

FOR PUBLICATION**DERBYSHIRE COUNTY COUNCIL****AUDIT COMMITTEE****5 December 2023****Report of the Director of Finance and ICT****Corporate Risk Management Update (2023-24 Quarter 2)****1. Purpose**

- 1.1 To review the Council's strategic risk register and receive an update on risk management.

2. Information and Analysis

- 2.1 Engagement with risk management across the council continues to improve. The completion rates for risk updates by officers were very high in 2023-24 Q2. This is attributed to the introduction of the APEX risk database, which enables risk owners to review and directly update their risks online, gives greater visibility of risk information to risk owners and departmental management teams supporting improved scrutiny and challenge within departments.

- 2.2 Two changes to the corporate risk severity matrix, previously agreed by CMT and the Audit Committee, were implemented alongside the launch of the APEX risk database in September. The two changes:

- Renumbered the risk impact scale from 0-4 to 1-5 (the risk descriptors remained the same so did not affect the assessments by risk owners).
- Changed the risk matrix profile to more clearly differentiate the most severe risks (i.e. fewer risks classed as 'Red').

The changes were applied retrospectively to previous quarters to allow for consistency and comparison of data over time. All data in this report are based on the new matrix. The old and new risk severity matrices are shown in Appendix 2 for information and comparison.

3. Strategic Risk Register (2023-24 Q2 update)

- 3.1 This report covers updates to the council's strategic risk register up to the end of 2023-24 Quarter 2 (Q2).
- 3.2 The strategic risk register contains the most significant Major Risks (Red and Amber) to the council which are subject to active monitoring and control. Risk scores and Red/Amber ratings have been adjusted to reflect the new corporate risk matrix. This means that there are now fewer risks classed as Red, which are the most severe risks to the council, as the Red score threshold is now higher.
- 3.3 A summary of the register is in Table 1 below with greater detail provided in Appendix 3. More detailed information about each risk, including narrative updates recording progress with each risk, is recorded on APEX for review by senior management and can be provided to the Audit Committee if required.
- 3.4 There have been changes in the overall severity of seven risks. The increase in severity of the 'failure to respond to emergency situations' risk reflects important work still needed to update and implement the council's business continuity plans, flood risk management plans, and all related arrangements.

Table 1 – Summary of current strategic risks (2023-24 Q2)

Risk description	Risk owner	Target score	Latest score (2023-24 Q2)	Change from last quarter
Impact of a prolonged recovery and a funding gap	Mark Kenyon	Amber	Red	No change
Increase in demand on Council services	Iain Little	Amber	Red	No change
Failure to deliver critical services in emergency situations	Julian Gould	Green	Green	Reduction from Amber
Failure to respond to emergency situations	Julian Gould	Green	Amber	Increase from Green
Failure to manage contracts across the county council	Mark Kenyon	Green	Amber	Reduction from Red
Failure to achieve value for money for the Council's New Waste Treatment Facility; and failure to re-commission the facility and secure long-term operation	Claire Brailsford	Blue	Amber	Reduction from Red
Information governance and data security	Mark Kenyon	Amber	Amber	Reduction from Amber (lower score)

Risk description	Risk owner	Target score	Latest score (2023-24 Q2)	Change from last quarter
Failure to adapt to climate change	Claire Brailsford	Amber	Red	No change
Protection of vulnerable adults	Simon Stevens	Green	Red	No change
Protection of vulnerable children	Carol Cammiss	Green	Green	Reduction from Amber
Maintenance of property assets	Janet Scholes	Green	Amber	No change
Failure to maintain highways assets	Julian Gould	Green	Red	No change
Failure to maintain countryside sites and waterways	Claire Brailsford	Green	Amber	No change
Failure to understand or respond adequately to new or changing legislation and regulation	Helen Barrington	Green	Blue	Reduction from Amber

- 3.5 Work is progressing to create a new corporate risk register of the most significant risks to the council which will replace the current strategic risk register. A survey of directors was completed recently, and this is being combined with other research on risks facing local authorities. The committee will receive a report on the proposed register at a future meeting.

4. Alternative Options Considered

- 4.1 This is a regular report on progress with managing strategic risks and implementation of the corporate risk management strategy.

5. Implications

- 5.1 Implications are discussed in Appendix 1.

6. Consultation

- 6.1 The information in Appendix 3 was provided by risk owners.

7. Background Papers

- 7.1 Electronic files held by Risk and Insurance, Finance & ICT Services, County Hall Complex.

8. Appendices

- 8.1 Appendix 1 – Implications.
- 8.2 Appendix 2 – Risk severity matrix and tables.

8.3 Appendix 3 – Strategic Risk Register.

9. Recommendations

9.1 That the Audit Committee notes this report.

10. Reasons for recommendations

10.1 The Audit Committee is charged with providing assurance of risk management within the Council.

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Implications

Financial

- 1.1 Financial implications in relation to specific risks are noted in the strategic risk register where applicable.

Legal

- 2.1 Legal implications in relation to specific risks are noted in the strategic risk register where applicable.

Human Resources

- 3.1 Human Resources implications in relation to specific risks are noted in the strategic risk register where applicable.

Information Technology

- 4.1 Information technology implications in relation to specific risks are noted in the strategic risk register.

Equalities Impact

- 5.1 Equalities impact implications in relation to specific risks are noted in the strategic risk register where applicable.

Corporate objectives and priorities for change

- 6.1 The strategic risk register and corporate risk management strategy underpin the successful delivery of the Council's objectives and deliverables set out in the Council Plan and service delivery plans.
- 6.2 The corporate risk management strategy is designed to strengthen risk management arrangements to underpin improved performance across the Council, and to deliver greater public value from its work.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

- 7.1 All other implications in relation to specific risks are noted in the strategic risk register where applicable.

Risk severity matrix and tables

The corporate risk severity matrix changed in September 2023. There were two changes:

- Impact scale renumbered from 0-4 to 1-5 (the descriptors were unchanged).
- Red, Amber, Green, Blue (RAGB) profile changed to give greater emphasis on the most severe risks.

Old matrix (up to 17 September 2023)

Impact Score	Substantial	4	Green	Amber	Red	Red	Red
	Significant	3	Green	Green	Amber	Red	Red
	Moderate	2	Blue	Green	Green	Amber	Amber
	Minimal	1	Blue	Blue	Green	Green	Green
	Negligible	0	Blue	Blue	Blue	Blue	Blue
			1	2	3	4	5
			Rare	Unlikely	Possible	Probable	Almost certain
			Likelihood Score				

New matrix (from 18 September 2023)

Impact Score	Substantial	5	Blue	Green	Amber	Red	Red
	Significant	4	Blue	Green	Amber	Amber	Red
	Moderate	3	Blue	Green	Green	Amber	Amber
	Minimal	2	Blue	Blue	Green	Green	Green
	Negligible	1	Blue	Blue	Blue	Blue	Blue
			1	2	3	4	5
			Rare	Unlikely	Possible	Probable	Almost certain
			Likelihood Score				

Impact scoring

The highest scoring area (the 'primary impact') used to assess risk severity.

The score changed from 0-4 to 1-5 in September 2023. The impact grading and risk descriptors are unchanged.

	Impact grading	Public and employee health, safety and wellbeing	Community	Economy	Environment	Service Disruption	Skills capability	Legal	Contracts and Partnerships	Information Security
5	Extremely high	Substantial level of harm to the health, safety and wellbeing of the community, members of the public or employees	Substantial disadvantage to large parts of the community and/or many vulnerable residents	Substantial negative impact on the County's economy, including hard infrastructure	International and/or national environmental damage	Substantial external or internal disruption and/or loss of service (more than seven days)	Substantial under-performance from skills gaps and/or shortages	Substantial legal action, claims and/or penalties against or by the Council	Substantial impact on service delivery from a contract and/or partnership failure	Substantial breach; Information Commissioner Office (ICO) fine; loss of ISO 27001 certification
4	High	Significant level of harm to the health, safety and wellbeing of the community, members of the public or employees	Significant disadvantage to large parts of the community and/or some vulnerable residents	Significant negative impact on the County's economy, including hard infrastructure	Significant regional environmental damage and/or failure to meet all or most internal climate change targets	Significant external or internal disruption and/or loss of service (between three to seven days)	Significant under-performance from skills gaps and/or shortages	Significant legal action, claims and/or penalties against or by the Council	Significant impact on service delivery from a contract and/or partnership failure	Significant external breach with no loss of sensitive data; or minor external breach with loss of sensitive data

	Impact grading	Public and employee health, safety and wellbeing	Community	Economy	Environment	Service Disruption	Skills capability	Legal	Contracts and Partnerships	Information Security
3	Moderate	Moderate level of harm to the health, safety and wellbeing of the community, members of the public or employees	Moderate disadvantage to large parts of the community and/or some vulnerable residents	Moderate negative impact on the County's economy, including hard infrastructure	Moderate regional and/or major local environmental damage and/or failure to meet many internal climate change targets	Moderate external or internal disruption and/or loss of service (between 24 to 48 hours)	Moderate under-performance from skills gaps and/or shortages	Moderate legal action, claims and/or penalties against or by the Council	Moderate impact on service delivery from a contract and/or partnership failure	Significant internal breach with no loss of sensitive data; or minor internal breach with loss of sensitive data
2	Low	Minimal level of harm to the health, safety and wellbeing of the community, members of the public or employees	Minimal disadvantage to the community and/or some vulnerable residents	Minimal negative impact on the County's economy, including hard infrastructure	Minimal regional and/or local environmental damage and/or failure to meet some internal climate change targets	Minimal external or internal disruption and/or loss of service (less than 24 hours)	Minimal under-performance from skills gaps and/or shortages	Minimal legal action, claims and/or penalties against or by the Council	Minimal impact on service delivery from a contract and/or partnership failure	Minor external or internal breach with no loss of sensitive data
1	None	No impact	No impact	No impact	No impact	No impact	No impact	No impact	No impact	No impact

Likelihood scoring

5	Almost certain	The event is expected to occur every year
4	Probable	The event could occur every year
3	Possible	The event could occur every two years
2	Unlikely	The event could occur every five years
1	Rare	The event could occur every 10 years or longer

Reputation impact assessment

Extremely High	Lasting or permanent national/local brand damage resulting from adverse comments in national press and media. Members/Officers almost certainly forced to resign.
High	Temporary national/local brand damage lasting up to two years from coverage in national and/or regional press/media. Members/Officers potentially forced to resign.
Moderate	Temporary local brand damage lasting up to one year from extensive coverage in regional press/ media.
Low	Temporary local brand damage lasting up to a few weeks from minor adverse comments in regional press/social media.
Extremely Low	Negligible local brand damage from limited adverse comments with minimal press/social media.

Financial impact assessment

Each risk is assessed for the potential range of capital and/or revenue loss to the Council if the risk materialised.

Band 8	Loss over £20 million
Band 7	Loss between £10 million and £20 million
Band 6	Loss between £5 million and £10 million
Band 5	Loss between £3 million and £5 million
Band 4	Loss between £1 million and £3 million
Band 3	Loss between £100,000 and £1 million
Band 2	Loss between £50,000 and £100,000
Band 1	Loss under £50,000
Band 0	No financial loss

Strategic Risk Register

2023-24 Quarter 2 (30 September 2023)

Impact of a prolonged recovery and a funding gap

In the event that the Authority does not develop sufficient and timely proposals to deal with the ongoing or further reductions in funding/resources, there is a risk that the need to close the funding gap may result in identifying measures for unplanned reductions in service spend leading to deterioration or interruption of front-line service delivery.

APEX Unique Risk Number (URN): 518

Risk Owner: Mark Kenyon, Director of Finance & ICT

Assessment history:

Target Amber (12) by 20/09/23	Likelihood: Probable (4)	2022-23 Q2	2023-23 Q3	2022-23 Q4	2023-24 Q1	2023-24 Q2	Likelihood: Almost certain (5)
	Impact: Moderate (3)	Red (25)	Red (25)	Red (25)	Red (25)	Red (25)	Impact: Substantial (5)

Reputation impact assessment: Moderate

Financial impact assessment: Band 8 (Loss over £20 million)

Increase in demand on council services

As demand for services changes, the Council may need to adapt the services it currently offers to provide the new or additional services. Failing to manage the changes could lead to core services being reduced leading to significant impact upon stakeholders and partnerships; potential litigation; fines; risk of injury or death.

APEX Unique Risk Number (URN): 331

Risk Owner: Iain Little, Deputy Director of Public Health

Assessment history:

Target Amber (12) by 21/09/23	Likelihood: Probable (4)	2022-23 Q2	2023-23 Q3	2022-23 Q4	2023-24 Q1	2023-24 Q2	Likelihood: Probable (4)
	Impact: Moderate (3)	Red (20)	Red (20)	Red (20)	Red (20)	Red (20)	Impact: Substantial (5)

Reputation impact assessment: Moderate

Financial impact assessment: Band 6 (Loss between £5 million and £10 million)

Failure to deliver critical services in emergency situations

The emerging risk environment, the number and type of emergency and the interdependencies of services is increasingly making business continuity or "resilience" a significant focus for the Council. This is a corporate risk across all departments. The Council's corporate business continuity plan provides a strategic framework around which staff can work to enable critical functions to be maintained, or quickly restored to minimise any effect on service delivery to the community.

APEX Unique Risk Number (URN): 394

Risk Owner: Julian Gould, Director of Highways

Assessment history:

Target	Likelihood: Unlikely (2)	2022-23 Q2	2023-23 Q3	2022-23 Q4	2023-24 Q1	2023-24 Q2	Likelihood: Significant (4)
Green (8) by 31/03/23	Impact: Significant (4)	Green (10)	Amber (15)	Amber (15)	Amber (15)	Green (8)	Impact: Unlikely (2)

Reputation impact assessment: Moderate

Financial impact assessment: Band 5 (Loss between £3 million and £5 million)

Failure to respond to emergency situations

The Council's ability to provide an effective response to an emergency situation, including major incidents such as severe weather (e.g. climate change-based flooding), fire, loss of utilities or pandemics, whilst maintaining its critical services to the public. The emerging risk environment, the number and type of emergencies is increasingly making continuity or "resilience" a significant focus for the Council. Budget cuts and rationalisation (including resourcing reductions) also challenge the Council in its ability to fulfil its Category 1 Responder statutory duty under the Civil Contingencies Act 2004.

APEX Unique Risk Number (URN): 403

Risk Owner: Julian Gould, Director of Highways

Assessment history:

Target	Likelihood: Unlikely (2)	2022-23 Q2	2023-23 Q3	2022-23 Q4	2023-24 Q1	2023-24 Q2	Likelihood: Possible (3)
Green (10) by 30/06/22	Impact: Substantial (5)	Green (10)	Green (10)	Green (10)	Green (10)	Amber (15)	Impact: Substantial (5)

Reputation impact assessment: High

Financial impact assessment: Band 5 (Loss between £3 million and £5 million)

Failure to manage contracts across the county council

Failure to manage contracts effectively could lead to unforeseen increased costs, risk of contracts collapsing and an increased carbon footprint.

APEX Unique Risk Number (URN): 520

Risk Owner: Mark Kenyon, Director of Finance & ICT

Assessment history:

Target	Likelihood: Unlikely (2)	2022-23 Q2	2023-23 Q3	2022-23 Q4	2023-24 Q1	2023-24 Q2	Likelihood: Possible (3)
Green (8) by 31/03/23	Impact: Significant (4)	Red (25)	Red (25)	Red (25)	Red (25)	Amber (12)	Impact: Significant (4)

Reputation impact assessment: High

Financial impact assessment: Band 8 (Loss over £20 million)

Failure to determine the future use and VFM of the council's New Waste Treatment Facility

Failure to achieve value for money is a significant risk to the council's budget. Failure to determine the future use of the New Waste Treatment Facility is a significant risk for the long-term waste management strategy, the council's future economic and environmental sustainability and its reputation.

APEX Unique Risk Number (URN): 404

Risk Owner: Claire Brailsford, Director of Environment & Transport

Assessment history:

Target	Likelihood: Unlikely (2)	2022-23 Q2	2023-23 Q3	2022-23 Q4	2023-24 Q1	2023-24 Q2	Likelihood: Possible (3)
Blue (4) by tba	Impact: Minimal (2)	Red (20)	Red (20)	Red (20)	Red (20)	Amber (15)	Impact: Substantial (5)

Reputation impact assessment: High

Financial impact assessment: Band 7 (Loss between £10 million and £20 million)

Information governance and data security

The Council's information governance policies, processes and systems insufficiently protect personal, commercial and other sensitive data, leading to potential harm to vulnerable persons, employees and commercial relationships, legal action, financial penalties and reputational damage.

APEX Unique Risk Number (URN): 521

Risk Owner: Mark Kenyon, Director of Finance & ICT

Assessment history:

Target	Likelihood: Possible (3)	2022-23 Q2	2023-23 Q3	2022-23 Q4	2023-24 Q1	2023-24 Q2	Likelihood: Possible (3)
Amber (12) by tba	Impact: Significant (4)	n/r	n/r	Amber (15)	Amber (15)	Amber (12)	Impact: Significant (4)

Reputation impact assessment: High

Financial impact assessment: Band 3 (Loss between £100,000 and £1 million)

Failure to adapt to climate change

The Council and County faces a challenge in relation to an increase in extreme weather patterns including increased rainfall, drought, heatwaves and unseasonal weather. This will result in risks of increased frequency of flooding; damage to infrastructure; risk to health, well-being and productivity; water and energy shortages; risks to natural capital; interruption of food production and trade; new and emerging pests, diseases and plant and animal species. Climate change around the world is likely to result in mass migration of people.

APEX Unique Risk Number (URN): 405

Risk Owner: Claire Brailsford, Director of Environment & Transport

Assessment history:

Target	Likelihood: Possible (3)	2022-23 Q2	2023-23 Q3	2022-23 Q4	2023-24 Q1	2023-24 Q2	Likelihood: Probable (4)
Amber (12) by 31/03/25	Impact: Significant (4)	Red (20)	Red (20)	Red (20)	Red (20)	Red (20)	Impact: Substantial (5)

Reputation impact assessment: High

Financial impact assessment: Band 8 (Loss over £20 million)

Protection of vulnerable adults

Failure to protect the most vulnerable in our society could lead to significant fines; special measures; litigation; decreased staff morale; reputational damage. An Adult Social Care (ASC) Quality Assurance Strategy has been developed which is the foundation from which we will ensure that all ASCH functions drive the delivery of high-quality services for the people of Derbyshire and work to continuously improve quality based on a clear understanding of expectations and requirements. This strategy has been incorporated into policy and is being driven by an overarching Quality Assurance Board. A specific Quality Assurance Framework is applied across all the directly provided services such as residential care, homecare, shared lives, supported living and day care activity.

APEX Unique Risk Number (URN): 469

Risk Owner: Simon Stevens, Executive Director of Adult Social Care & Health

Assessment history:

Target	Likelihood: Unlikely (2)	2022-23 Q2	2023-23 Q3	2022-23 Q4	2023-24 Q1	2023-24 Q2	Likelihood: Probable (4)
Green (10) by 31/03/23	Impact: Substantial (5)	Amber (15)	Amber (15)	Amber (15)	Red (20)	Red (20)	Impact: Substantial (5)

Reputation impact assessment: High

Financial impact assessment: Band 4 (Loss between £1 million and £3 million)

Protection of vulnerable children

Failure to protect the most vulnerable in our society could lead to significant fines; special measures; litigation; decreased staff morale; reputational damage. Risk can never be eliminated entirely, however Derbyshire continuously seeks to strengthen risk management and practice in cases known to the Authority. As demonstrated recently, heightened media attention at times of national or local tragedy can impact on referral rates and capacity to respond for a variety of reasons. However, the overall impact on the Council would be expected to be moderate. A range of robust mitigation measures are in place and will continue.

APEX Unique Risk Number (URN): 522

Risk Owner: Carol Cammiss, Executive Director of Children's Services

Assessment history:

Target	Likelihood: Unlikely (2)	2022-23 Q2	2023-23 Q3	2022-23 Q4	2023-24 Q1	2023-24 Q2	Likelihood: Possible (3)
Green (6) by 25/09/23	Impact: Moderate (3)	Amber (12)	Amber (12)	Amber (15)	Amber (12)	Green (9)	Impact: Moderate (3)

Reputation impact assessment: High

Financial impact assessment: Band 3 (Loss between £100,000 and £1 million)

Maintenance of property assets

Failure to maintain our property assets could lead to significant fines; significant litigation; decreased staff morale; reputational damage; HSE investigation.

APEX Unique Risk Number (URN): 523

Risk Owner: Janet Scholes, Director of Property

Assessment history:

Target	Likelihood: Unlikely (2)	2022-23 Q2	2023-23 Q3	2022-23 Q4	2023-24 Q1	2023-24 Q2	Likelihood: Possible (3)
Green (10) by 30/04/24	Impact: Substantial (5)	Amber (15)	Amber (15)	Amber (15)	Amber (15)	Amber (15)	Impact: Substantial (5)

Reputation impact assessment: Moderate

Financial impact assessment: Band 4 (Loss between £1 million and £3 million)

Failure to maintain highways assets

Failure to maintain highways assets resulting in risk of damage or harm to the public and/or employees as well as the environment and/or failure to comply with statutory duties, obligations, guidance or good practice. Under-investment is now being addressed - particularly through the Highways Capital programme, which is designed to deliver the Council Plan commitment for £120m capital investment over 3 years. Issues such as landslips, retaining walls and ageing structures cannot all be addressed in the short-term or within current budgets. The county's highways assets are prone to climate change issues such as landslips. Derbyshire's approach to Highways Asset Management is set out in the 2016 Code of Practice for Well-Managed Highway Infrastructure which requires local authorities to adopt a risk based, integrated asset management approach to maintaining highway infrastructure.

APEX Unique Risk Number (URN): 406

Risk Owner: Julian Gould, Director of Highways

Assessment history:

Target	Likelihood: Moderate (3)	2022-23 Q2	2023-23 Q3	2022-23 Q4	2023-24 Q1	2023-24 Q2	Likelihood: Probable (4)
Green (9) by 31/03/23	Impact: Possible (3)	Amber (12)	Amber (12)	Amber (12)	Red (20)	Red (20)	Impact: Substantial (5)

Reputation impact assessment: Moderate

Financial impact assessment: Band 4 (Loss between £1 million and £3 million)

Failure to maintain countryside sites and waterways

Failure to maintain countryside sites and waterways resulting in risk of damage to human health, the environment or assets and/or failure to comply with statutory duties, obligations, guidance or good practice. The Countryside Service has in excess of 121 assets ranging from 4,478 acres of land including Sites of Special Scientific Interest (SSSIs), reservoirs, canals, Greenways and physical structures. A key area of focus is the management of Waterbodies. The Waste Management Service has 9 Household Waste Recycling Centres (HWRCs) and a waste transfer station. Particular areas of focus remain the development of asset management regimes for waterbodies notably reservoirs and canals; structures (e.g. bridges) and HWRCs. Heads of Service are responsible for ensuring asset management systems and inspection regimes are in place in accordance with statutory duties and good practice in the relevant field.

APEX Unique Risk Number (URN): 407

Risk Owner: Claire Brailsford, Director of Environment & Transport

Assessment history:

Target	Likelihood: Unlikely (2)	2022-23 Q2	2023-23 Q3	2022-23 Q4	2023-24 Q1	2023-24 Q2	Likelihood: Possible (3)
Green (8) by 31/03/23	Impact: Significant (4)	Amber (15)	Amber (15)	Amber (15)	Amber (15)	Amber (12)	Impact: Significant (4)

Reputation impact assessment: High

Financial impact assessment: Band 4 (Loss between £1 million and £3 million)

Failure to understand or respond adequately to new or changing legislation and regulation

Lack of knowledge and understanding of statutory duties meaning the Council is at increased risk of special measures, HSE investigation, corporate manslaughter charges, personal prosecution and insurers refusing to provide indemnity on property or liability claims.

APEX Unique Risk Number (URN): 524

Risk Owner: Helen Barrington, Director of Legal & Democratic Services

Assessment history:

Target	Likelihood: Unlikely (2)	2022-23 Q2	2023-23 Q3	2022-23 Q4	2023-24 Q1	2023-24 Q2	Likelihood: Rare (1)
Green (10) by 31/03/22	Impact: Substantial (5)	Amber (15)	Red (20)	Red (20)	Amber (15)	Blue (5)	Impact: Substantial (5)

Reputation impact assessment: High

Financial impact assessment: Band 7 (Loss between £10 million and £20 million)