Chelmsford City Council Audit and Risk Committee

14 December 2022

Risk Management Report – Autumn/Winter 2022

Report by:
Director of Connected Chelmsford

Officer Contact:
Alison Chessell, Procurement and Risk Services Manager,
alison.chessell@chelmsford.gov.uk

Purpose

This report:
- summarises the current position for the Council's Principal Risks
- reviews 2022-23 risk management activity to date

Recommendation

Audit and Risk Committee are requested to note the contents of this report.

1. Background

1.1. It is the Council's policy to proactively identify, understand and manage the risks inherent in our services and associated with our plans and strategies, so as to:
   - ✓ encourage responsible, informed risk taking
   - ✓ reduce exposure to a tolerable level using a justifiable level of resources

1.2. An effective risk management framework should:
   - ✓ provide risk information to support decision-making and resource allocation

✓ improve compliance with policies, procedures, laws and regulations and stakeholder expectations; and

✓ provide assurance to internal and external stakeholders that the Council is well-managed

1.3. The risk management function assists the Council to identify, understand and manage its risks. The function reports twice a year to the Audit and Risk Committee to enable the Committee to monitor the effective development and operation of risk management in the Council.

2. Risk management activity

2.1 Priorities for the risk function during 2022-23 were noted by this Committee in June 2022. Progress against these priorities is summarised below:

Priority	Outcomes to date for 2022-23
Corporate Risk – Maintaining the Principal Risk register and detailed risk work according to priority	✓ Principal Risk Register thorough review ✓ Feasibility work carried out in relation to Lighthouse, a new risk management and compliance tool from Torque software, proposed by TechnologyOne to supplement the existing Enterprise Resource Planning (ERP) system, at no additional cost to the Council
Corporate Reporting – Maintaining reporting routines for corporate risk, compliance, and strategic plan performance	✓ Quarterly Health & Safety (H&S) and Fire Risk Assessment (FRA) compliance reporting to Management Team ✓ Corporate risk reporting to Management Team ✓ Our Chelmsford, Our Plan (OCOP) and Climate and Ecological Emergency (CaEE) Action Plan performance reporting to Overview and Scrutiny Committee ✓ Supporting the Health and Wellbeing Action Plan refresh
Insurance Refresh – Reviewing claims, underwriting, and reporting processes, with staff development taking place to support this work	✓ Ongoing development of claims reporting to improve financial forecasts for the Council's insurance reserve ✓ Ongoing deep dives into systems and recordkeeping for Fine Arts, Motor, Contracted Works and General Property cover ✓ Staff training provided by Zurich Municipal
Operational Risk – Exploring how work to maintain the Council's insurance programme can boost operational	✓ Health & Safety Driving at Work Policy developed in conjunction with Public Health and Protection to address driving risk and satisfy insurer's requirements • Pending implementation of a more user-friendly risk and compliance tool, insurance data will

Priority	Outcomes to date for 2022-23
risk management across the Council	contribute toward populating operational risk registers, ensuring that they become a useful and relevant management tool at local level

2.2 The focus of the remaining months in 2022-23 will be to progress the Lighthouse solution and secure 2023 insurance renewals.

3. Principal Risk Summary

3.1 The Principal Risk Register ('the Register') is central to the risk management framework. Principal Risks (which may include strategic, operational, project or compliance risks) are those which require regular oversight at senior level. Management Team receive detailed information from the Register to ensure that, where necessary, action is taken to further mitigate risks outside the Council's indicative risk appetite.

3.2 A summary of the Council's Principal Risks can be found in Appendix 1. Much of the detailed information contained within the Register is operational and may, in some cases, be sensitive. Councillors are, therefore, invited to request further detail on risks of particular interest or concern to them for circulation after the meeting.

3.3 **PRR 019 Income and Financial Position** – The risk has been temporarily removed from this paper pending further information from central government, due on 21 December 2022. The Accountancy Services Manager notes that the Council faces a very challenging financial outlook without significant additional government funding for services and specifically towards higher energy costs. Once the outcome of this year's funding announcement is known, and its consequences can be examined in full, the risk will be considered in the Budget report in January.

3.4 **PRR 023 Theatre Refurbishment and Rebranding** – The project has faced challenges to both programme and budget (including delays to/rising costs of materials and some complex engineering issues), but with the additional capital funding approved by Cabinet in August, the project is now scheduled for completion in December 2022. Any further impact on the theatre's cultural programme is now considered 'Unlikely'. The current risk level is therefore reduced from 'Very High' to 'High'. Once the project handover is complete, any residual financial risk will be removed from the Register.

3.5 **PRR 010 Enterprise Resource Planning** – Benefits realisation from the Council's new ERP system, TechOne, remains 'Medium' risk overall, but likelihood of occurrence (i.e., failure to maximise the benefits) is reduced from 'Possible' to 'Unlikely' due to monitoring of a costed, prioritised development programme by the TechOne Board.

3.6 Any apparent lack of change to other risk scores is not a direct reflection of the level of work carried out by Services or the Council as a whole, as:

- Some risks may be heavily influenced by external factors outside the Council's control
- Where inherent risk is increasing, additional work may have been undertaken to maintain the same current risk level

4. Conclusion

4.1 Members are invited to note the ongoing work by Directors and Service Managers to manage the Council's Principal Risks, along with the continuing development of the Council's risk management framework.

List of appendices:

Appendix 1 – Principal Risk Summary

Background papers:

Risk Management Strategy

Corporate Implications

Legal/Constitutional: The Council has a legal duty to ensure that it has a sound system of internal control, which includes effective arrangements for the management of risk (Regulation 3 (Part 2) of the Audit and Accounts Regulations 2015). The risk management framework encourages risk owners to consider the potential legal and regulatory consequences, should a risk event occur.

Financial: The risk management framework encourages risk owners to consider the potential financial consequences, should a risk event occur.

Potential impact on climate change and the environment/ Contribution toward achieving a net zero carbon position by 2030: Potential reputational consequences set out within the risk management framework encourage risk owners to consider environmental aspects of their activities.

Personnel: The corporate risk management framework is being implemented within existing staff budgets (approximately 0.3 FTE).

Risk Management: Effective risk management is an essential part of good governance, providing assurance to internal and external stakeholders that the Council is well-managed. This report is intended to enable the Committee to fulfil its role in overseeing the effective operation and development of risk management at the Council.

Equality and Diversity: Equalities implications of Council activities are considered at initiative level.

Health and Safety: The risk management framework encourages risk owners to consider the potential safety, health and wellbeing implications for staff and/or service users, should a risk event occur.

Digital: The risk function uses TechOne, the Council's Enterprise Resource Planning (ERP) system. ERP aims to increase efficiency and improve performance by integrating back-office systems and is key to the Council's Digital Strategy.

Other: None

Consultees:

Management Team, Audit Services Manager, Section 151 Officer, Risk Owners

Ref	Risk Title	Category	Our Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Recent Trend	Risk Event	Approach to Mitigation
PRR 006	Homelessness	Operations	Fairer and Inclusive Chelmsford	David Green	Very High	22	▬	Inability to meet our statutory obligations to the homeless (and/or use our statutory powers to assist the homeless) promptly, effectively and efficiently	To deal with unprecedented demand, short-term options to expand temporary accommodation are being pursued as a matter of urgency, while medium-term measures set out in the Housing Strategy 2022-27 are underway. Increased provision for rough sleepers remains in place.
PRR 001	Cyber Security	Operations	All Themes	Louise Goodwin	Very High	18	▬	Malicious attack results in significant loss of sensitive data and/or significant disruption to Council operations	The Council continues to respond to the increasing cyber threat by completing a programme of work coordinated by its consulting Chief Information Security Officer, with a view to achieving external accreditation in due course.
PRR 014	Health and Safety	Legal and Regulatory	Safer and Greener Place	Keith Nicholson	Very High	18	▬	A serious health and safety incident occurs	Implementation of the Council's H&S management system, including proactive monitoring arrangements and competent external advice overseen by the Corporate Health and Safety function.
PRR 012	Chelmer Waterside Development	Projects	Safer and Greener Place	David Green	Very High	18	▬	The housing and other development potential of Chelmer Waterside is not realised in	While short-term financial exposure is increasing as the programme progresses, in line with expectations and inflationary pressures, good progress on the infrastructure

As moderated by Management Team (29 November 2022)

Ref	Risk Title	Category	Our Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Recent Trend	Risk Event	Approach to Mitigation
					🟥			accordance with the Local Plan	delivery continues to be made. Consultant project managers monitor and report monthly on project risk and performance.
PRR 005	Fraud	Financial	All Themes	Nick Eveleigh	High	16	➖	Major fraud attempt (potentially undetected) is successful and there is little or no recourse for the Council	The Council's approach is set out in the Anti-Fraud and Corruption Strategy supported by an action plan overseen by Internal Audit and the Corporate Governance Group.
PRR 004	Emergency Planning	Operations	Safer and Greener Place	Keith Nicholson	High	15	➖	Ineffective emergency planning response breaches the Council's duties under the Civil Contingencies Act	The Council continues to work with Essex Resilience Forum to ensure it is well-placed to respond
PRR 020	Beaulieu Station & Chelmsford NE Bypass	Projects	Fairer and Inclusive Chelmsford	David Green	High	15	➖	Funding is partially or wholly withdrawn resulting in non-delivery of key infrastructure	Essex County Council continues to lead on risk management, and good progress to be made, with planning permission now secured for both the Station and the Bypass. Both projects are currently on schedule.
PRR 022	Theatre Refurbishment and Rebranding	Projects	Connected Chelmsford	Louise Goodwin	High	15	⬇️	Refurbishment is not completed on time, within budget and/or to the required standard, adversely affecting the theatre's cultural programme	This complex project has required ongoing and intense senior management involvement. The project is now scheduled to complete in December 2022.

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Ref	Risk Title	Category	Our Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Recent Trend	Risk Event	Approach to Mitigation
PRR 016	Information Governance	Legal and Regulatory	All Themes	Louise Goodwin	High	13	▬	A serious data breach occurs and/or other significant instance of non-compliance with data legislation	Implementation of the Council's GDPR action plan continues overseen by the Council's Data Protection Officer and supported by the Information Governance team.
PRR 021	Climate and Ecological Emergency	Reputation	Safer and Greener Place	Keith Nicholson	High	13	▬	The Council fails to effectively engage with the environmental agenda	Implementation of the Council's Climate and Ecological Emergency Action Plan continues.
PRR 003	Business Continuity	Operations	All Themes	Keith Nicholson	High	13	▬	Ineffective business continuity response enables an event to seriously disrupt Council operations	Council strategy is being adapted (a) for changes to working patterns and the digital environment (b) to focus on operational resilience (rather than specific events). The Council remains well-placed to respond.
PRR 017	Procurement Strategy	Financial	All Themes	Louise Goodwin	Medium	9	▬	Procurement activity takes place which is not in the best interests of the Council and its stakeholders and/or is in breach of legislation	Central procurement processes are more agile and robust and contract oversight is improving with the use of TechOne. Residual risk lies with the Services.
PRR 015	Safeguarding	Legal and Regulatory	Safer and Greener Place	Keith Nicholson	Medium	9	▬	A safeguarding incident occurs which, through action or omission by the Council, might otherwise have been prevented	With oversight from the Essex Safeguarding Boards, the Community Safety Team continues to deal with safeguarding matters, with Designated Safeguarding Reporting Officers (DSROs)

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									embedded across the Council high-risk frontline services.
PRR 010	Enterprise Resource Planning	Projects	All Themes	Louise Goodwin	Medium	7	⬇	The intended benefits of the TechOne system are not realised in full	The TechOne Project Board oversees an approved, prioritised programme of development covering all modules, receives periodic written progress updates and meets formally according to need.

As moderated by Management Team (29 November 2022)

POTENTIAL CONSEQUENCES (for achievement of objectives)

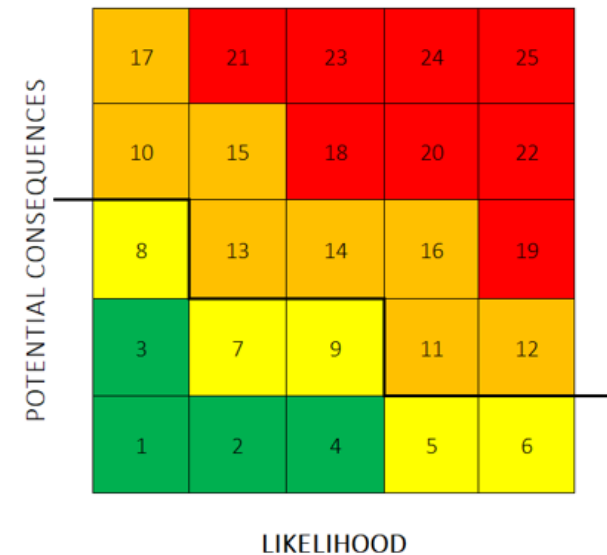|	Remote < 2%	Unlikely 2% - 30%	Possible 30% - 50%	Likely 50% - 70%	Very likely > 70%
Catastrophic					
Severe		Beaulieu & NE Bypass / Emergency Planning	H&S / Cyber / Waterside		Homelessness
Major	Climate Emergency	Theatre / Info Governance / BCP		Fraud	
Moderate	ERP		Safeguarding / Procurement		
Minor					

LIKELIHOOD of occurrence
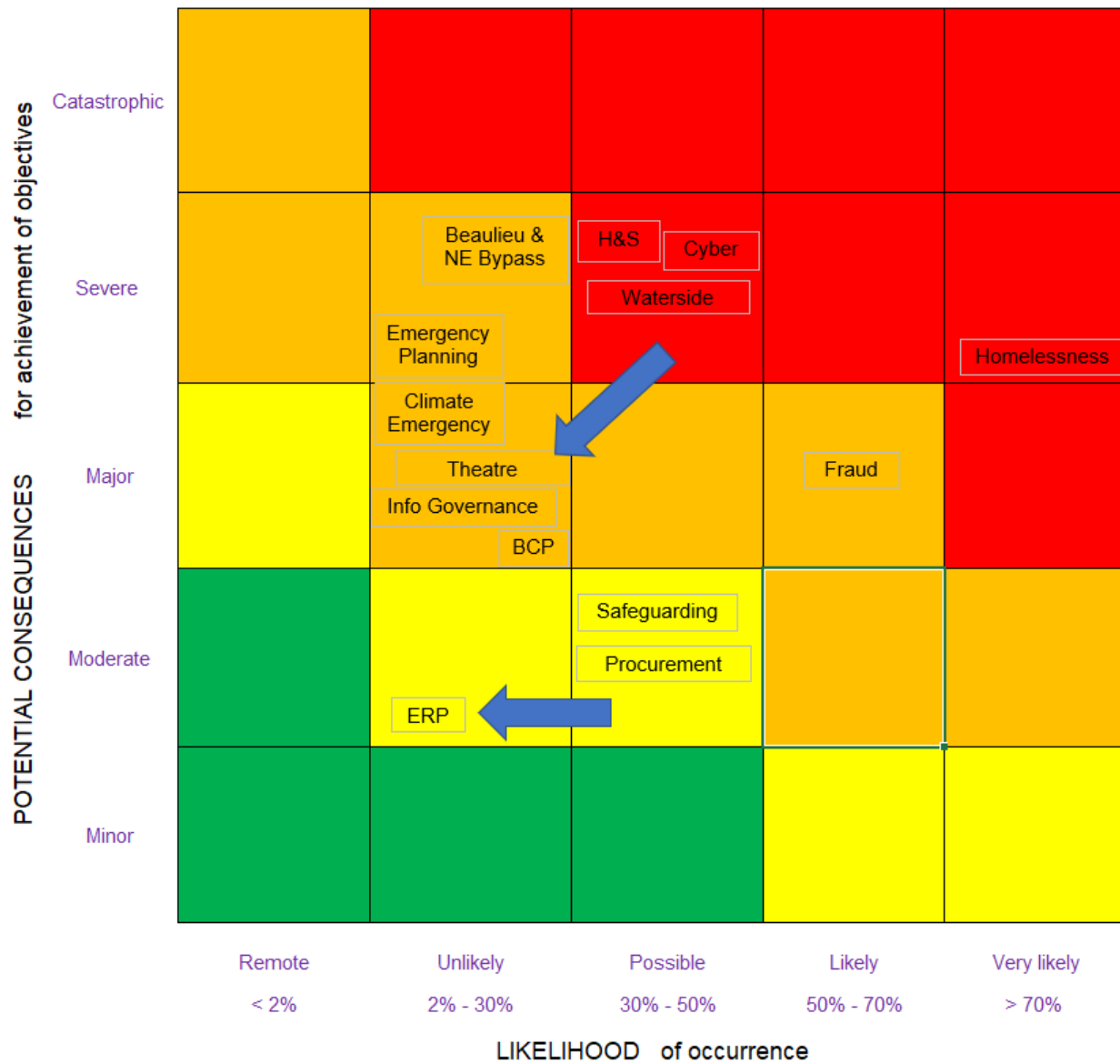
Risk score	Risk level	Management response
18 to 25	Very High Risk	**Critical** - Immediate/ sustained action required
10 to 17	High Risk	**Concerned** - Action required (exceeds appetite)
5 to 9	Medium Risk	**Cautious** - Action required (to ensure appetite is not exceeded)
1 to 4	Low Risk	**Comfortable** - monitor and review (low cost/ efficiency measures only)

Indicative risk appetite

17	21	23	24	25
10	15	18	20	22
8	13	14	16	19
3	7	9	11	12
1	2	4	5	6

POTENTIAL CONSEQUENCES

LIKELIHOOD

As moderated by Management Team (29 November 2022)

	FINANCIAL	OPERATIONS	PEOPLE	REPUTATION	LEGAL & REGULATORY	MAJOR PROJECTS	AUDIT
CATASTROPHIC	Catastrophic financial loss. (>£20 million*)	Permanent cessation of core activities	Multiple fatalities.	Future viability of the organisation threatened.	External control of the Council assumed.	Repeated failure of high-profile projects. All discretionary funding withdrawn.	Critical Priority
SEVERE	Severe financial loss (>£1 million *)	Extended disruption of core activities in excess of normal recovery timescales, with adverse impact on the wider community.	Life-threatening or multiple serious injuries (to staff or service users) or prolonged workplace stress. Severe impact on morale and service performance. Mass strike actions etc.	Critical impact on the reputation or brand of the organisation. Intense political and media scrutiny i.e., national front-page headlines, TV.	Possible criminal, or high-profile civil action against the Council, Members or officers. Statutory intervention triggered with impact across the whole Council. Critical breach in laws and regulations that could result in severe fines or consequences.	Failure of major projects and/or politically unacceptable increase on project budget/cost. Elected Members are required to intervene.	Critical Priority
MAJOR	Major financial loss. Service budgets exceeded (£200k to £1 million*)	Disruption to core activities. Some services compromised. Management Team action required to overcome medium-term difficulties.	Serious injuries or stressful experience (for staff member or service user) requiring medical attention/ many workdays lost. Major impact on morale and performance of staff.	Major impact on the reputation or brand of the organisation. Unfavourable media coverage. Noticeable impact on public opinion.	Major breach in laws and regulations resulting in major fines and consequences. Scrutiny required by external agencies.	Key targets missed. Major increase on project budget/ cost. Major reduction to project scope or quality.	High Priority
MODERATE	Moderate financial loss. Handled within the team (£50k to £200k*)	Significant short-term disruption of non-core activities. Standing Orders occasionally not complied with, or services do not fully meet needs. Service Manager action will be required.	Injuries (to staff member or service user) or stress levels requiring some medical treatment, potentially some workdays lost. Some impact on morale and performance or staff.	Moderate impact on the reputation or brand of the organisation. Limited unfavourable media coverage.	Moderate breach in laws and regulations resulting in fines and consequences. Scrutiny required by internal committees or internal audit to prevent escalation.	Delays may impact project scope or quality (or overall project must be re-scheduled). Small increase on project budget/cost. Handled within the project team.	Medium Priority
MINOR	Minor financial loss (< £50k*)	Minor errors in systems/ operations or processes requiring Service Manager or Team Leader action. Little or no impact on service users.	Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale.	Minor impact on the reputation of the organisation.	Minor breach in laws and regulations with limited consequences.	Minor delay without impact on overall schedule. Minimal effect on project budget/cost or quality.	Low Priority

*Please note financial limits are a guide only and may be overridden by other consequences.