

OVERVIEW AND SCRUTINY COMMITTEE

DATE OF MEETING: 20 OCTOBER 2020

TITLE OF REPORT: CORPORATE RISK REGISTER

Report of: Internal Audit Manager

Cabinet member: Councillor James Radley, Finance and Corporate Services

1. PURPOSE OF REPORT

- 1.1 As part of the Council's governance framework it 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.

Contact: Neil Carpenter, Ext 4140, neil.carpenter@hart.gov.uk

Appendices:

Appendix 1 - Corporate Risk Register

Ref Number	Group	Description	Impact	Source of Risk	Prior Assessment			Existing Controls	Effectiveness of Controls	Current Assessment			Further Mitigations	Risk Owner	Notes
					Likelihood	Consequence	Risk Rating			Likelihood	Consequence	Residual Risk			
Fin01	Financial	Changes to Local Government Funding. Awaiting results from Local Government Funding Review.	Reduction in overall income.	Local Government Funding Review has been delayed but is still almost certain to happen in the medium term.	4 - Likely	4 - Critical	16	Medium Term Financial Strategy is in place. Commercialisation strategy due for renewal in November.	Satisfactory	4 - Likely	3 - Major	12	Review diversified, increased sources of income and cost reduction. Lobby via LGA for clarity of funding review outcome and improvements via LGF outcomes.	Head of Corporate Services	
Fin02	Financial	Loss of key income stream and subsequent budget implications. (For example Leisure Concession and loss of recycling income)	Reduction in overall income.	Poor financial performance of key partners, resulting in either a reduction or loss of concession payment. A change of policy from Hampshire County Council on recycling credits.	5 - Almost Certain	3 - Major	15	Ongoing monitoring of financial performance of key contractors. Maintain good working relationships with partners. Early consideration of financial impact of the loss of recycling income. Revised budgets to take into account Leisure Concession reduction	Satisfactory	4 - Likely	3 - Major	12	Consideration of new income streams	Head of Corporate Services	
Fin 03	Financial	Loss of New Homes Bonus from 21-22 onwards and subsequent budget implications as the council places reliance on the New Homes Bonus for its revenue budget. Changes to the calculation of New Homes Bonus.	Reduction in overall income.	The government has stated that there will be changes to the calculation of the New Homes Bonus.	4 - Likely	4 - Critical	16	Plan for reduced income, including service cost reductions. Plan to bridge this gap via Commercialisation may be impacted by Covid-19	Satisfactory	4 - Likely	4 - Critical	16	Lobbying for improved arrangements	Head of Corporate Services	Triggering of this risk is outside the control of the council.
Fin04	Financial	Loss of Grant Funding, e.g. Disabled Facilities Grant.	Ability to fund services to customers.	Central Government funding reductions.	3 - Possible	2 - Moderate	6	Will be taken into account as part of budget process, cost & service reductions may be considered.	Satisfactory	3 - Possible	2 - Moderate	6	Lobbying for improved arrangements Cost reduction options	Head of Community Services	Cost reduction actions within Fin01

Fin 05	Financial	Demand for services increases with less funding to provide them.	Quality of services is reduced Potential delays in service provision Other KPIs not met	Population of Hart is increasing, demand for services will also increase, it is likely that funding won't match	5 - Almost Certain	4 - Critical	20	Effective budget setting process in place. Statutory and priority services are identified. Aim to encourage our residents to use the most cost effective ways to gain service delivery (via our website)	Substantial	5 - Almost Certain	2 - Moderate	10	Investigate options to reduce costs, Explore other ways to provide services	All Heads of Service	
Fin 06	Financial	Lack of up to date guidance and rules on financial management	Inconsistent approach to financial management. Fraud and error Up to date good practice is not promoted	Up to date Financial Regulations and Contract Standing Orders are not in place.	5 - Almost Certain	2 - Moderate	10	Reliance on knowledge Draft Financial Rules are now subject to internal consultation ahead of presentation to Members. Draft CSO's to go through the same approval process.	Satisfactory	5 - Almost Certain	2 - Moderate	10		Head of Corporate Services	
Gov01	Governance	Failure in governance framework, resulting in poor decisions or not complying with the law, policies or procedure	Loss of reputation Poor Decisions Financial penalties	Non-compliance with constitution, one of the statutory officers not being in post.	2 - Unlikely	3 - Major	6	Committee Structure in place. All Statutory Officers are in post, Shared Legal Services Team in place, compliance with the law, Member and Officer Codes of Conduct in place.	Substantial	2 - Unlikely	2 - Moderate	4	Improved processes and more standardised approaches	Joint Chief Executives	
Gov02	Governance	Governance arrangements for outsourced and shared services are not always robust. Decisions are made outside of the control of the council for services we provide. Complex governance arrangements are in place for some services, particularly the 5 Councils Contract.	Poor performance for shared and outsourced services with no consequences. Potential financial implications resulting from contract disputes.	Governance frameworks for shared or outsourced services are not always effective.	3 - Possible	3 - Major	9	Client monitoring roles in place. Level of risk is reducing as elements of services are removed from the 5C's contract Joint Service Group meetings with Basingstoke and Rushmoor, 5 Councils Joint Client Team in place.	Satisfactory	3 - Possible	3 - Major	9	Shared Services Review has been carried out, actions to be taken from report. Finance and Payroll workstreams are being taken out of the 5c's Contract.	Joint Chief Executives	Transitions will introduce whole new sets of risks that should be managed within the transition process.

Gov03	Governance	Political risks. New members and succession planning for members. Political uncertainties.	Decision reversals, less informed or slower	Political pressure, limited experience and knowledge	3 - Possible	2 - Moderate	6	Manage political relationships. Political Awareness Training provided to management. New member briefings. No Elections in May 2020 due to Covid-19	Satisfactory	3 - Possible	2 - Moderate	6	Encourage political groups to manage their own training to ensure Cllrs are effective on day 1.	Joint Chief Executives	
Emp01	Employee	Single Points of failure/Expertise.	Service continuity, delays in service provision to customers both external and internal.	Capacity and resilience issues. Cost and practicality limitations on multiple people and processes.	4 - Likely	2 - Moderate	8	Sharing Knowledge, Opportunities to leverage expertise from other councils. Robust policies/procedures and guidance notes in place for some areas.	Satisfactory	4 - Likely	2 - Moderate	8	Need to ensure controls in place are consistent. More use of automated systems (eg, case management) that enable smoother handover and resource levelling across the organisation.	Joint Chief Executives	Wider and better succession planning?
Emp02	Employee	Resilience issues. Capacity for additional duties. Unable to respond to customer needs in a timely manner increasing risk under Covid-19 (see below)	Adverse impact of service delivery. Reputational risk	Budget and inconsistent sharing of knowledge.	4 - Likely	3 - Major	12	Robust policies/procedures and guidance notes in place for some areas.	Satisfactory	4 - Likely	3 - Major	12	Improve sharing of knowledge. Embed Organisational Development Plan.	Joint Chief Executives	Progress on Organisation Review may reduce the risk by March 20.
Emp03	Employee	Resources are not allocated appropriately. Ability to respond to customer needs, resource is insufficient in some areas.	Poor customer service.	Capacity and resilience issues.	4 - Likely	2 - Moderate	8	Cabinet approves Corporate Plan. Service Plans approved by O&S. Individual PDR's to align employee objectives. Organisational Review has started. Resources are allocated to front line and priority services.	Satisfactory	4 - Likely	2 - Moderate	8	Consideration of matrix management approaches	Joint Chief Executives	Progress on Organisation Review may reduce the risk by March 20.

Emp04	Employee	Pressure. Risk of error due to less time to carry out tasks. Possibility that the quality of service provided to customers and partners may reduce and work may not be carried out in a timely manner.	Risk of error Poor decisions Customer dissatisfaction	Capacity insufficient to work comfortably and limited resilience to staff or equipment gaps	4 - Likely	3 - Major	12	Priorities are focused on statutory services. Services are delivered in accordance with Corporate Plan and Service Plans. Organisation Development Review has now started.	Satisfactory	4 - Likely	2 - Moderate	8	More flexible working and tasking arrangements.	Joint Chief Executives	Balance to be struck between availability, experience and knowledge to provide service continuity.
Emp05	Employee	Staff morale. Risk of poor retention and wellbeing of staff including stress which has been identified as an issue from a recent wellbeing survey. Poor staff morale will also have an impact on performance. Increasing risk under Covid-19 and the requirement for staff generally to be working from home	Impact on performance Quality of services provided to customers reduces Employee wellbeing Cost of cover or replacements	Capacity and pressure. The benefits of good practice linked to the wellbeing of employees is not consistently applied.	4 - Likely	3 - Major	12	Health & Wellbeing Officer is in place. The culture encourages open discussion on employment issues, soft opportunities such as volunteering being explored.	Limited	4 - Likely	3 - Major	12	Survey to really understand the core issues Adopt good ideas when relevant and helpful Recognise and reward success	Joint Chief Executives	Will always be a sensitive issue and may be closely linked to key staff.
Corp01	Corporate	5 Councils Risk. Workstreams within the contract are not performing as expected. Central Client Team is not properly embedded and does not meet the needs of the council.	Performance and quality issues (missed KPIs) Quality of service to both internal and external customers reduces Increased costs and statutory failings	The transition to the target operating models has not been made for all workstreams within the 5 Councils Contract. On-going operational issues exist with a number of workstreams that have had an impact on service delivery both internally and externally.	5 - Almost Certain	4 - Critical	20	Governance framework is in place, which includes: The Inter Authority Agreement Joint Committee Strategic Board Operational Management Board Joint Client Team Hart Client Team Transition in progress to in-house service provision onservices that were considered to be performing below expectations.	Limited	4 - Likely	3 - Major	12	Considering all options to improve. In-source and shared arrangements with key councils.	Joint Chief Executives	Governance arrangements do not meet the needs of the council. Contract managed for KPIs that don't reflect real needs.

Corp02	Corporate	Performance of key partners, robust governance arrangements are not always in place for all outsourced and shared services. Client roles are not always sufficient, particularly for the 5 Councils Contract.		Performance has not been sufficient to meet the council's needs. The transition to the target operational models for the 5 Councils workstreams has required a significant resource, from an already stretched team.	3 - Possible	3 - Major	9	Monitor financial performance of key partners. Financial due diligence checks on key partners. Regular meetings with key partners to discuss performance. Performance reporting to O&S. Client Teams are in place to monitor contracts.	Satisfactory	3 - Possible	3 - Major	9	Improve negotiation training.	Joint Chief Executives	Largely historic for 5Cs, but similar issues to addresses for transition to new solutions.
Corp03	Corporate	Options to take services out of the 5 Councils Contract. Financial impact of providing in-house and time scales required to establish and resource in-house services are tight. Lack of capacity and project management resource to deliver transition.	Service continuity and business as usual.	On-going performance issues with some workstreams within the 5 Councils Contract.	5 - Almost Certain	3 - Major	15	Discussions taking place with Mendip on Finance function transition and set up of new working relationship. Project Group set up for Exchequer Services Transition from Capoita to In-house.	Satisfactory	5 - Almost Certain	3 - Major	15	Project Plan to be established Identify resource required to potentially bring services back in-house	Joint Chief Executives	On-going contractual negotiations with Capita are taking place.
Corp05	Corporate	Cyber Security risks are increasing as everybody makes More use of technology as a way of managing sensitive data and business critical functions. Organised crime and opportunists are continually looking for control weaknesses to use our sensitive data for a wide range of criminal activities or ransom.	Security of data Reputation risk Data Breach Non-compliance with GDPR Fraud and extortion risks	Increased use of technology to manage and share data, exposes the council to cyber risks and threats.	3 - Possible	3 - Major	9	Cyber Security Training provided to all employees and members Network security controls Personnel management	Satisfactory	3 - Possible	3 - Major	9	Increased briefing and training Disaster recovery exercises	Head of Corporate Services	May link to subset of more specific cyber risks.

Corp06	Corporate	Data Management Risk. The council holds a significant amount of personal data which we need to protect, some of which is held by partner organisations such as Capita. Compliance with GDPR. Risk of data breach and data misuse.	Unauthorised release of data Non-compliance with GDPR Personal risk to vulnerable individuals	Inherent risk. Significant amount of data held on O and X drives that need to be migrated to SharePoint Local (machine) storage of sensitive data Unauthorised exfiltration via data stick or similar means. 3rd party suppliers don't manage data effectively	3 - Possible	3 - Major	9	Data Management Plan has been put in place. Resource has been agreed to assist with data migration Data Protection Officer in place and active GDPR Training provided during 2019/20 to all employees and members. Oversight of 3rd parties Transfer of data from Fileservers to Sharepoint to enable older servers to be closed down.	Satisfactory	3 - Possible	3 - Major	9	Audit for unauthorised data (especially in archives) Further use of propriety products to manage personal data.	Joint Chief Executives	More specific actions with DPO.
Corp07	Corporate	Potential changes to Shared Waste Contract, introduces a range of new risks	Reduced performance Higher costs Data management issues	Potential changes to partnership, new contractors, different equipment and processes.	3 - Possible	3 - Major	9	Discussions with partners based on existing frame contracts.	Satisfactory	3 - Possible	3 - Major	9	Specific review of risks and mitigation actions	Head of Environment & Technical Services	
COVID 01	COVID-19	Financial Financial impact to the council due to COVID-19 could result in significant shortfalls in income and the ability of the council to effectively fund current services. In addition, reduced income to residents and businesses will affect Collection Fund recovery and surplus. Finally, an uncertain economy may result in volatility around our commercial income and treasury	Reduced recovery of income, reduced levels of income, volatility of financial markets and delays in delivery of Commercial Strategy.	COVID-19	5 - Almost Certain	3 - Major	15	Revised Budget agreed Cashflow being monitored	Satisfactory	5 - Almost Certain	3 - Major	15	Stress testing of MTFS and revised MTFS presented to Members. Revised budget built on lower income levels and cloth cut accordingly. Commercial Strategy being re-worked currently along with Treasury Management Strategy to maximise investment income.	Head of Corporate Services	

COVID 02	COVID-19	Services The council implemented its Business Continuity Plan to respond to the impact of COVID-19. Most of the councils services are not being provided as they normally would be, however our residents are still able to access the full suite of services, albeit with an impact on 'in premises visits'. The council has focussed resources on priority and new functions required by	Service provision is reduced during the response to COVID-19. Customer contact is reduced as offices are not open to the public. Potential increase in customer complaints during the period where reduced or no service is provided.	COVID-19	5 - Almost Certain	2 - Moderate	10	All front line services are being provided, albeit at a reduced level in some areas. Report to Cabinet in July on the Councils response to Covid-19 and a further report being considered by Cabinet in October 2020	Satisfactory	5 - Almost Certain	2 - Moderate	10	Recovery Plan is being established.		
COVID 03	COVID-19	Employees are encouraged to work from home. Staff wellbeing during the COVID-19 lockdown period Some employees are not carrying out their normal role	Some services are operating at reduced levels. In particular non priority services. New Health and Safety requirement for the Civic Offices to take into account social distancing. Employees have not been able to work under normal working conditions. Staff have not been able to access some of the systems and information that would normally be available to them in the office. There is the potential for some	COVID-19	5 - Almost Certain	2 - Moderate	10	Weekly Newsletter being used to update all staff on what the Council is doing. Monthly virtual staff briefing for all staff Regular catchups between managers and team members. Use of Staff Survey to feed into the overall recovery plan. Building an office environment to take into account COVID-19 health and safety requirements. Changes being made to IT environment to enable better home working.	Satisfactory	5 - Almost Certain	2 - Moderate	10		Joint Chief Executives	

COVID 04	COVID-19	Community	Potential change in demographics of the district, which may mean a change in people's needs. Potential of an increase in the number of vulnerable people within the community.	COVID-19	4 - Likely	2 - Moderate	8	Recovery Plan is in place and is under on-going review and updating. Continue to monitor support for vulnerable people.	Satisfactory	3 - Possible	2 - Moderate	6		Joint Chief Executives	
----------	----------	-----------	--	----------	------------	--------------	---	---	--------------	--------------	--------------	---	--	------------------------	--