

## OVERVIEW AND SCRUTINY COMMITTEE

**DATE OF MEETING:** 18 SEPTEMBER 2018

**TITLE OF REPORT:** CORPORATE RISK REGISTER

**Report of:** Internal Audit Manager

**Cabinet member:** Councillor David Neighbour, Finance

### 1. PURPOSE OF REPORT

- 1.1 As part of the Council's governance framework is essential that it identifies and manages risk that it is exposed to.
- 1.2 The Council has a Corporate Risk Register which should be reviewed by management on a regular basis and reported to members to provide assurance that appropriate arrangements are in place to mitigate identified risks.

### 2. OFFICER RECOMMENDATION

- 2.1 That the Committee reviews the content of the Corporate Risk Register.

### 3. BACKGROUND

- 3.1 This report provides members with an update on the content of the Corporate Risk Register for the Committee to review. A report on the effectiveness of the risk management framework in place is reported to the Audit Committee.
- 3.2 It is important to recognise that responsibility for risk management lies with management, Internal Audit will facilitate the process which will include reporting on both the content of the Corporate Risk Register and the effectiveness of the framework.

### 4. FINANCIAL IMPLICATIONS

- 4.1 There are no financial implications directly associated with this report.

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**Appendices:** Appendix I, Corporate Risk Register

## CORPORATE RISK REGISTER SEPTEMBER 2018

## Appendix I

<b>Governance Risk</b>	<b>Impact: Significant</b> <b>Likelihood: Possible</b>	<b>Risk Score: 9</b>	<b>Assessment: Amber</b>		
<b>Description of Risk</b>	<b>Inherent Risk</b>	<b>Mitigations</b>	<b>Effectiveness of Mitigations</b>	<b>Residual Risk</b>	<b>Further Potential Mitigations</b>
<b>Failure in governance framework</b> ➤ Reputational risk ➤ Service failure ➤ Decisions are ultra vires	Amber	➤ Committee structure in place ➤ Statutory Officers all in place ➤ Compliance with the law ➤ Legal advice readily available enabling issues or concerns to be checked	Full	Amber	
<b>Risk appetite not identified</b>  Uncertain about level of risk that is acceptable	Amber	➤ Regular informal discussions with Cabinet and Political Group Leaders to establish appetite for risk before projects proceed. ➤ Each project is discussed and agreed with the respective Portfolio Holder prior to inception ➤ Operational Risk Registers are reported to Service Boards	Partial	Amber	Risk training  Enhance ownership of risk

<p><b>Monitoring and reporting of risk</b></p> <ul style="list-style-type: none"> <li>➤ Governance failure</li> <li>➤ Risk not considered in decision making process</li> <li>➤ Lack of Awareness of risk</li> </ul>	<p>Amber</p>	<ul style="list-style-type: none"> <li>➤ Risk framework is reported to Audit Committee</li> <li>➤ Corporate Risk Register is reviewed quarterly by management and reported to Scrutiny</li> <li>➤ Operational Risk Registers are reported to Service Boards</li> <li>➤ Recent use of consultant to challenge content of corporate risk register</li> </ul>	<p>Partial</p>	<p>Amber</p>	
<p><b>Culture</b></p> <ul style="list-style-type: none"> <li>➤ Quick decisions may be taken without full knowledge of risk</li> <li>➤ Less bureaucracy and therefore reduced cost</li> <li>➤ Agile environment</li> </ul>	<p>Amber</p>	<ul style="list-style-type: none"> <li>➤ Transparency on decisions remains</li> <li>➤ Full list of delegated powers within the Constitution and Scheme of Delegation.</li> <li>➤ Effective urgent decision making process within the Constitution for decisions not delegated to Officers</li> <li>➤ Always act within the law</li> <li>➤ Consultation process within management structure e.g. Monitoring Officer and SI51 Officer</li> </ul>	<p>Partial</p>	<p>Amber</p>	

<p><b>Complex governance arrangements for outsourced and shared services</b></p> <ul style="list-style-type: none"> <li>➤ Decisions can be outside of council’s control</li> <li>➤ Service failures are not identified in a timely manner</li> </ul>	<p>Red</p>	<ul style="list-style-type: none"> <li>➤ Can partly rely on 5 Councils governance framework and Joint Client Team.</li> <li>➤ Joint Governance Groups in place for most shared services.</li> <li>➤ Recent peer review identified strengths and weaknesses</li> <li>➤ Heads of Service continue to remain responsible for service provision for either shared or outsourced services</li> </ul>	<p>Partial</p>	<p>Amber</p>	<p>Review resource for monitoring outsourced and shared services.</p> <p>Enhance reporting on performance for shared and outsourced services.</p>
<p><b>Political risk</b></p> <ul style="list-style-type: none"> <li>➤ Clear long term vision</li> <li>➤ Relationships between political parties</li> </ul>	<p>Red</p>	<ul style="list-style-type: none"> <li>➤ Political awareness is effective</li> <li>➤ Regular meetings between Joint Chief Executives and the Leader of the Council</li> <li>➤ Regular meetings between the Political Group Leaders and Joint Chief Executives</li> <li>➤ Regular meetings with Cabinet</li> <li>➤ Regular meetings between Heads of Service and Portfolio Holders</li> <li>➤ Creation of Political sub-group to consider long term vision, a recommendation of the recent Peer Review</li> </ul>	<p>Partial</p>	<p>Amber</p>	

<b>Employee Resource Risk</b>	<b>Impact: Significant</b> <b>Likelihood: Very High</b>	<b>Risk Score: 18</b>	<b>Assessment: Red</b>		
<b>Description of Risk</b>	<b>Inherent Risk</b>	<b>Mitigations</b>	<b>Effectiveness of Mitigations</b>	<b>Residual Risk</b>	<b>Further Potential Mitigations</b>
<p><b>Single points of expertise, failure</b></p> <ul style="list-style-type: none"> <li>➤ Resilience</li> <li>➤ Capacity</li> <li>➤ Unable to respond to customer needs in a timely manner</li> </ul>	Red	<ul style="list-style-type: none"> <li>➤ Sharing knowledge</li> <li>➤ Opportunities to leverage expertise from other Councils</li> <li>➤ Risk management considered in more detail during major projects</li> </ul>	Limited	Red	<p>Review resource levels in some areas</p> <p>Improved sharing of knowledge</p> <p>Increased use of digitalisation to provide business as usual information to residents, increasing capacity to deal with more technical issues.</p>
<p><b>Resources are not allocated appropriately</b></p> <ul style="list-style-type: none"> <li>➤ Resource issues in some areas of back office services</li> <li>➤ Able to respond to customers in a timely manner</li> <li>➤ Resource is insufficient in some areas</li> </ul>	Red	<ul style="list-style-type: none"> <li>➤ Cabinet approves Corporate Plan which identifies priorities for the Council</li> <li>➤ Service Plans are approved by Cabinet, which delivers the Corporate Plan</li> <li>➤ Individual personal development objectives are set against the Service plans</li> </ul>	Limited	Red	<p>As per Peer Review Recommendation, review the staff structure to align capacity with priorities and workload</p> <p>Prioritise resources to match Corporate Plan</p>

		<ul style="list-style-type: none"> <li>➤ Where there is unforeseen workload, resources are allocated to front line services/priority areas.</li> </ul>			
<p><b>Skills/Knowledge/Training</b></p> <ul style="list-style-type: none"> <li>➤ HR knowledge is provided by a third party</li> <li>➤ Performance management (including PDR's and one to one's) are not completed</li> <li>➤ Possible skills gaps</li> <li>➤ Employees become demotivated.</li> </ul>	Amber	<ul style="list-style-type: none"> <li>➤ Professional training to support continuing professional competency is available as appropriate</li> <li>➤ Membership to professional bodies is available to staff as part of their contract of employment, if appropriate.</li> <li>➤ Programme of mandatory corporate training to raise awareness and improve skills on a number of areas, e.g. Cyber Security, GDPR, Fraud Awareness</li> <li>➤ Recruitment process includes the creation of a Person Specification which sets out key basic qualifications/knowledge or skills for the post.</li> <li>➤ Staff are asked about opportunities to further develop or gain skills through their performance management process</li> </ul>	Partial	Amber	Review effectiveness of training needs assessment

<p><b>Less time to do tasks</b></p> <ul style="list-style-type: none"> <li>➤ Capacity</li> <li>➤ Too many responsibilities</li> <li>➤ Error rate may increase</li> <li>➤ Quality of services provided to customers deteriorates</li> </ul>	<p>Red</p>	<ul style="list-style-type: none"> <li>➤ Focus of service delivery is on             <ul style="list-style-type: none"> <li>○ Statutory obligations</li> <li>○ Services delivered in accordance with Council approval</li> <li>○ Projects set out in the Corporate Plan/Service Plans</li> </ul> </li> <li>➤ Monitoring of Operational Performance is at Service Boards</li> <li>➤ Monitoring of personal performance is at regular one to one's</li> </ul>	<p>Limited</p>	<p>Red</p>	<p>Consider opportunities to increase capacity temporarily in periods of high (unplanned) demand.</p>
<p><b>Recruitment issues for some specialist areas such as Planning</b></p> <ul style="list-style-type: none"> <li>➤ Performance</li> <li>➤ Capacity</li> </ul>	<p>Red</p>	<ul style="list-style-type: none"> <li>➤ Use of competitive salary</li> <li>➤ Recruitment process started for Development Control</li> </ul>	<p>Partial</p>	<p>Red</p>	
<p><b>Staff morale</b></p> <ul style="list-style-type: none"> <li>➤ Retention of staff</li> <li>➤ Performance of employees</li> </ul>	<p>Amber</p>	<ul style="list-style-type: none"> <li>➤ Health and Wellbeing is taken seriously</li> <li>➤ Culture encourages open discussion of issues including regular one to one's and team meetings and quarterly briefings with the Joint Chief Executives.</li> <li>➤ A new staff social group is being established</li> </ul>	<p>Partial</p>	<p>Amber</p>	<ul style="list-style-type: none"> <li>➤ Improve working environment</li> <li>➤ Review workloads</li> </ul>

		➤ Additional 'soft' opportunities such as increasing volunteering is being explored.			
<p><b>Note:</b> There is reasonable assurance that some mitigations are in place, however, it is felt that the suite of mitigations when considered as a whole are not yet sufficiently effective to reduce the risk. Therefore the overall assessment is considered to be red.</p>					

<b>Commissioning Risk</b>		<b>Impact: Marginal Likelihood: High</b>	<b>Risk Score: 10</b>	<b>Assessment: Amber</b>	
<b>Description of Risk</b>	<b>Inherent Risk</b>	<b>Mitigations</b>	<b>Effectiveness of Mitigation</b>	<b>Residual Risk</b>	<b>Further Potential Mitigations</b>
<p><b>Financial resilience of key partner</b></p> <ul style="list-style-type: none"> <li>➤ Overstretch of contractors</li> <li>➤ Financial performance of contractors</li> <li>➤ Acquisition of key partner</li> </ul>	Amber	<ul style="list-style-type: none"> <li>➤ Monitor financial performance</li> <li>➤ Financial due diligence and requirement to make contingency arrangements within major contracts in the event of financial distress.</li> <li>➤ Regular meetings with contractors and shared service partners</li> <li>➤ Monitor contracts being won by key contractors</li> </ul>	Partial	Amber	Further analytical information on key contractors

<p><b>Monitoring performance of key partners</b></p> <ul style="list-style-type: none"> <li>➤ KPI's are not challenging</li> <li>➤ Ability to review</li> <li>➤ Client function does not challenge performance</li> </ul>	<p>Amber</p>	<ul style="list-style-type: none"> <li>➤ KPI Information is provided to monitor performance</li> <li>➤ Reporting of KPI's within councils governance structure</li> <li>➤ Reporting to HDC Overview and Scrutiny</li> </ul>	<p>Partial</p>	<p>Amber</p>	<p>Full review of KPI's</p>
<p><b>Complex governance arrangements</b></p> <ul style="list-style-type: none"> <li>➤ Delivery of services becomes disjointed</li> <li>➤ Ability to respond to issues with outsourced or shared services in a timely manner</li> </ul>	<p>Amber</p>	<ul style="list-style-type: none"> <li>➤ Ensure the structure of the council is able to maintain and improve governance arrangements</li> <li>➤ Shared services approach is complex however, accountability for effective clienting of each shared service is clearly established within the Council and discussions are held with the relevant Portfolio Holders.</li> </ul>	<p>Partial</p>	<p>Amber</p>	
<p><b>Client role not sufficiently resourced in some areas</b></p> <ul style="list-style-type: none"> <li>➤ Monitoring of outsourced or shared service is not effective</li> <li>➤ Client role is not carried out effectively</li> <li>➤ Poor relationship between council and service provider</li> </ul>	<p>Red</p>	<ul style="list-style-type: none"> <li>➤ Client arrangements are established and tested in many parts of the Council e.g. Waste Contract and Leisure Contract. These have been subject to internal and external audit processes.</li> <li>➤ An internal audit considered the value of shared services in January 2016 including client arrangements.</li> </ul>	<p>Partial</p>	<p>Amber</p>	<p>Review client team consider re-balance</p> <p>Skill up if required</p> <p>Resource client team for all outsourced and shared services appropriately</p>

<p><b>Commissioning skills are limited</b></p> <ul style="list-style-type: none"> <li>➤ Best practice is not adopted</li> <li>➤ The Council does not obtain ‘value for money’</li> <li>➤ The Council does not act as an ‘intelligent client’</li> </ul>	<p>Amber</p>	<ul style="list-style-type: none"> <li>➤ Established Client Teams have professional and technical knowledge in the area they are commissioning. Additional external support is contracted for, when expertise is not available ‘in house’</li> </ul>	<p>Partial</p>	<p>Amber</p>	<p>Skill up</p> <p>Define what is expected from in house client teams and resource and skill as required</p> <p>Establish a strategy for commissioning</p>
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<b>5 Councils Risk</b>	<b>Impact: Critical Likelihood: Very High</b>		<b>Risk Score: 24</b>	<b>Assessment: Red</b>	
<b>Description of Risk</b>	<b>Inherent Risk</b>	<b>Mitigations</b>	<b>Effectiveness of Mitigation</b>	<b>Residual Risk</b>	<b>Further Potential Mitigations</b>
<p><b>Transition to TOM is longer than planned</b></p> <ul style="list-style-type: none"> <li>➤ Services not harmonised</li> <li>➤ Disjointed working arrangements</li> <li>➤ Additional costs or savings not met</li> <li>➤ Increased workloads for staff (in testing new systems)</li> </ul>	Red	<ul style="list-style-type: none"> <li>➤ Continue to monitor transition with Capita</li> <li>➤ Councils governance arrangements</li> <li>➤ Maintain existing arrangements provides a safe platform for the Council until transition.</li> </ul>	Limited	Red	<p>Agree revised TOM dates</p> <p>Ensure continuity plans are in place</p> <p>Pull Out</p>
<p><b>Capita have not sufficiently resourced workstreams</b></p> <ul style="list-style-type: none"> <li>➤ Poor service provided</li> <li>➤ Customer complaints</li> <li>➤ Reputation risks</li> <li>➤ Over promise but under deliver</li> </ul>	Red	<ul style="list-style-type: none"> <li>➤ Monitor performance of Capita</li> <li>➤ Monitor level of complaints</li> <li>➤ Use of customer satisfaction survey</li> <li>➤ Use of SIGS and escalation process</li> </ul>	Limited	Red	<p>Consider alternative arrangements</p>

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<p><b>Lack of due diligence</b></p> <ul style="list-style-type: none"> <li>➤ Performance issues</li> <li>➤ Contractor does not understand the structure of the council</li> <li>➤ Volume of transactions is over or understated</li> </ul>	<p>Red</p>	<p>Due diligence process is part of each workstream project plan</p>	<p>Partial</p>	<p>Red</p>	<p>Ensure Capita have a proper understanding of existing processes</p> <p>Review process for any gaps</p>
<p><b>Continuity of services</b></p> <ul style="list-style-type: none"> <li>➤ Service performance issues</li> <li>➤ Customer complaints</li> <li>➤ Reputation risks</li> </ul>	<p>Red</p>	<ul style="list-style-type: none"> <li>➤ Ensure business as usual continues during transition and beyond</li> <li>➤ Monitor performance to confirm agreed targets are met</li> <li>➤ Use of SIGS</li> <li>➤ Provision of business continuity plans by the provider</li> </ul>	<p>Limited</p>	<p>Red</p>	<p>Review effectiveness of continuity plans</p>
<p><b>Client function is not working as expected</b></p> <ul style="list-style-type: none"> <li>➤ Contractor is not challenged</li> <li>➤ Service is disjointed</li> <li>➤ Roles of client team are not clear</li> </ul>	<p>Red</p>	<ul style="list-style-type: none"> <li>➤ Use of 5 Councils governance structure would enable this issue to be highlighted and dealt with</li> </ul>	<p>Limited</p>	<p>Red</p>	<p>Need to define roles and responsibilities of client team. (Central and Hart) to ensure no duplication or gaps between service.</p>
<p><b>Client function is not sufficiently resourced</b></p> <ul style="list-style-type: none"> <li>➤ Contractor is not challenged</li> <li>➤ Client Team cannot respond to issues in a timely manner</li> </ul>	<p>Red</p>	<ul style="list-style-type: none"> <li>➤ Use of 5 Councils governance structure would enable this issue to be highlighted and dealt with</li> </ul>	<p>Limited</p>	<p>Red</p>	<p>Ensure client roles are defined and that client resource is properly allocated</p>

<p><b>Service failure leading to increase in customer complaints</b></p>	<p>Red</p>	<ul style="list-style-type: none"> <li>➤ Monitor level of complaints</li> <li>➤ Complaints procedure in place</li> <li>➤ Ensure Capita respond to complaints in a timely manner</li> </ul>	<p>Limited</p>	<p>Red</p>	<p>Use SIGS to make it clear what level of service is expected</p> <p>Repair working relationship</p>
<p><b>Poor interaction with retained services.</b></p>	<p>Red</p>	<ul style="list-style-type: none"> <li>➤ Retained services have contact details for all workstreams</li> <li>➤ Client team (in Hart and Central) are escalating points for concerns</li> </ul>	<p>Limited</p>	<p>Red</p>	<p>Improve communication with retained services</p>
<p><b>Note:</b> While some mitigations are able to manage this risk, it is felt that the suite of mitigations when considered as a whole are not sufficiently effective to reduce the risk. Therefore the overall assessment is considered to be red</p>					

<b>Local Plan Risk</b>		<b>Impact: Significant Likelihood: Significant</b>	<b>Risk Score: 12</b>	<b>Assessment: Amber</b>	
<b>Description of Risk</b>	<b>Inherent Risk</b>	<b>Mitigations</b>	<b>Effectiveness of Mitigations</b>	<b>Residual Risk</b>	<b>Further Potential Mitigations</b>
Plan not adopted	Amber	<ul style="list-style-type: none"> <li>➤ Target date for adoption set</li> <li>➤ Monitoring of progress by both management and members</li> <li>➤ Engagement with the Planning Inspectorate in advance of the examination in public to ensure all the appropriate information is available on time.</li> <li>➤ Ensure public examination is managed effectively.</li> </ul>	Partial	Amber	
Unplanned development	Amber	<ul style="list-style-type: none"> <li>➤ Use of planning policies to manage development</li> </ul>	Partial	Amber	
Risk of appeals and cost implications	Amber	<ul style="list-style-type: none"> <li>➤ Monitor appeals budget</li> </ul>	Partial	Amber	
Reputational risk	Amber	<ul style="list-style-type: none"> <li>➤ Progress being closely monitored</li> </ul>	Partial	Amber	
Political risk	Amber	<ul style="list-style-type: none"> <li>➤ Continue consultation with members</li> </ul>	Partial	Amber	

<b>Financial Resilience Risk</b>		<b>Impact: Significant Likelihood: High</b>	<b>Risk Score: 15</b>	<b>Assessment: Amber</b>	
<b>Description of Risk</b>	<b>Inherent Risk</b>	<b>Mitigations</b>	<b>Effectiveness of Mitigation</b>	<b>Residual Risk</b>	<b>Further Potential Mitigations</b>
Loss of a key income stream (e.g. Leisure income)	Red	<ul style="list-style-type: none"> <li>➤ Monitoring of key contractors financial performance (see above)</li> <li>➤ Lobbying of Central Government (directly or through bodies such as LGA and DCN) associated with key income streams under their control</li> <li>➤ Expansion of the Commercialisation agenda to reduce reliance and increase portfolio of income streams</li> <li>➤ Quantify impact</li> <li>➤ Review budget</li> <li>➤ MTFS in place</li> </ul>	Partial	Amber	
Reliance on New Homes Bonus	Red	<ul style="list-style-type: none"> <li>➤ Risk has reduced in short term but will continue to review government announcements</li> <li>➤ Lobbying of Central Government (directly or through bodies such as LGA and District Council Network, DCN) associated with key income streams under their control</li> </ul>	Partial	Amber	

Changes in government funding	Amber	<ul style="list-style-type: none"> <li>➤ Outside of our control but will continue to review impact of changes</li> <li>➤ Lobbying of Central Government (directly or through bodies such as LGA and DCN) associated with key income streams under their control</li> </ul>	Partial	Amber	
Demand for services increases with less funding to provide them	Amber	<ul style="list-style-type: none"> <li>➤ Known factors including demand for services will be taken into account during budget setting process.</li> <li>➤ Ensure scarce resources are able to respond to demand for services</li> <li>➤ Exploration of digitalisation to enable business as usual enquiries to be dealt with quickly, increasing capacity to deal with technical extra demand.</li> </ul>	Partial	Amber	
Little scope available to generate additional significant income streams	Red	<ul style="list-style-type: none"> <li>➤ Expansion of the Commercialisation agenda to reduce reliance and increase portfolio of income streams</li> </ul>	Limited	Amber	