

# **BROMSGROVE DISTRICT COUNCIL**

## **Audit, Standards & Governance Committee 1<sup>st</sup> June 2023**

### **Quarterly Risk Update**

Relevant Portfolio Holder	Councillor to be confirmed
Portfolio Holder Consulted	No
Relevant Head of Service	Michelle Howell, Head of Finance and Customer Services
Report Author Peter Carpenter	Job Title: Interim S151 Officer Contact Pete Carpenter email: peter.carpenter@bromsgroveandredditch.gov.uk Contact Tel:
Wards Affected	All
Ward Councillor(s) consulted	N/A
Relevant Strategic Purpose(s)	Aspiration, work and financial independence
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

#### **1. SUMMARY**

This report sets out Council activity to identify, monitor and mitigate risk.

#### **2. RECOMMENDATIONS**

**The Committee is asked to consider:**

- **The present list of Corporate and Departmental Risks and request any additional risks to be considered.**

#### **3. KEY ISSUES**

##### **Background**

- 3.1 In 2018/19, an audit of Risk Management provided an assurance level of limited assurance due to weaknesses in the design and inconsistent application of controls. As a result of the audit, a review was commissioned and undertaken by Zurich Municipal to consider the Council's risk management arrangements and to advise of any recommendations. In response to the Zurich review a Risk Management Strategy was produced for both Bromsgrove District Council and Redditch Borough Council.
- 3.2 A follow-up review was carried out by Internal Audit in March 2021 (Final Report June 2021) with the purpose of identifying what progress had been made against the Risk Management Strategies. At that time there was a lack of evidence that the actions within the Risk Management Strategies had been fully completed and embedded within the Councils and therefore no assurance could be given.

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3.3 This is now the Fourth cycle of reviewing Corporate and Departmental Risks since the original baselining of Risks in April 2022. Over this period, we have seen:

- Departmental ownership of risks and reviews at Management Teams on a monthly basis;
- Active review, mitigation, and reduction of risks – ensuring they become managed as part of business as usual;
- Updating of the 4Risk System – as the Authorities repository of this information;
- That the Officer Risk Group have actively reduced risk numbers through their work and that a common approach to risk is now being embedded within the organisation.

### The Definition of a Corporate Risk

3.4 The Council has existing Corporate and Departmental Risks. Members of the Risk Board were not sure of the link on how Risks on system had become Corporate in nature.

3.5 The following definition of a of how Risks move from being “departmental” to being “corporate” in nature was recommended by the Risk Group and approved by CMT.

“For a **Risk** to move from being **Departmental** in nature to being **Corporate** in nature that it **must have significant impact on Councils finances, be cross departmental in nature and/or result in Serious reputational damage**. The Officer Risk Board will vet departmental risks using this definition to move then to Corporate Risks at their quarterly meetings.”

3.6 At the June Officer Risk Board it was agreed that “Green” Departmental Risks should be taken off this list if they have been to two consecutive meetings and mitigating actions have been fully put into place for them. This report takes account of this requirement being 2 meetings since the original baseline was reported.

### Departmental Risks

3.7 The Council procured the 4Risk system to manage its risks. Risks are subdivided into Corporate Risks and then Departmental Risks. Each risk has an individual record applied to it to ensure all the pertinent information is captured.

The original Risk Baseline in April 2022 was (as shown in Appendix A):

- 105 Departmental Risks – 15 Red, 35 Amber, 55 Green

This reduced through the first set of reviews in June 2022 to:

- 82 Departmental Risks – 2 Red, 29 Amber, 51 Green

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- 3.8 December, being the third cycle following the baselining exercise has seen a complete review of all departmental risks. Twenty-seven risks have been removed and a number of others have been re-categorised. This review process has been done in two stages
- All items have been reviewed by Risk Champions and respective DMT's in each Service Area. Service representatives continue to challenge individual items, which is on the data in the following Tabs underneath each Risk, to ensure that all controls and assurances are properly monitored.
  - The Risk Board on the 14th December also went through all open risks to assess their validity, to ensure that assessment practices were consistent across service areas. This took account of the view that "Green" Departmental Risks should be taken off this list if they have been to two consecutive meetings and mitigating actions have been fully put into place. This was tested in the case of all remaining Green Risks

<b>Service Area</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
Customer Access and Financial Support	1	5	10	<b>16</b>
Finance	0	2	2	<b>4</b>
Environmental Services	0	5	3	<b>8</b>
Leisure & Cultural Services	0	1	0	<b>1</b>
Legal, Equalities, Democratic Services & Property	1	1	5	<b>7</b>
ICT	0	2	2	<b>4</b>
Planning Services	0	1	0	<b>1</b>
Housing	0	3	4	<b>7</b>
Community Services	0	1	5	<b>6</b>
HR	0	0	1	<b>1</b>
<b>Total</b>	<b>2</b>	<b>21</b>	<b>32</b>	<b>55</b>

### **Red Risks – 2 in total**

REV7 - Revenues - Performance Indicator data is not robust

LED13 - Legal – Bromsgrove Leisure Contracts

The previous two ICT Risks and Housing Risk have been mitigated

### **Position as at the 22nd March 2023**

- 3.9 This report sets out the position a year following the initial baselining of council risks. This is the fourth review, following the implementation of the Action Plan due to the "No Assurance" internal Audit reports. The key point a year in is to ensure that risk management is embedded within the organisations:
- Officer Risk Board to take place on a quarterly basis, having taken place on the 8th April 2022, the 22nd June, the 21st September, the 21st December, and now the 22nd March to embed processes.
  - Each department has nominated a representative to a Risk Board. These representatives meet on a quarterly basis and report back to management teams.

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- Departmental Risk Register are updated at least quarterly to feed into the Risk Board.
- The Audit Committee's of both Councils reviewed Risk Registers on a quarterly basis. These reports have also been presented to Executive and Cabinet.
- CMT are updated on Risk Management issues in their monthly "assurance" meeting, which is a week after the Risk Board meets.

<b>Service Area</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
<b>Customer Access and Financial Support</b>	1	6	9	<b>16</b>
<b>Finance</b>	0	2	0	<b>2</b>
<b>Environmental Services</b>	0	5	3	<b>8</b>
<b>Leisure &amp; Cultural Services</b>	0	1	0	<b>1</b>
<b>Legal, Equalities, Democratic Services &amp; Property</b>	0	3	2	<b>5</b>
<b>ICT</b>	0	2	1	<b>3</b>
<b>Planning Services</b>	0	1	0	<b>1</b>
<b>Housing</b>	0	4	4	<b>8</b>
<b>Community Services</b>	0	1	5	<b>6</b>
<b>HR</b>	0	0	1	<b>1</b>
<b>Total</b>	<b>1</b>	<b>25</b>	<b>25</b>	<b>51</b>

### **Red Risks – 1 in total**

REV7 - Revenues - Performance Indicator data is not robust

In addition to this, Worcestershire Regulatory Service (WRS) Risks, which are reported to its board on a quarterly basis are contained in Appendix B. The significant risk for WRS centres around finance and contracts with other Local Authorities.

3.10 In Bromsgrove, the Audit Task Group looking into the reasons behind the issuing of the S24 Statement in both Councils had the following recommendations linked to risk Management:

- Given a number of substantial and important projects on the horizon for BDC, set up a permanent Project Management Office at BDC to support the full range of projects undertaken by the Council. This Project Management Office would report to CMT/ SMT as part of its remit. CMT is tasked with setting out the requirements of this new programme office and resource requirements to ensure compliance with the recommendations in this Report. This Report will be presented to the first Cabinet meeting after the BDC elections in May 2023.
- The Corporate Risk Register to be discussed as an early item on the agenda at meetings of the Audit, Standards and Governance Committee. Any risks are to be clearly flagged to the members of the Committee, particularly where they are rated as red.

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- 3.11 The Council's risk processes are now under a follow up Internal Audit review. The assurance level has moved from Limited Assurance to Moderate Assurance. Feedback from Risk Team members interviewed that the Auditor moved from the corporate level to the Departmental level – which was logical. However, there were queries over risks logged at a level below “departmental”. These are operational matters generally dealt with on a day to day basis and so seen by departments as being business as usual. It should be noted that green departmental risks are reviewed after two months to see if they can be to “business as usual”.
- 3.12 An example of this where ICT look at a solution/software/applications they also need to assess the impact on other people and systems. They have a system that logs this.

#### **In terms of departmental lists:**













- 3.13 Community risks, even though many are green, are still all relevant as departmental and cannot be moved to the lower level of “business as usual”. The most significant risk is lifeline, although the risk here is the works carried out in upgrading networks under streets and how these changes can affect the lifeline system.
- 3.14 The majority of Housing risks are compliance led.
- 3.15 It should be noted that the Members Data Protection risk in ICT clearly depends on Members undertaking the training. Given the significant cyber risks faces by Council's it is important Members engage to mitigate this risk.
- 3.16 Insurance claims, due to the cost of living crisis, are increasing although the types of claim and levels of those claims are variable.

#### **Corporate Risks**

- 3.17 The Officer Risk Board reviewed the risks in the above table at their meetings on the 8th April, 22<sup>nd</sup> June, 21<sup>st</sup> September, 21<sup>st</sup> December, and 22<sup>nd</sup> March using the new definition of “Corporate Risks”. The table below sets out the updated Corporate Risk Register that the Risk Board took to CMT and gained their approval.

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Risk Ref	Risk Title	Risk Status
 COR 9	Non Compliance with Health and Safety Legislation	Open <a href="#">View</a>
 COR 10	Decisions made to address financial pressures and implement new projects that are not informed by robust data and evidence	Open <a href="#">View</a>
 COR 14	Non adherence with Statutory Inspection Policy	Open <a href="#">View</a>
 COR 15	Impact from Changes to Partner Funding Arrangements	Open <a href="#">View</a>
 COR 16	Management of Contracts	Open <a href="#">View</a>
 COR 17	Resolution of the Approved Budget Position	Open <a href="#">View</a>
 COR 18	Protection from Cyber Attack	Open <a href="#">View</a>
 COR 19	Adequate Workforce Planning	Open <a href="#">View</a>
 COR 20	Financial Position Rectification	Open <a href="#">View</a>
 COR 21	BROMSGROVE DC Being placed into special measures due to quality of planning application decisions	Open <a href="#">View</a>
 COR 22	Delivery of Levelling Up, Towns Fund, UK SPF Initiatives	Open <a href="#">View</a>
 COR 23	Cost of Living Crisis	Open <a href="#">View</a>
 COR 24	New Customer Facing Interface	Open <a href="#">View</a>

The number of Corporate Risks have increased to 13 in total. Only one is at the highest level and a number of these risks, including Changes to Partner Funding Arrangements and Resolution of the Approved Budget Position will reduce in the next cycle of meetings.

- 3.18 The new risk relates to the replacement process of the Councils existing Customer interface, which is linked to significant budgetary savings in the 2025/26 financial year.
- 3.19 Mitigating factors for the Corporate Risk are:

**Non-Compliance of Health and Safety Data Standard Operating Procedures - SOP** (H&S etc) Health and Safety Committee meets regularly H & S training for staff Health checks DSE assessment and reporting software First Aid training in place Safeguarding Policy and procedures Risk Assessments Updated inspection policy Regular review of policies Continued updates to Health and Safety Committee Data on intranet

**Projects being informed by robust data and evidence** - Robust budget-setting process in place

- Developed budget bids for pressures and details of savings proposed using 5 case model
- Data used to evidence need in business cases
- Performance Dashboard in place
- Established "whole-life" or "end to end" approach to assessment of savings proposals

**Non Adherence with the statutory inspection policy** - Specialist resource in place to support delivery actions.

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- Further review of monitoring arrangements
- Further implementation of insurance recommendations
- Contracts reviewed to ensure suppliers undertake roles
- Training plan developed to ensure staff clear of responsibilities
- Development of robust action plan

**Impact from changes to partner funding arrangements** - Council Members are on WRS Board and S151 Officer is the S151 Officer for the WRS therefore will know ofn issues well before they happen.

**Management of contracts** - Procurement Strategy updated by C Young and training provided. Service Protocols, setting out expectations of service user and procurement went live 1st Jan 23 and now being monitored. No PO No Pay Policy goes live 1st April 23.

**Resolution of the approved budget position** - MTFP process now 2 stages. Stage 1 approved by Jan 23, Stage 2 approved by March 23. Final MTFP contains S151 Officers robustness statement which is key to sign off of a robust sustainable budget. Budget working group in both councils scrutinise proposals before cabinet and executive.

**Protection from cyber attack** – weekly penetration test, annual PSN Security Audit, regular internal audits, occasional LGA audit, Cyber Insurance requirements.

**Adequate workforce planning** - Workforce plan has been circulated to services who now know their high risk areas. The challenges remain on delivering to these high risk areas however, they are identified.

**Financial position rectification** - External Audit reports financial recovery process Reporting to Cabinet, Audit & Council.

**Bromsgrove Planning Issues** - Decisions which could influence statistics are discussed at management level. Principal officers aware of risk. Statistics are monitored quarterly. External advice re good practice and member training provided.

**Delivery of Levelling Up, Towns Fund, and UKSPF Projects** - Monthly project Board overseeing all projects Formal governance structures for levelling up and Towns Fund projects

**Cost of Living Crisis** - Housing Register Access to Housing Benefit and Universal Credit Council budget

**New Customer facing interface** - Presently delivered by a number of systems that are not linked together and require manual intervention for internal reporting.

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### **The Risk Management Framework**

- 3.20 Risk Management Training. Given the active management of risks by service departments, we have seen numbers of departmental risks reduced by almost 50% although Corporate Risks have increased by 20%. At this time it is felt that a series of Risk Management Training is not required as processes seem to be being embedded in the organisations.

### **4. LEGAL IMPLICATIONS**

- 4.1 No Legal implications have been identified.

### **5. FINANCIAL IMPLICATIONS**

- 5.1 The Council spend significant sums insuring itself and must also hold Reserves to mitigate the costs of risks should they happen. A comprehensive Risk Management approach ensures risk and its consequences, including financial ones, are minimised.

### **6. STRATEGIC PURPOSE IMPLICATIONS**

#### **Relevant Strategic Purpose**

- 6.1 A comprehensive Risk Management approach ensures **Risk and its Consequences** is minimised for the Council.

#### **Climate Change Implications**

- 6.2 The green thread runs through the Council plan. This includes risks linked to activities and actions that link to our climate.

### **7. OTHER IMPLICATIONS**

#### **Customer / Equalities and Diversity Implications**

- 7.1 If risks are not mitigated it can lead to events that have Customer/Equalities and Diversity implications for the Council.

#### **Operational Implications**

- 7.2 Risks are inherent in almost all the Councils operational activities and therefore significant risks need to be identified, monitored and mitigated.



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### **8. RISK MANAGEMENT**

8.1 This report is about Risk Management.

### **9. APPENDENCES**

Appendix A – Previous Risk Management Reports

Appendix B – WRS Risk Report

### **AUTHOR OF REPORT**

Name: Pete Carpenter– Interim Director of Finance

E Mail: [Peter.Carpenter@bromsgroveandredditchbc.gov.uk](mailto:Peter.Carpenter@bromsgroveandredditchbc.gov.uk)

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### **Appendix A - Previous Quarters Risk Reports**

The baseline risks April 2022 are included in the following table – this is prior to any Risk Board meetings.

<b>Service Area</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
Customer Access and Financial Support	12	20	13	45
Finance	0	0	4	4
Environmental Services	0	2	11	13
Leisure & Cultural Services	0	3	3	6
Legal, Equalities and Democratic Services	0	0	7	7
ICT	2	4	5	11
Planning Services	0	1	1	2
Housing	0	4	5	9
Community Services	1	1	5	7
HR	0	0	1	1
<b>Total</b>	<b>15</b>	<b>35</b>	<b>55</b>	<b>105</b>

After the Risk Board on the 22<sup>nd</sup> June, the following changes have been made which saw the number of risks reduce as follows to 82 Risks

<b>Service Area</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
Customer Access and Financial Support	0	6	12	18
Finance	0	2	2	4
Environmental Services	0	2	11	13
Leisure & Cultural Services	0	3	3	6
Legal, Equalities, Democratic Services & Property	0	3	9	12
ICT	2	6	2	10
Planning Services	0	2	1	3
Housing	0	3	4	7
Community Services	0	2	6	8
HR	0	0	1	1
<b>Total</b>	<b>2</b>	<b>29</b>	<b>51</b>	<b>82</b>

The two departmental red risks are:

- ICT 7 - Failure to identify, maintain and test adequate disaster recovery arrangements
- ICT 11 - System functionality to manage records

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### Appendix B - Worcester Regulatory Services Risks

Risk Description	Consequences	When is this likely to happen	Current Position			Control measures
			Likelihood	Impact	Matrix RAG Status	
Loss of Data through IT failures	Disruption to Service Provision.  Inability to produce records and data.	On-going	Low	High	<b>Green</b>	Wyre Forest ICT has effective processes and business continuity plans in place. WFDC upgraded relevant systems including Windows. The service is in the process of moving to Office 365 during 2021/22, which will provide better access to a range of provisions including Microsoft Teams and Power BI.
Issues with the WRS database system	Impact on work planning.  Self-help may not enable savings required	On-going	Low	High	<b>Amber</b>	Current contract due to expire February 2023. Work has commenced on negotiating new contract.
Effective and efficient Business Continuity arrangements in place	Disruption to service if e.g., Major Power failures or other reasons that access to Wyre Forest House is not possible.	On-going	Very Low	Medium	<b>Amber</b>	The pandemic has shown that we were well prepared for the need to maximise working from home and now all staff, including some previously regarded as office based can now do this. Touchdown stations remain available in partner council locations. WRS Managers do need to redraft contingency plans in the event of a prolonged IT failure or cyber-attack that will allow services to be maintained.
Maintain our capacity to achieve service delivery	Disruption to service e.g., Major staff sickness (e.g., flu pandemic) or	On-going	Low	Medium	<b>Amber</b>	The pandemic response has shown that the service was well-placed to respond and less than a handful of officers have themselves suffered the illness. Consultants are available to provide short term cover and,

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	Unable to recruit or retain suitably qualified staff.				<p>whilst this worked well in peacetime to cover peak demand periods, the pandemic has revealed the limits to this type of capacity. These pressures will only be resolved in the longer term by local and central government investing in additional capacity and additional training to bring more people into the regulatory professions.</p> <p>Having taken on contracts with additional authorities the demand has increased, and neighbouring authorities have lost the ability to assist with some technical specialisms. This is the double-edged sword of effectively operating as a centre of excellence. Whilst we have good resource of our own, in event of an issue, there are limits to who we can ask for help.</p> <p>Regional and sub-regional groups are in place so can provide shared resources for local authorities if required.</p> <p>Effective training and development processes are in place to ensure recruitment and retention of staff. There is increased training budget pressure, reduced technical knowledge in neighbouring authorities and increased importance in maintaining heightened skills for contractual obligations and commercial edge.</p> <p>Regular inventory and maintenance of equipment is undertaken. In the future, budget for replace may be an issue but would be a relatively small amount for partners to share.</p>
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Pest contractors cease operations.	Disruption to service.  Negative media coverage.  Increased public health risks	On-going	Low	High	<b>Green</b>	The Pest control framework contract has multiple pest control suppliers so the loss of one allows work to be moved to the others. This should limit or eliminate risk, although the unlikely loss of multiple companies might create capacity issues.
Effective and efficient contract arrangement for dog control	Disruption to service if no kennels available. Negative media coverage.  Increased public health risks	On-going	Low	High	<b>Amber</b>	The Out of Hours and Kennelling contracts were re-tendered to enhance the existing arrangements and provide resilience however there are increases in numbers of stray dogs, dog disease and contracts are restricted by geographical location. Retendering for additional kennels has been fruitless.
Hosting support does not deliver necessary financial and HR support to ensure efficient management	Efficiency of management reduced; staffing issues remain unaddressed, and performance suffers	On-going	Low	High	<b>Amber</b>	Issues around access to the financial system from Wyre Forest House should have been relieved with new BDC finance system procurement, however workarounds remain in place due to some unforeseen issues.
One or more partners continue to be under great financial pressure and may consider alternatives to the partnership to deliver their service	Creates reputational issues for remaining partners and increases the need to manage overheads. Difficulties in delivering highly varied levels of service	On-going	Medium	High	<b>Amber</b>	New legal agreement limits variations in contribution before partners must move to contractual relationship but this is quite high before it kicks in (20%.) Leanness of organisation minimises overheads and focuses resource at the front line. Growth strategy should generate income to support partners in the future but there are limits to this without additional capacity being added to the system. Invest to save capacity has been committed by partners to see if this achieves the necessary outcomes.

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Robust arrangements in place in relation to obtaining legal advice and monitoring legislative changes.	Loss of cases is costly and damages reputation.	On-going	Low	Medium	<b>Green</b>	Continued close working with BDC legal team and other partners who don't use BDC for advocacy. Technical and legal training days for staff. Difficulty in keeping informed of Case Law developments. Membership and attendance of Officer Technical Groups outside the County does assist.
Service provision complies with Government requirements	Adverse comments following audits e.g., FSA  Intervention by Government bodies i.e., FSA, whilst highly unlikely, is damaging to reputation.	On-going	Low	High	<b>Amber</b>	Limited detail of what statutory minima are can make decision making difficult around what is required in law as a minimum.  The LGA is clearly aware of impact of budget reductions on regulation and has made it clear Government cannot expect what it had previously. Fewer interventions/ audits by government.  The Service has developed systems that follow the principles of the requirements of bodies like FSA so can show some level of compliance, but service isn't operating to the letter of the current Code. The Code is however currently going through major changes and likely to move to a point where it is closer to the WRS model of operation.  Environmental reporting for Local Air Quality Management, Pollution Prevention and Control and Private Water Supply Inspection reports to Defra and DWI have received positive responses with no issues of concern raised by these bodies.
Failure to deliver external contract work at the level expected by the business or local	Damage to reputation, loss of future income streams, financial impact	On-going	Low	High	<b>Green</b>	Ensure contract negotiations are clear on performance criteria and these are clearly recorded in the final documentation. Monthly reviews against performance criteria. Select staff to ensure

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authority with whom we have the contract	of paying damages					competence of those undertaking work outside Worcestershire. Maintain strong links with the customer's monitoring staff. Intervene early with corrective action
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