chamber - Civic Centre

Second Supplementary Agenda

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6. Risk Report for Quarter 3 2023/24	2 - 9

Report title	Risk Report for Quarter 3 2023/24
Report author	Sarah Hall
Department	Chief Executive's Office
Exempt	No
Exemption type	Not applicable
Reasons for exemption	Not applicable

Purpose of report:

To resolve

Synopsis of report:

During 2023/24 this Committee and Full Council have approved the Risk Management Framework 2023-2026 which formalised the Council's approach to risk management, and the Risk Appetite Statements for 2024/25. Alongside this work, Officers have further developed the risk management system to improve risk reporting capability. This has led to a full review of risks identified including the risk scores and mitigation action plans.

In alignment with the Risk Management framework and risk reporting timelines, this report provides an overview of the risk profile of the Council based on a snapshot of the data held in the risk system as at 8 December 2023 and highlights the risk categories that hold the majority of 'significant' risks.

To support future risk reporting, a proposed risk dashboard has been developed and a sample is presented, built using risk profile data as at 8 December 2023. The data fields, format and layout are recommended to Committee for approval. The risk data held in the risk system remains subject to change due to an iterative review process.

Recommendation that:

- i) the risk profile of the Council as at 8 December 2023 including the most significant risk categories be noted; and**
- ii) the data fields, format and layout of the proposed risk dashboard, be approved**

1. Context and background of report

1.1 This is the third of three reports during 2023/24 to Standards and Audit Committee meetings regarding risk management, where previously the Risk Management

Framework was formalised (October 2023) and risk appetite statements were recommended (November 2023).

- 1.2 This report presents an update on the Council's risk profile and the proposed risk dashboard for approval which provides Committee with information regarding the risks identified and the associated risk scores and significance.

2. Report

- 2.1 The Risk Management Framework, approved by this Committee and Full Council in October 2023, laid out the reporting requirements for risk including a 6-monthly report to this Committee:

“The Project Management Office (PMO) will develop a dashboard as part of the corporate reporting system to communicate the risk portfolio to Standards and Audit Committee on a six-monthly basis to keep elected members abreast of the highest priority risks identified and the mitigation in place.

The Assistant Chief Executive (S151) provides an update to Standards and Audit Committee on a six-monthly basis to report on the Corporate Risk Register and associated activity.”

- 2.2 As part of the wider approach to corporate performance, the PMO has developed a single database of risks identified from across the organisation to form the risk management system. This has replaced separate documents for each risk register (corporate risk register, service risk register, project risk registers, contract risk registers) and permits a significant improvement in dynamic risk management, analytical capability and reporting of risk.
- 2.3 The National Risk Register, published by the government in Aug 2023¹ is also incorporated as part of the overall risk management system. This source provides the government's assessment of the most serious risks facing the UK that would have a substantial impact on the UK's safety, security and/or critical systems at a national level. For these specific risks, risk scores pre-mitigation reflect the national-level risk scores assigned to the risk by Central Government. Risk scores post-mitigation are adjusted to reflect specifically the Borough's local landscape for the risk.
- 2.4 A user-friendly view of the data has been developed, accessible by all Risk Owners, to support regular and frequent review of risks and dynamic risk management. This captures all risk data; those risks specific to service areas but also more generic risks that are applicable across the organisation regardless of service or operations. Generic risk registers have been allocated appropriate Risk Owners to ensure that risks are reviewed, and any action plans are relayed back to all service areas for implementation e.g. the Information Governance Officer group, chaired by the Senior Information Risk Owner (SIRO, Mario Leo) will review the generic data and information management risks that have been identified and are applicable across all service areas. Risks specifically associated with data and information management in Digital Services e.g. cyber security will remain with Digital Services to review and mitigate. Feedback has been positive from Risk Owners in terms of ease of access and simplicity to review, update and add new risks.

¹ [2023 NATIONAL RISK REGISTER NRR.pdf \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/118111/2023_NATIONAL_RISK_REGISTER_NRR.pdf)

2.5 The Council has currently identified a total of 277 risks which have been categorised against the thirteen risk categories. Risks have been reviewed by Risk Owners and scores updated where necessary. The risk score is calculated by assessing both the likelihood and impact of the risk if it were to occur without and with mitigation using a scale from 1 to 5. Multiplying the likelihood by the impact gives the overall risk score and is therefore between 1 – 25.

2.6 The post-mitigation risk score is used to identify those risks above the threshold (>10 risk score, thick black line in the diagram below) that are escalated to the Corporate Leadership Team (CLT) for inclusion on the corporate risk register. ‘Significant’ risks are defined as those risks that score above 15 post-mitigation (highlighted red in the diagram below).

LIKELIHOOD (A)	Certain 5	5	10	15	20	25	Likelihood of Occurrence (A)	Severity of Impact (B)		
	Probable 4	4	8	12	16	20			1 – Highly unlikely to happen	1 – Negligible impact
	Possible 3	3	6	9	12	15			2 – Unlikely to happen	2 – Only a small effect
	Unlikely 2	2	4	6	8	10			3 – Possibly will happen	3 – Noticeable effect
	Highly unlikely 1	1	2	3	4	5			4 – Probably will happen	4 – Serious problem with significant impact
		Negligible 1	Small 2	Noticeable 3	Serious + Significant 4	Critical + Considerabl 5			5 – Certain to happen	5 – Critical issue and considerable impact
	IMPACT (B)									

2.7 78 risks identified scored above the threshold post-mitigation (>10), of which 27 are ‘significant’ risks, scoring above 15. The distribution of risks above the threshold per risk category is shown in the table below. Operations and Financial risk categories are the most commonly attributed risks, accounting for 50% of total risks identified, and 64% of risks scoring above the threshold post-mitigation.

Risk Category	Grand Total below the threshold (<10)	No. of risks scored (post-mitigation) above the threshold (>10)						Grand Total >10	Grand Total >15
		10	12	15	16	20	25		
Operations	56	4	15	3	4	2		28	9
Financial	32		12	3	3	4		22	10
Property	19		3	1	2			6	3
People	25	2	3		1			6	1
Legal	4	1	2	1				4	1
Strategic	12		5					5	
Security	1	1			2			3	2
Data Info Mgmt	11		2					2	
Reputational	13		1		1			2	1
Governance	8								
Technology	8								
Commercial	6								

Project/ Prog	3								
Grand Total	199	8	43	8	13	6	0	78	27

- 2.8 The **Financial risk** category is defined as “Risks arising from not managing finances in accordance with requirements and financial constraints resulting in poor returns from investments, failure to manage assets/liabilities or to obtain value for money from the resources deployed, and/or noncompliant financial reporting.”
- 2.9 The local government sector as a whole is carrying significant levels of financial risk as highlighted by the number of Section 114 notices and warnings issued during the last 12-18 months. While the Provisional Local Government Finance Settlement provided a funding guarantee of at least a 3% increase for all Councils, many authorities argue that this is insufficient to meet the pressures on their finances, particularly in the face of recent inflation levels and with rising demand for services.
- 2.10 The Council’s draft budget proposals, considered by Corporate Management Committee on the 18th January, before recommendation to Full Council on the 8th February, set out the financial pressures the Council is facing and risk identification, and mitigation, has been an integral part of the budget formulation process.
- 2.11 In addition, as referred to in the budget report and noted elsewhere on this Agenda, the Council has received a non-statutory Best Value Notice following its engagement with DLUHC regarding its level of borrowing and reliance on income generated by its property portfolio, both of which pose risk to the finances of the Council if not well-managed.
- 2.12 The investment portfolio delivers significant income to the Council and is managed via the Asset Management Strategy approved by Full Council. The Council has always recognised the inherent risk in managing property and made provision for both the repayment of debt related to acquisitions but also for the upkeep and maintenance of its assets and variations in income due to changes in occupancy, for example.
- 2.13 While the Medium-Term Financial Strategy (MTFS) and associated budget reports set out actions to address these financial challenges and mitigate financial risk, these risks cannot be removed in their entirety, and it is therefore not unexpected that Financial risks form 37% of the Council’s significant risks identified.
- 2.14 The **Operations risk** category is defined as “Risks arising from inadequate, poorly designed or ineffective/ inefficient internal processes resulting in fraud, error, impaired customer service (quality and/or quantity of service), noncompliance and/or poor value for money.” This risk category also incorporates risks to service delivery and operations as a result of an emergency response required at a local or national level.
- 2.15 Operations risks form the second highest significant risk category, accounting for 33% of risks scoring above 15 post-mitigation. To note that the majority of these operations risks are sourced from the National Risk Register and therefore form part of the generic Emergency Planning risk register.
- 2.16 As an organisation that provides both statutory and discretionary services for our residents and businesses, carrying operational risk is not unusual. Service areas have identified risks that may impact on operations and service delivery and have

developed and recently reviewed, emergency and business continuity plans to address issues if the risks were to materialise.

- 2.17 The Council has a large property holding including both its investment property, referred to above, and its operational assets which support service delivery. **Property risk** forms the third highest risk category in terms of number and significance of risks.
- 2.18 A risk dashboard has been developed by the PMO to provide a high-level overview of the risk profile of the organisation. The proposed dashboard is found at Appendix A and the format and data fields displayed are recommended for approval by this Committee. Once agreed, this will form part of the corporate performance system and six-monthly updates will be provided to this Committee in Quarters 1 and 3 each year.
- 2.19 Risk trend has been added to the risk register data fields. Page 1 of the dashboard at Appendix A shares the current significant risks (scoring above 15 post-mitigation) that are trending upwards at the last review (within the last month). For future reports, this will reflect any change in post-mitigation risk score that is determined at the next review point.

3. Policy framework implications

- 3.1 Regular reporting of risk to this Committee is part of the approved Risk Management framework.
- 3.2 Managing risk supports delivery of the Corporate Business Plan 2022-2026 as follows:

Corporate Business Plan achievement

- Increased probability of achieving strategic objectives: through minimising or removing key obstacles.

Organisational Development

- Improved awareness of risk: the Council can become less risk averse if risks are identified, assessed and mitigated.
- Improved corporate governance: through stronger, more transparent, evidence-based decision making, accountability and prioritisation.
- Safeguard the organisation and provide assurance to all stakeholders such as elected members and residents.

- 3.3 Risk management is an integral part of corporate governance and is a principle in the Local Code of Corporate Governance (Principle F: Managing Risk).

4 Resource implications

- 4.1 Failure to mitigate risks or take advantage of opportunities could result in financial loss to the Council.

5. Legal implications

- 5.1 The Council has a legal duty to have risk management arrangements in place, as stated in the Accounts & Audit Regulations 2015 (Part 2: Internal control Responsibility for internal control):

“A relevant body must ensure that it has a sound system of internal control which:

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives.*
- (b) ensures that the financial and operational management of the authority is effective.*
- (c) includes effective arrangements for the management of risk.”*

6. Equality implications

6.1 None arising directly from this report.

7. Environmental/Sustainability/Biodiversity implications

7.1 None arising directly from this report.

8. Risk implications

8.1 Failure to regularly review and report risk could have an adverse impact on the Council’s achievement of corporate and strategic objectives.

8.2 Failure to regularly review and report risk could have an adverse impact on the Annual Governance Statement.

9. Timetable

9.1 Risk reporting to this Committee will be on a six-monthly basis. It is proposed that these reports will be presented in Q1 and Q3 annually.

10. Conclusions

10.1 This report completes the overhaul of the risk management system including formalising the risk management framework, setting risk appetite for 2024/25 and agreeing the format for regular 6-monthly reporting to this Committee. The Committee is asked to consider and agree the format of the Risk dashboard for future reporting of risk.

10.2 It should be noted that the risk scores shown in the sample dashboard are not final scores and therefore may not be representative of the level of risk currently being faced by the Council, as final, post-mitigation scoring is to be completed before the first formal reporting of the Risk dashboard to Members.

10.3 The dashboard, once fully operational, should provide greater transparency on the key risks facing the Council, and the measures in place to mitigate those risk, and will sit alongside the other governance functions of this Committee in supporting delivery of the Council’s Local Code of Corporate Governance.

11. Background papers

None Stated.

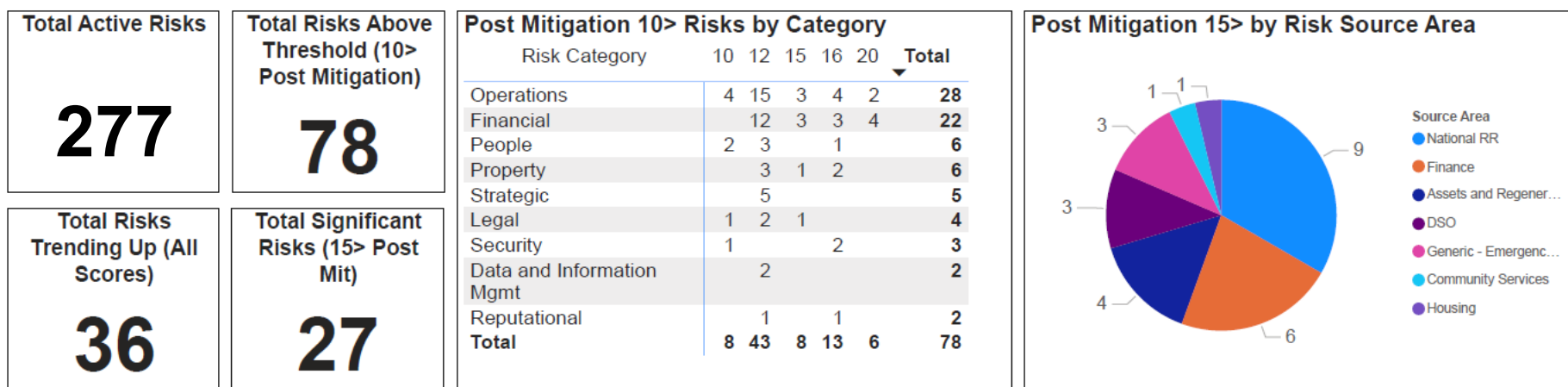
12. Appendices

Appendix ‘A’: Proposed Risk dashboard template

Proposed risk dashboard template using risk profile data extract as at 08 Dec 2023.

To note that this is an exemplar of the proposed dashboard and data and risk scores are still subject to change through iterative reviews with CHoS and CLT. Once the format has been agreed, the first dashboard will be presented to Members at the May Committee meeting.

Runnymede Borough Council Risk Dashboard



Detailed Risks Trending Up with Post Mitigation 15>			
Score	Risk Category	Risk/ Issue description	Risk Owner
20	Financial	The Local Government finance settlement is delayed beyond the recommended 2018 Hudson Review date (Dec 5th)	Amanda Fahey
16	Operations	Low temperatures and snow	Marcel Steward
16	Operations	Nuclear miscalculation not involving the UK	Marcel Steward
16	Operations	Outbreak of an emerging infectious disease	Marcel Steward
16	People	Panic alarms in the civic centre reception malfunction or fail.	Alex Williams
16	Security	Police and security services have been told by Rishi Sunak to prepare for the prospect of a terror attack as tensions rise over the Israel-Hamas war. Yesterday the Prime Minister chaired an emergency meeting of Cobra at which ministers, police chiefs and security officials assessed the "accelerated" threat of domestic terrorism and the risk of public disorder.	Marcel Steward
15	Operations	Failure of the National Electricity Transmission System (NETS)	Marcel Steward
15	Property	Fire/intruder alarms - Gemini/Bold System (single point of failure)	Alex Williams
15	Operations	Larger-scale CBRN attacks	Marcel Steward
15	Financial	Reduction in funding for waste collection.	Shaun Barnes
15	Operations	Technological failure at a UK critical financial market infrastructure	Marcel Steward

Runnymede Borough Council Risk Dashboard



All Post Mitigation 15> Risks

Score	Risk Category	Risk/ Issue description
20	Operations	Current Business Continuity arrangements are not sufficient to deal with a severe disruptive event.
20	Financial	DLUHC impose requirement to repay % of existing loans and sell Commercial property
20	Financial	Income Generation schemes fail to deliver targets
20	Operations	Pandemic
20	Financial	Rising costs exceeding income.
20	Financial	The Local Government finance settlement is delayed beyond the recommended 2018 Hudson Review date (Dec 5th)
16	Reputational	19/20 accounts remain outstanding from external auditors.
16	Financial	Borrowing ability limited by potential DLUHC sanctions
16	Security	Conventional attacks on infrastructure
16	Property	Cost of living crisis
16	Property	DLUHC/ Levelling up may force a fire sale of property
16	Financial	Economic volatility and uncertainty
16	Operations	Low temperatures and snow
16	Operations	Nuclear miscalculation not involving the UK
16	Operations	Outbreak of an emerging infectious disease
16	People	Panic alarms in the civic centre reception malfunction or fail.
16	Security	Police and security services have been told by Rishi Sunak to prepare for the prospect of a terror attack as tensions rise over the Israel-Hamas war. Yesterday the Prime Minister chaired an emergency meeting of Cobra at which ministers, police chiefs and security officials assessed the "accelerated" threat of domestic terrorism and the risk of public disorder.
16	Financial	Safer Runnymede - RBC companies use alternate provision.
16	Operations	Severe space weather
15	Financial	EPR (Extended producer responsibility scheme) funding deferred for a year until October 2025.
15	Operations	Failure of the National Electricity Transmission System (NETS)
15	Property	Fire/intruder alarms - Gemini/Bold System (single point of failure)
15	Operations	Larger-scale CBRN attacks
15	Financial	Reduction in funding – Street Cleansing.
15	Financial	Reduction in funding for waste collection.
15	Legal	Runnymede and LRF unprepared for a major incident within the Borough resulting in a poor response. Unable to meet requirements of the Civil Contingencies Act.
15	Operations	Technological failure at a UK critical financial market infrastructure