

NORTH NORTHAMPTONSHIRE COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

12th July 2021

Report Title	Strategic Risk Register
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1. Purpose

- 1.1. The purpose of this report is to outline a first draft NNC Risk Register collating the various information maintained by previous Councils, for the Committees discussion and comment.

2. Recommendations

- 2.1. It is recommended that the Risk Strategy and Strategic Risk Register be noted.

3. Issues and Choices

3.1. Report Background

- 3.1.1. A draft Strategic Risk Register (SRR), developed with the Leadership Team, is set out at 3.2.7 below identifying 15 strategic risks.
- 3.1.2. This draft has been developed from relevant information previously maintained by the North predecessor Councils.
- 3.1.3. A Risk Management Strategy was adopted by the North Northamptonshire Shadow Executive in February 2021 to provide the framework for good risk management across the Council and the 1st draft SRR has been prepared consistent with those requirements. The Strategy is provided at Annex A.
- 3.1.4. Whilst a Strategic Risk Register has been drafted from the risk information held by each Council, the risk cycle (as set out in the Risk Strategy) will realistically need to operate throughout 2021/22 and evolve the Risk Register during the year.
- 3.1.5. It is essential to note that Internal Audit supports the Council in its consideration of risks. Internal Audit only facilitates the assessment of risks by the Council. That facilitation does NOT represent an audit opinion of those risks.

3.2. Issues and Choices

- 3.2.1. It is recognised that the approach to risk management should influence organisational culture (ie prudent management of risks) and reflect organisational needs (ie proportionality). The Risk Strategy supports the organisation through a structured and proportionate approach to considering risk via the Council's management hierarchy, leadership team and Committees including the visibility of the key risks managed.
- 3.2.2. The assimilation of risks documented across all the predecessor Councils is difficult given the volume of information, the differing priorities of each Council and the different approaches adopted. Whilst the NNC SRR has been formulated as set out at 3.2.7, its content and the distillation of operational / directorate risks will, in reality, be an evolving process over at least the first year of operation to reflect emerging risks and risk appetite.
- 3.2.3. The Strategy will also be kept under review during that period and may need amendment during the year before it can safely be reviewed on an annual basis.
- 3.2.4. Relevant issues to highlight from the Strategy influencing the development of SRR are:

1) Strategic / Corporate Risks vs Operational Risks

Whilst there is overlap between Strategic and Operational risks that distinction provides a simple filter to define what risks should be managed by the Senior Management Team / Committee / Cllrs and those that should be managed at an operational level.

Strategic Risks – those issues that impact on multiple services (possibly the whole Council), over multiple years. If those issues are not effectively managed they could impact the whole Council. Eg whilst general reserves provide a 'safety net' for any single financial year the failure to manage finances over the medium term would affect all Council services and activities.

Operational Risks – those issues, whilst significant, that would impact only within a single service area and/or a single financial period. Eg a Service overspending its budget in a single year.

2) Proportionate Review

The Strategy sets out key steps within the risk management process designed to apply a proportionate approach that requires the formal, periodic risk assessment and management of Strategic Risks, Key risks within Directors areas of responsibility and Project risks.

Other risks can be formally recorded but the above hierarchy seeks to promote a focus on the KEY risks to avoid the necessary focus on those being 'lost' within excessive detail.

3) Software

The shared Internal Audit service offers free use of a Risk Management Software package called Grace. The SRR has been used to create the 1st draft SRR within Grace which can now be used by risk owners to maintain that information.

4) Risk Ownership

A key concept in effective risk management is the ownership of individual risks. Whilst Internal Audit supports services in their assessment of risk, the Audit service cannot own or manage those risks nor be responsible for updating those risks etc.

The Leadership Team nominate an admin post to liaise with Directors at least quarterly to help update of risks and also liaise with Internal Audit if any support is needed.

5) Operational Risks – ‘Top 3’ Director Risks

The Council can require the risk assessment of all potential risks across all services and activities but that is not recommended as it overwhelms the process with unnecessary bureaucracy.

Assistant Directors / Heads of Service are developing their Top 3-5¹ risks to enable each Director’s management team to agree a Director “Key Risks” risk register. This provides the Director with assurance that each operational area has assessed and documented the risks within their area.

This list of Key Risks would be revisited and reported quarterly to Leadership Team and Audit Committee (and Executive) – **but given the pressures across the Council in its first year it is not realistic to expect those to be fully developed in the first iteration and therefore will be developed over the first year.**

3.2.5. The four District Councils and the County Council applied different methodologies to the structure of their risk registers and their management of those risks.

- a. Corby maintained a 3x3 matrix (Low, Medium, High) recording 45 strategic risks and 8 operational risks as at Sept 2019.
- b. East Northants maintained 4x4 matrix (numerical ie 4x4=16) recording 24 ‘corporate’ risks with very detailed reporting on individual ‘very high’ specific threats / risks as at Sept 2020
- c. Kettering maintained a 6x6 matrix (numerical) recording 18 corporate risks as at July 2019.
- d. Wellingborough maintained a 4x4 matrix (numerical) recording 30 corporate risks as at Nov 2020
- e. County Council maintained a 5x5 matrix (numerical) recording 11 risks

¹ The term Top 3 is used to describe a focus on key risks. If there is only a single key risk a list of 1 is perfectly acceptable. If 4 or 5 risks should be highlighted that too is acceptable.

3.2.6. A review of those risks maintained by the previous Councils shows 2 distinct approaches (1) Focus to avoid 'failure' (2) Focus on the achievement of objectives.

Kettering applied the 2nd approach whilst Corby, East Northants, the County and Wellingborough applied the 1st approach.

Within enterprise risk management the term risk is used to describe uncertainty and describes both threats and opportunities. The common use of the term risk in terms of just negativity (ie as a threat or danger) can create confusion.

There are many definitions of 'risk' in literature and different professional workstreams. The most recognised at international level is considered to be the ISO 31000:2018 standard which defines risk as:

“effect of uncertainty on objectives

An effect is a deviation from the expected. It can be positive, negative or both, and can address, create or result in opportunities and threats.

Objectives can have different aspects and categories, and can be applied at different levels.

Risk is usually expressed in terms of sources or potential events (triggers), their consequences and their likelihood.”

ISO 31000:2018 also defines risk management as:

“coordinated activities to direct and control an organization with regard to risk”

The more common approach of considering risk purely as a mitigation / avoidance of failure is valid and useful but an approach that is structured on both the achievement of objectives and the reduction of threats is recommended. An example to illustrate is given below.

A focus on, for example, the 'failure of business continuity arrangements' creates emphasis that on whether plans are in place or not. That creates a danger that the Council may conclude this risk is effectively managed from an overly simplistic assurance that every service has a business continuity plan. Wider, general focus on the avoidance of failure also quickly creates a risk averse culture.

A focus on 'Ensuring key services have effective BCP's to maintain services' achieves better emphasis as it 'forces' the title to explain why BCPs are a priority i.e. proportionality for key (not all) services and the purpose of the plans is to ensure services can be proportionally maintained when threatened by various factors, for example:

- (a) The need to define key services, as opposed to enforcing a one size fits all requirement across every service
- (b) The need to define and agree recovery timeframes to properly prioritise service recovery ie not everyone at once
- (c) The need to ensure plans support service delivery not just IT recovery, office availability etc

3.2.7. The 1st draft SRR containing 15 draft Strategic Risks are set out in the table below. These risks were highlighted from predecessor Council information and have been reviewed and agreed through a CLT Risk Workshop on 16th June 2021.

NNC				
5x5 Numerical Likelihood x Impact				
	Risk / Aim Title	Score	Comments	Risk Owner
1	Assurance the Childrens Trust is delivering to the agreed standards (Intelligent Client)	25 5x5	An effective Intelligent Client as specified within the MOU. Score reflects these assurances are untested Whilst expected controls are known the Council will need to verify their robust application and there are also assurances needed regarding the dependency between N&W Councils and specifically the support services delivered to the Trust by West Northants, that NNC has limited influence. It is highlighted that possibly this risk will evolve into 2 separate risks (1) Trust delivery (2) shared risk between West and North	Cathy Hadley
2	Statutory Compliance across all services	15 3x5	Assurances for statutory compliance across all services / activities and monitoring of legal action taken against the Council. Score reflects that services are experts in each area, supported by legal services and the Unitary 'safe and legal' preparations.	Adele Wylie
3	Robust protections in respect of Cyber Security Confidential Risk		This risk is confidential to protect system resilience. Its presence on the Register reflects the importance of this issue. It does NOT represent that weaknesses are evident.	
4	That key services have robust and effective resilience arrangements in place (including Emergency Planning and Business Continuity)	25 5x5	Identification of key front line services and their processes in place to provide confidence they can survive service specific interruption (BCP) and major incidents (EP). Score reflects the need for NNC to obtain specific assurance and assessment of its key services and the robustness of their resilience plans.	George Candler

5	That Capital and Revenue projects apply good project management standards and practices.	16 4x4	Capital and Revenue project management systems Score reflects project management controls are long standing established concepts but not yet assessed as a single 'programme' of coordination	Lisa Hyde / George Candler
6	Safeguarding vulnerable people	20 4x5	(Linked to CT) but also those provisions that give assurance Council processes are effective in safeguarding all vulnerable people that are know to us. Score reflects the need for Leadership team and Committee to quickly be familiar with the robust measures already in place	David Watts
7	Sustainable Finances (medium Term)	25 5x5	Corporate Medium term financial planning (including reserves) Score reflects the consolidation unknowns for 3-5 year local government finances and regional issues.	Janice Gotts
8	Sustainable Finances (21/22)	25 5x5	Single year systems to establish budget structures and compliance including periodic budget forecasting Score reflects the application of new financial controls across multiple services. Controls within ERP considered good but their compliance	Janice Gotts
9	Effective Information Governance across the Council including compliance with all legislative requirements.	16 4x4	Data Protection Act and GDPR provisions as well as security provisions regarding data processing, retention and disclosure (eg FOI). Score reflects probable robust application of these concepts within individual councils and their consolidation within NNC for 21/22 Reputational threats plus positive use of information to support the transformational agenda	Adele Wylie
10	Effective and robust contract management (including accurate contracts register, contract manager responsibilities and the procurement cycle)	20 4x5	A focus on the commissioning to meet the Councils (ie service) needs and assurances that robust contract management is in place for all key contracts. Score reflects the need to quickly consolidate assurances regarding every key contract	Janice Gotts
11	Organisational Capacity	25 5x5	An initial focus on effective HR provisions to recruit and retain needed skills across the Council, however the risk is wider than simply HR issues eg enabling wider capacity – IT etc, transformation. Score reflects the strong HR presence and compliance needed to ensure organisational memory and skills are maintained in first few years.	Adele Wylie
12	The Councils dependency on hosted and shared services provided to NNC by WNC.	25 5x5	Whilst this overlaps with Organisational Capacity, CLT agreed this requires an individual focus until assurances are evident. The score reflects the arrangements are new and untested, including those measures allowing NNC to secure improvements if required.	Adele Wylie

13	Legacy Issues	25 5x5	Historic and Legal issues that the Council inherits from predecessor Councils. Score reflects that some issues are already known (and being managed) with a probability that new issues will emerge within the first 1-3 years of the Council.	Adele Wylie
14	Consolidation (and/or dis-aggregation) of all services into the new Unitary delivery.	25 5x5	This risk reflects both the known consolidation and transformational work identified and also the migration over time to transform and improve services as a new Unitary Council.	Rob Bridge
15	Pandemic Impacts across all services	20 4x5	A recognition that the impacts of the Pandemic across services managed by predecessor Councils and its continued impacts requires CLT oversight. This is a 'place holder' risk for CLT to develop and manage this issue within the Risk cycle to determine whether it needs to be a separate Strategic Risk or is better managed within operational risk management in services.	TBC

3.2.8. The above 15 risks consolidate risks separately listed by each Council and those that are considered best strategically managed within a single theme.

Illustration : Sustainable Medium Term Finances

This risk is best managed at a strategic level as it requires a shared organisational commitment and understanding to achieve confidence that the Council's financial plans are sustainable over a 3-5 year period.

This risk consolidates predecessor Council risks listed as below:

Corby risks

- Investment Portfolio income
- Business Rate Funding
- Capital Receipts
- Asset Sinking Fund
- Commercial Revenues
- Planning / BC income targets
- Interest Rate increases
- Failure to deliver target savings

ENC

- Fraud losses
- Medium term financial strategy assumptions prove inaccurate

Kettering

- Commercial Strategy
- Unexpected Budget pressures
- Delivery of a balanced budget

Wellingborough

- Lack of Money
- Lack of robust financial systems

County Council

- Finances not sustainable

3.2.9. A few predecessor risks were considered no longer relevant, at least in their prior form and content. These include:

- Brexit (Wellingborough, ENC)
- Local Government Reform (various)

E.g. The uncertainties for LGR listed by predecessor Councils are now largely resolved and the NNC Risk Register assesses these issues within risks 13 and 14 above as Legacy issues and consolidation / transformation of services within the new Council.

4. Implications (including financial implications)

4.1. Policy

4.1.1. The Strategy and draft SRR provides the governance framework for risk management across the Council.

4.2. Resources and Risk

4.2.1. The adoption of the Strategy adds no cost specifically as risks must be effectively managed and reported as part of good governance. The report sets out a proportionate approach and is the means by which the Council manages its risks.

4.2.2. The SRR does require quarterly review and updating however this is considered both proportionate and part of routine operational management.

4.3. Legal

4.3.1. None

4.4. Equality and Health

4.4.1. None

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